

SALE DATE: MAY 6, 2015
 SALE TIME: LTGO TAX-EXEMPT BONDS: 7:30 A.M., PACIFIC TIME
 UTGO BONDS: 8:00 A.M., PACIFIC TIME
 LTGO TAXABLE BONDS: 8:30 A.M., PACIFIC TIME

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 29, 2015

New Issue
 Book-Entry Only

| | | |
|-------------------------------|-------------|-------------|
| RATINGS | LTGO | UTGO |
| Moody's: | Aa1 | Aaa |
| Standard & Poor's: | AAA | AAA |
| Fitch: | AA+ | AAA |

(See "Other Bond Information—Ratings on the Bonds.")

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issue date of the Bonds, interest on the Limited Tax General Obligation Improvement and Refunding Bonds, 2015A, and the Unlimited Tax General Obligation Improvement Bonds, 2015 (either separately or collectively, the "Tax-Exempt Bonds"), is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Tax-Exempt Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Tax-Exempt Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Tax-Exempt Bonds received by certain S corporations may be subject to tax, and interest on the Tax-Exempt Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Tax-Exempt Bonds may have other federal tax consequences for certain taxpayers. In the opinion of Bond Counsel, interest on the Limited Tax General Obligation Improvement Bonds, 2015B (Taxable) is not excludable from gross income for federal income tax purposes. See "Legal and Tax Information" herein.

THE CITY OF SEATTLE, WASHINGTON
\$166,335,000⁽¹⁾
LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2015A

\$156,875,000⁽¹⁾
UNLIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2015

\$28,175,000⁽¹⁾
LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2015B (TAXABLE)

DATED: DATE OF INITIAL DELIVERY

**DUE: LTGO TAX-EXEMPT BONDS—DECEMBER 1, 2015, AND
 JUNE 1 THEREAFTER, AS SHOWN ON PAGE i
 UTGO BONDS—DECEMBER 1, AS SHOWN ON PAGE ii
 LTGO TAXABLE BONDS—APRIL 1, AS SHOWN ON PAGE iii**

The City of Seattle, Washington (the "City"), will issue its Limited Tax General Obligation Improvement and Refunding Bonds, 2015A (the "LTGO Tax-Exempt Bonds"), Unlimited Tax General Obligation Improvement Bonds, 2015 (the "UTGO Bonds"), and Limited Tax General Obligation Improvement Bonds, 2015B (Taxable) (the "LTGO Taxable Bonds"), as fully registered bonds under a book-entry only system, registered in the name of Cede & Co. as bondowner and nominee for The Depository Trust Company, New York, New York ("DTC"). In this Official Statement, the LTGO Tax-Exempt Bonds and LTGO Taxable Bonds together are referred to as the "LTGO Bonds" and the LTGO Bonds and UTGO Bonds collectively are referred to as the "Bonds." Additionally, the term "Series" may refer to any series of the Bonds.

DTC will act as initial securities depository for the Bonds. 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 a Series of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds. Interest on the LTGO Tax-Exempt Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2015. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2015. Interest on the LTGO Taxable Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2015. The principal of and interest on the Bonds are payable by the City's Bond Registrar, currently the fiscal agent of the State of Washington (currently U.S. Bank National Association), to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described in "Description of the Bonds—Registration and Book-Entry Transfer System" and in Appendix D.

The LTGO Tax-Exempt Bonds are being issued to pay or reimburse the costs of certain capital improvements, to refund certain of the City's outstanding limited tax general obligation bonds, and to pay the costs of issuing the LTGO Tax-Exempt Bonds and administering the Refunding Plan. The UTGO Bonds are voter-approved bonds being issued to pay or reimburse the costs of the replacement of the seawall and associated public facilities and infrastructure and to pay the costs of issuing the UTGO Bonds. The LTGO Taxable Bonds are being issued to assist a City-created public development authority in undertaking certain capital improvements and to pay the costs of issuing the LTGO Taxable Bonds. See "Use of Proceeds."

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

The Bonds are general obligations of the City. The LTGO Bonds are secured by the City's irrevocable pledge to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the LTGO Bonds. The UTGO Bonds are secured by the City's irrevocable pledge to include in its budget and to levy taxes annually without limitation as to rate or amount on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the UTGO Bonds. The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the respective taxes pledged to the Bonds and the prompt payment of the principal of and interest on the Bonds. The Bonds do not constitute a debt of the State of Washington or any political subdivision thereof other than the City.

Each Series of Bonds is offered for delivery by the Underwriter of such Series when, as, and if issued, subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The forms of Bond Counsel's opinions are attached hereto as Appendix A. It is expected that each Series of the Bonds will be available for delivery at DTC's facilities in New York, New York, or delivered to the Bond Registrar on behalf of DTC for closing by Fast Automated Securities Transfer on or about May 21, 2015.

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 in making an informed investment decision.

Dated: _____

(1) Preliminary, subject to change.

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

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 D—Book-Entry Transfer System, which has been obtained from DTC’s website, or other information provided by parties other than the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made by use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

Information on website addresses set forth in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon in making investment decisions regarding 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.

In connection with this offering, the Underwriter(s) may over allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued or recommenced at any time without prior notice to any person.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Legislation 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 presentation of certain information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. Information relating to debt and tax limitations is based on existing statutes and constitutional provisions. Changes in State law could also alter these provisions.

The information set forth in the City’s Comprehensive Annual Financial Statements (“CAFR”) that is included in Appendix B speaks only as of the date of the CAFR and is subject to revision or restatement in accordance with applicable accounting principles and procedures. The City specifically disclaims any obligation to update this information except to the extent described under “Legal and Tax Information—Continuing Disclosure Undertaking.”

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

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

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

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

MATURITY SCHEDULE

\$166,335,000⁽¹⁾

THE CITY OF SEATTLE, WASHINGTON

LIMITED TAX GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS, 2015A

| Due June 1 | Amounts⁽¹⁾ | Interest Rates | Yields | Prices | CUSIP Numbers |
|-------------------|------------------------------|---------------------------|---------------|---------------|----------------------|
| Dec. 1, 2015 | \$ 1,890,000 | | | | |
| 2016 | 6,810,000 | | | | |
| 2017 | 7,465,000 | | | | |
| 2018 | 7,440,000 | | | | |
| 2019 | 14,045,000 | | | | |
| 2020 | 13,580,000 | | | | |
| 2021 | 20,910,000 | | | | |
| 2022 | 17,765,000 | | | | |
| 2023 | 13,510,000 | | | | |
| 2024 | 14,045,000 | | | | |
| 2025 | 14,675,000 | | | | |
| 2026 | 15,435,000 ⁽²⁾ | | | | |
| 2027 | 5,540,000 ⁽²⁾ | | | | |
| 2028 | 4,300,000 ⁽²⁾ | | | | |
| 2029 | 1,085,000 ⁽²⁾ | | | | |
| 2030 | 1,145,000 ⁽²⁾ | | | | |
| 2031 | 1,215,000 ⁽²⁾ | | | | |
| 2032 | 1,275,000 ⁽²⁾ | | | | |
| 2033 | 1,330,000 ⁽²⁾ | | | | |
| 2034 | 1,405,000 ⁽²⁾ | | | | |
| 2035 | 1,470,000 ⁽²⁾ | | | | |

(1) Preliminary, subject to change.

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

MATURITY SCHEDULE

\$156,875,000⁽¹⁾

**THE CITY OF SEATTLE, WASHINGTON
UNLIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2015**

| Due December 1 | Amounts | Interest Rates | Yields | Prices | CUSIP Numbers |
|---------------------------|----------------|---------------------------|---------------|---------------|----------------------|
| 2016 | \$ 2,875,000 | | | | |
| 2017 | 2,935,000 | | | | |
| 2018 | 3,020,000 | | | | |
| 2019 | 3,110,000 | | | | |
| 2020 | 3,205,000 | | | | |
| 2021 | 3,300,000 | | | | |
| 2022 | 3,435,000 | | | | |
| 2023 | 3,570,000 | | | | |
| 2024 | 3,715,000 | | | | |
| 2025 | 3,865,000 | | | | (2) |
| 2026 | 4,055,000 | | | | (2) |
| 2027 | 4,260,000 | | | | (2) |
| 2028 | 4,470,000 | | | | (2) |
| 2029 | 4,695,000 | | | | (2) |
| 2030 | 4,930,000 | | | | (2) |
| 2031 | 5,175,000 | | | | (2) |
| 2032 | 5,435,000 | | | | (2) |
| 2033 | 5,705,000 | | | | (2) |
| 2034 | 5,990,000 | | | | (2) |
| 2035 | 6,290,000 | | | | (2) |
| 2036 | 6,605,000 | | | | (2) |
| 2037 | 6,935,000 | | | | (2) |
| 2038 | 7,285,000 | | | | (2) |
| 2039 | 7,645,000 | | | | (2) |
| 2040 | 8,030,000 | | | | (2) |
| 2041 | 8,430,000 | | | | (2) |
| 2042 | 8,855,000 | | | | (2) |
| 2043 | 9,295,000 | | | | (2) |
| 2044 | 9,760,000 | | | | (2) |

(1) Preliminary, subject to change.

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

MATURITY SCHEDULE

\$28,175,000⁽¹⁾

**THE CITY OF SEATTLE, WASHINGTON
LIMITED TAX GENERAL OBLIGATION IMPROVEMENT BONDS, 2015B (TAXABLE)**

| Due April 1 | Amounts⁽¹⁾ | Interest Rates | Yields | Prices | CUSIP Numbers |
|--------------------|------------------------------|---------------------------|---------------|---------------|----------------------|
| 2016 | \$ 1,115,000 | | | | |
| 2017 | 1,125,000 | | | | |
| 2018 | 1,135,000 | | | | |
| 2019 | 1,150,000 | | | | |
| 2020 | 1,175,000 | | | | |
| 2021 | 1,200,000 | | | | |
| 2022 | 1,225,000 | | | | |
| 2023 | 1,260,000 | | | | |
| 2024 | 1,295,000 | | | | |
| 2025 | 1,335,000 | | | | |
| 2026 | 1,375,000 ⁽²⁾ | | | | |
| 2027 | 1,415,000 ⁽²⁾ | | | | |
| 2028 | 1,465,000 ⁽²⁾ | | | | |
| 2029 | 1,515,000 ⁽²⁾ | | | | |
| 2030 | 1,570,000 ⁽²⁾ | | | | |
| 2031 | 1,630,000 ⁽²⁾ | | | | |
| 2032 | 1,695,000 ⁽²⁾ | | | | |
| 2033 | 1,760,000 ⁽²⁾ | | | | |
| 2034 | 1,830,000 ⁽²⁾ | | | | |
| 2035 | 1,905,000 ⁽²⁾ | | | | |

(1) Preliminary, subject to change.

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

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THE CITY OF SEATTLE
CITY OFFICIALS AND CONSULTANTS

MAYOR AND CITY COUNCIL

| | |
|------------------|-------------------------|
| Edward B. Murray | Mayor |
| Tim Burgess | President, City Council |
| Sally Bagshaw | Council Member |
| Jean Godden | Council Member |
| Bruce Harrell | Council Member |
| Nick Licata | Council Member |
| Mike O'Brien | Council Member |
| John Okamoto | Council Member |
| Tom Rasmussen | Council Member |
| Kshama Sawant | Council Member |

CITY ADMINISTRATION

| | |
|--------------|---------------------|
| Glen M. Lee | Director of Finance |
| Peter Holmes | City Attorney |

BOND COUNSEL

Foster Pepper PLLC
Seattle, Washington

FINANCIAL ADVISOR

Piper Jaffray & Co./Seattle-Northwest Division
Seattle, Washington

BOND REGISTRAR

Washington State Fiscal Agent
U.S. Bank National Association

OFFICIAL NOTICE OF BOND SALE

THE CITY OF SEATTLE, WASHINGTON

\$166,335,000⁽¹⁾

LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2015A

\$156,875,000⁽¹⁾

UNLIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2015

\$28,175,000⁽¹⁾

LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2015B (TAXABLE)

Separate electronic bids for the purchase of The City of Seattle Limited Tax General Obligation Improvement and Refunding Bonds, 2015A (the "LTGO Tax-Exempt Bonds"), the Unlimited Tax General Obligation Improvement Bonds, 2015 (the "UTGO Bonds"), and the Limited Tax General Obligation Improvement Bonds, 2015B (Taxable) (the "LTGO Taxable Bonds"), will be received by the Director of Finance of The City of Seattle, Washington (the "City"), via the BidCOMP/Parity Electronic Bid Submission System ("Parity"), in the manner described below, on

MAY 6, 2015, AT

LTGO TAX-EXEMPT BONDS: 7:30 A.M., PACIFIC TIME,

UTGO BONDS: 8:00 A.M., PACIFIC TIME,

LTGO TAXABLE BONDS: 8:30 A.M., PACIFIC TIME,

or such other day or time and under such other terms and conditions as may be established by the Director of Finance and provided to Parity and i-Deal Prospectus as described under "Modification, Cancellation, Postponement."

In this Official Notice of Bond Sale, the LTGO Tax-Exempt Bonds and the LTGO Taxable Bonds together are referred to as the "LTGO Bonds," and the LTGO Bonds and UTGO Bonds collectively are referred to as the "Bonds." Additionally, the term "Tax-Exempt Bonds" is used to refer to the LTGO Tax-Exempt Bonds and the UTGO Bonds, either separately or collectively, and the term "Series" may refer to any series of the Bonds.

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

No bid will be received after the cut-off time for receiving bids specified above. All proper bids received with respect to a Series of the Bonds will be considered and acted on by the City Council at approximately 1:30 p.m., Pacific Time, on May 6, 2015. Each bidder (and not the City) is responsible for the timely electronic delivery of its bid. The official time will be determined by the City and not by any bidder or Parity. No bid will be awarded until the City Council has adopted a resolution accepting the bid at its meeting.

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

Modification, Cancellation, Postponement

The City may modify the terms of this Official Notice of Bond Sale prior to the cut-off time for receiving bids if the City elects to change the principal amounts or the redemption or other provisions or increase or decrease the total principal amount or the amounts of individual maturities of Bonds. Any such modification will be provided to Parity and i-Deal Prospectus on or before May 5, 2015. In addition, the City may cancel or postpone the date and time for receiving bids for any or all Series of the Bonds at any time prior to the cut-off time for receiving bids. Notice of such cancellation or postponement will be provided to Parity and i-Deal Prospectus as soon as practicable following such cancellation or postponement. As an accommodation to bidders, telephone, facsimile, or electronic

(1) Preliminary, subject to change.

notice of any such modification, cancellation, or postponement will be given to any bidder requesting such notice from the City's Financial Advisor at the address and phone number provided under "Contact Information" below. Failure of any bidder to receive such notice will not affect the legality of the sale.

CONTACT INFORMATION

| | |
|-------------------|---|
| Finance Division | Michael van Dyck, City of Seattle (206) 684-8347 <i>michael.vandyck@seattle.gov</i> |
| Financial Advisor | Rob Shelley, Piper Jaffray & Co./Seattle-Northwest Division Office phone: (206) 628-2879 Day of sale phone: (206) 601-2249 <i>robert.e.shelley@pjc.com</i> |
| Bond Counsel | Alice Ostdiek, Foster Pepper PLLC (206) 447-4663 <i>ostda@foster.com</i> |

DESCRIPTION OF THE BONDS

Bond Details

The Bonds will be dated the date of their initial delivery. Interest on the LTGO Tax-Exempt Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2015. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2015. Interest on the LTGO Taxable Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2015.

Registration and Book-Entry Transfer System

The Bonds will be issued initially as fully registered bonds and registered in the name of Cede & Co. as nominee for DTC. The Bonds will be held fully immobilized in book-entry form by DTC, which will act as the initial Securities Depository for the Bonds. Individual purchases and sales of the Bonds will be made in book-entry form only in denominations of \$5,000 or integral multiples thereof within a maturity of a Series of the Bonds ("Authorized Denominations"). Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the Bonds. So long as the Bonds are held in book-entry form, the Securities Depository will be deemed to be the Registered Owner of the Bonds and all references herein to the Registered Owners will mean Cede & Co., as nominee of DTC, or its successor and will not mean the Beneficial Owners of the Bonds.

Election of Maturities

LTGO Tax-Exempt Bonds. The successful bidder for the LTGO Tax-Exempt Bonds shall designate whether some or all of the principal amounts of the LTGO Tax-Exempt Bonds maturing on and after June 1, 2026, shall be retired as shown in the table below as serial bonds maturing in such year or as amortization installments of LTGO Tax-Exempt Term Bonds maturing in the years specified by the bidder. LTGO Tax-Exempt Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

LTGO TAX-EXEMPT BONDS

| | Serial Maturities | | Serial Maturities | |
|--------------|-------------------|-----------------------------|-------------------|------------------------------|
| | Years | or Amortization | Years | or Amortization |
| | (June 1) | Installments ⁽¹⁾ | (June 1) | Installments ⁽¹⁾ |
| Dec. 1, 2015 | \$ 1,890,000 | | 2026 | \$ 15,435,000 ⁽²⁾ |
| 2016 | 6,810,000 | | 2027 | 5,540,000 ⁽²⁾ |
| 2017 | 7,465,000 | | 2028 | 4,300,000 ⁽²⁾ |
| 2018 | 7,440,000 | | 2029 | 1,085,000 ⁽²⁾ |
| 2019 | 14,045,000 | | 2030 | 1,145,000 ⁽²⁾ |
| 2020 | 13,580,000 | | 2031 | 1,215,000 ⁽²⁾ |
| 2021 | 20,910,000 | | 2032 | 1,275,000 ⁽²⁾ |
| 2022 | 17,765,000 | | 2033 | 1,330,000 ⁽²⁾ |
| 2023 | 13,510,000 | | 2034 | 1,405,000 ⁽²⁾ |
| 2024 | 14,045,000 | | 2035 | 1,470,000 ⁽²⁾ |
| 2025 | 14,675,000 | | | |

-
- (1) Preliminary, subject to change. See “Bidding Information and Award—Adjustment of Principal Amounts and Bid Price After Receipt of Bids” below for a description of the City’s right to adjust the principal amounts after the bids are received.
- (2) These amounts will constitute principal maturities of the LTGO Tax-Exempt Bonds unless LTGO Tax-Exempt Term Bonds are specified by the successful bidder, in which case the amounts so specified will constitute mandatory sinking fund redemptions of LTGO Tax-Exempt Term Bonds.

UTGO Bonds. The successful bidder for the UTGO Bonds shall designate whether some or all of the principal amounts of the UTGO Bonds maturing on and after December 1, 2025, shall be retired as shown in the table below as serial bonds maturing in such year or as amortization installments of UTGO Term Bonds maturing in the years specified by the bidder. UTGO Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

UTGO BONDS

| | Serial Maturities | | Serial Maturities | |
|------|--------------------------|-----------------------------|-------------------|-----------------------------|
| | Years | or Amortization | Years | or Amortization |
| | (Dec. 1) | Installments ⁽¹⁾ | (Dec. 1) | Installments ⁽¹⁾ |
| 2016 | \$ 2,875,000 | | 2031 | \$ 5,175,000 ⁽²⁾ |
| 2017 | 2,935,000 | | 2032 | 5,435,000 ⁽²⁾ |
| 2018 | 3,020,000 | | 2033 | 5,705,000 ⁽²⁾ |
| 2019 | 3,110,000 | | 2034 | 5,990,000 ⁽²⁾ |
| 2020 | 3,205,000 | | 2035 | 6,290,000 ⁽²⁾ |
| 2021 | 3,300,000 | | 2036 | 6,605,000 ⁽²⁾ |
| 2022 | 3,435,000 | | 2037 | 6,935,000 ⁽²⁾ |
| 2023 | 3,570,000 | | 2038 | 7,285,000 ⁽²⁾ |
| 2024 | 3,715,000 | | 2039 | 7,645,000 ⁽²⁾ |
| 2025 | 3,865,000 ⁽²⁾ | | 2040 | 8,030,000 ⁽²⁾ |
| 2026 | 4,055,000 ⁽²⁾ | | 2041 | 8,430,000 ⁽²⁾ |
| 2027 | 4,260,000 ⁽²⁾ | | 2042 | 8,855,000 ⁽²⁾ |
| 2028 | 4,470,000 ⁽²⁾ | | 2043 | 9,295,000 ⁽²⁾ |
| 2029 | 4,695,000 ⁽²⁾ | | 2044 | 9,760,000 ⁽²⁾ |
| 2030 | 4,930,000 ⁽²⁾ | | | |

-
- (1) Preliminary, subject to change. See “Bidding Information and Award—Adjustment of Principal Amounts and Bid Price After Receipt of Bids” below for a description of the City’s right to adjust the principal amounts after the bids are received.
- (2) These amounts will constitute principal maturities of the UTGO Bonds unless UTGO Term Bonds are specified by the successful bidder, in which case the amounts so specified will constitute mandatory sinking fund redemptions of UTGO Term Bonds.

LTGO Taxable Bonds. The successful bidder for the LTGO Taxable Bonds shall designate whether some or all of the principal amounts of the LTGO Taxable Bonds maturing on and after April 1, 2026, shall be retired as shown in the table below as serial bonds maturing in such year or as amortization installments of LTGO Taxable Term Bonds maturing in the years specified by the bidder. LTGO Taxable Term Bonds, if any, must consist of the total principal payments of two or more consecutive years and mature in the latest of those years.

LTGO TAXABLE BONDS

| Years (Apr. 1) | Serial Maturities or Amortization Installments ⁽¹⁾ | Years (Apr. 1) | Serial Maturities or Amortization Installments ⁽¹⁾ |
|-------------------|---|-------------------|---|
| 2016 | \$ 1,115,000 | 2026 | \$ 1,375,000 ⁽²⁾ |
| 2017 | 1,125,000 | 2027 | 1,415,000 ⁽²⁾ |
| 2018 | 1,135,000 | 2028 | 1,465,000 ⁽²⁾ |
| 2019 | 1,150,000 | 2029 | 1,515,000 ⁽²⁾ |
| 2020 | 1,175,000 | 2030 | 1,570,000 ⁽²⁾ |
| 2021 | 1,200,000 | 2031 | 1,630,000 ⁽²⁾ |
| 2022 | 1,225,000 | 2032 | 1,695,000 ⁽²⁾ |
| 2023 | 1,260,000 | 2033 | 1,760,000 ⁽²⁾ |
| 2024 | 1,295,000 | 2034 | 1,830,000 ⁽²⁾ |
| 2025 | 1,335,000 | 2035 | 1,905,000 ⁽²⁾ |

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

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

Redemption

Optional Redemption—LTGO Tax-Exempt Bonds. The LTGO Tax-Exempt Bonds maturing on and before June 1, 2025, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the LTGO Tax-Exempt Bonds maturing on and after June 1, 2026, prior to their stated maturity dates at any time on and after June 1, 2025, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption. See “Description of the Bonds—Redemption of Bonds—Optional Redemption—LTGO Tax-Exempt Bonds” in the Preliminary Official Statement.

Optional Redemption—UTGO Bonds. The UTGO Bonds maturing on and before December 1, 2024, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the UTGO Bonds maturing on and after December 1, 2025, prior to their stated maturity dates at any time on and after June 1, 2025, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption. See “Description of the Bonds—Redemption of Bonds—Optional Redemption—UTGO Bonds” in the Preliminary Official Statement.

Optional Redemption—LTGO Taxable Bonds. The LTGO Taxable Bonds maturing on and before April 1, 2025, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the LTGO Taxable Bonds maturing on and after April 1, 2026, prior to their stated maturity dates at any time on and after April 1, 2025, as a whole or in part, at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption. See “Description of the Bonds—Redemption of Bonds—Optional Redemption—LTGO Taxable Bonds” in the Preliminary Official Statement.

Mandatory Redemption. As indicated on the schedules above, Bonds of any Series that are designated by the successful bidder for such Series as Term Bonds will be subject to mandatory sinking fund redemption. See “Description of the Bonds—Redemption of Bonds—Mandatory Redemption” in the Preliminary Official Statement.

Selection of Bonds for Redemption. If fewer than all of the Bonds of a Series are to be redeemed prior to maturity, the selection of such Bonds for redemption shall be made as described under “Description of the Bonds—Redemption of Bonds—Selection of Bonds for Redemption” in the Preliminary Official Statement.

Purpose

The LTGO Tax-Exempt Bonds are being issued to (i) pay or reimburse the City for the costs of certain capital improvements, (ii) depending on market conditions, refund certain of its outstanding limited tax general obligation bonds, and (iii) pay the costs of issuing the LTGO Tax-Exempt Bonds and administering the Refunding Plan.

The UTGO Bonds are the third series of voter-approved bonds that were approved on November 6, 2012, and are being issued to pay or reimburse a part of the costs of the replacement of the seawall and associated public facilities and infrastructure and to pay the costs of issuing the UTGO Bonds.

The LTGO Taxable Bonds are being issued to assist the Pike Place Market Preservation and Development Authority in undertaking certain capital improvements and to pay the costs of issuing the LTGO Taxable Bonds.

See “Use of Proceeds” in the Preliminary Official Statement.

Security

The Bonds are general obligations of the City.

The LTGO Bonds are secured by the City’s irrevocable pledge to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the LTGO Bonds.

The UTGO Bonds are secured by the City’s irrevocable pledge to include in its budget and to levy taxes annually without limitation as to rate or amount on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the UTGO Bonds.

The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the respective taxes pledged to the Bonds and the prompt payment of the principal of and interest on the Bonds. The City’s authority to levy and collect taxes is subject to certain limitations, as more fully described in the Preliminary Official Statement.

The Bonds do not constitute a debt or indebtedness of the State of Washington (the “State”) or any political subdivision of the State other than the City or a debt of any proprietary or enterprise fund of the City (including the City’s utilities) or of any public development authority chartered by the City.

BIDDING INFORMATION AND AWARD

Bidders are invited to submit separate bids for the purchase of any or all Series of the Bonds fixing the interest rate or rates that such Series of the Bonds will bear. Interest rates included as part of bids for either the LTGO Tax-Exempt Bonds or the UTGO Bonds shall be in multiples of 1/8 or 1/20 of 1%, or any combination thereof. Interest rates included as part of bids for the LTGO Taxable Bonds shall be in multiples of 1/8 or 1/100 of 1%, or any combination thereof. No more than one rate of interest may be fixed for any one maturity of a Series of the Bonds. For the LTGO Tax-Exempt Bonds maturing on and after June 1, 2026, and the UTGO Bonds maturing on and after December 1, 2025, no interest rate less than 4.00% may be used.

No bid will be considered for the LTGO Tax-Exempt Bonds that is less than an amount equal to 109% of the stated principal amount of the LTGO Tax-Exempt Bonds nor more than an amount equal to 120% of the stated principal amount of the LTGO Tax-Exempt Bonds.

No bid will be considered for the UTGO Bonds that is less than an amount equal to 107% of the stated principal amount of the UTGO Bonds nor more than an amount equal to 119% of the stated principal amount of the UTGO Bonds.

No bid will be considered for the LTGO Taxable Bonds that is less than an amount equal to 98.5% of the stated principal amount of the LTGO Taxable Bonds nor more than an amount equal to 101% of the stated principal amount of the LTGO Taxable Bonds.

For the purpose of this section, “price” means the lesser of the price at the redemption date, if any, or the price at the maturity date.

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

Bidding Process

Bids for each Series of the Bonds must be submitted separately via Parity.

By submitting an electronic bid for a Series of the Bonds, each bidder thereby agrees to the following terms and conditions:

- (i) If any provision in this Official Notice of Bond Sale conflicts with information or terms provided or required by Parity, this Official Notice of Bond Sale (including any modifications provided by the City to Parity and i-Deal Prospectus) shall control.
- (ii) Each bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting a timely bid in compliance with the requirements of this Official Notice of Bond Sale (including any modifications provided by the City to Parity and i-Deal Prospectus).
- (iii) The City has no duty or obligation to provide or assure access to Parity, and the City shall not be responsible for the proper operation of Parity, or have any liability for any delays or interruptions or any damages caused by use or attempted use of Parity.
- (iv) Parity is acting as an independent contractor, and is not acting for or on behalf of the City.
- (v) The City is not responsible for ensuring or verifying bidder compliance with Parity’s procedures.
- (vi) If the bidder’s bid is accepted by the City, this Official Notice of Bond Sale (including any modifications provided by the City to Parity and i-Deal Prospectus) and the information that is submitted electronically through Parity shall form a contract, and the bidder shall be bound by the terms of such contract.
- (vii) Information provided by Parity to bidders shall form no part of any bid or of any contract between the successful bidder and the City unless that information is included in this Official Notice of Bond Sale (including any modifications provided by the City to Parity and i-Deal Prospectus).

Good Faith Deposit

To be considered by the City Council, a bid must be backed by a good faith deposit in the amount of \$1,700,000 with respect to the LTGO Tax-Exempt Bonds, \$1,600,000 with respect to the UTGO Bonds, and \$300,000 with respect to the LTGO Taxable Bonds. The good faith deposit for each Series of the Bonds must be paid by federal funds wire transfer within 90 minutes after notice from the City to the apparent successful bidder for such Series. Wiring instructions will be provided to the apparent successful bidder for each Series at the time of the notice from the City.

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

Award

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

bids received, the Director of Finance will determine by random selection which bid will be presented to the City Council.

The apparent successful bidder for each Series of the Bonds will be notified by the City and must provide a good faith deposit as described above. The bid for each Series will be presented to the City Council at approximately 1:30 p.m., Pacific Time, on the date set for receiving bids and shall remain in effect until 5:00 p.m., Pacific Time, on that date. Such bid shall be considered awarded upon the City Council's adoption of a resolution accepting the bid.

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

Adjustment of Principal Amounts and Bid Price After Receipt of Bids

The City reserves the right to increase or decrease the preliminary aggregate principal amount of the LTGO Tax-Exempt Bonds shown on Parity by an amount not to exceed 10% of the aggregate principal amount of the LTGO Tax-Exempt Bonds after the cut-off time for receiving bids. The City also reserves the right to increase or decrease the preliminary principal amount of any maturity of the LTGO Tax-Exempt Bonds shown on Parity by an amount not to exceed the greater of 15% of the preliminary principal amount of that maturity or \$700,000.

The City reserves the right to increase or decrease the preliminary aggregate principal amount of the UTGO Bonds shown on Parity by an amount not to exceed 10% of the aggregate principal amount of the UTGO Bonds after the cut-off time for receiving bids. The City also reserves the right to increase or decrease the preliminary principal amount of any maturity of the UTGO Bonds shown on Parity by an amount not to exceed the greater of 20% of the preliminary principal amount of that maturity or \$500,000.

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

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

Issue Price Information

Upon award of a Series of the Bonds, the successful bidder for such Series shall advise the City and Bond Counsel of the initial reoffering prices to the public of each maturity of such Series (the "Initial Reoffering Prices"), for the City's inclusion in the final Official Statement for the Bonds. Prior to delivery of a Series of Tax-Exempt Bonds, the successful bidder for such Series shall furnish to the City and Bond Counsel a certificate in form and substance acceptable to Bond Counsel:

- (i) confirming the Initial Reoffering Prices of such Series of Tax-Exempt Bonds,
- (ii) certifying that a *bona fide* offering of such Series of Tax-Exempt Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries),
- (iii) stating the first price at which a substantial amount (at least 10%) of each maturity of such Series of Tax-Exempt Bonds was sold to the public (excluding bond houses, brokers, and other intermediaries), and
- (iv) if the first price at which a substantial amount of any maturity of such Series of Tax-Exempt Bonds is sold does not conform to the Initial Reoffering Price of that maturity, providing an explanation of the facts and circumstances that resulted in that nonconformity.

A draft form of such certificate will be available prior to the sale date from the City's Financial Advisor. See "Contact Information" in this Official Notice of Bond Sale.

Insurance

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

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

Ratings

The LTGO Bonds have been rated "Aa1," "AAA," and "AA+" and the UTGO Bonds have been rated "Aaa," "AAA," and "AAA" by Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings, respectively. The City will pay the fees for these ratings; any other ratings are the responsibility of the successful bidder.

DELIVERY

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

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

The City will furnish to the successful bidder for each Series of the Bonds one CD-ROM transcript of proceedings; additional transcripts will be furnished at the successful bidder's cost.

Legal Opinions

The approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel, with respect to each Series of the Bonds will be provided to the successful bidder for such Series at the time of the delivery of such Series. The forms of Bond Counsel's opinions are attached to the Preliminary Official Statement as Appendix A. A no-litigation certificate from the City will be included in the closing documents for the Bonds.

CUSIP Numbers

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

The successful bidder for each Series of the Bonds is responsible for obtaining CUSIP numbers for such Series. The charge of the CUSIP Service Bureau shall be paid by such successful bidder.

PRELIMINARY OFFICIAL STATEMENT

THE CITY OF SEATTLE, WASHINGTON

\$166,335,000⁽¹⁾

**LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT AND REFUNDING BONDS, 2015A**

\$156,875,000⁽¹⁾

**UNLIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2015**

\$28,175,000⁽¹⁾

**LIMITED TAX GENERAL OBLIGATION
IMPROVEMENT BONDS, 2015B (TAXABLE)**

INTRODUCTION

The purpose of this Official Statement, which includes the cover, inside cover, and appendices, is to set forth certain information concerning The City of Seattle, Washington (the “City”), a municipal corporation duly organized and existing under and by virtue of the laws of the State of Washington (the “State”), in connection with the offering of \$166,335,000⁽¹⁾ aggregate principal amount of its Limited Tax General Obligation Improvement and Refunding Bonds, 2015A (the “LTGO Tax-Exempt Bonds”), \$156,875,000⁽¹⁾ aggregate principal amount of its Unlimited Tax General Obligation Improvement Bonds, 2015 (the “UTGO Bonds”), and \$28,175,000⁽¹⁾ aggregate principal amount of its Limited Tax General Obligation Improvement Bonds, 2015B (Taxable) (the “LTGO Taxable Bonds”). In this Official Statement, the LTGO Tax-Exempt Bonds and the LTGO Taxable Bonds together are referred to as the “LTGO Bonds” and the LTGO Bonds and UTGO Bonds collectively are referred to as the “Bonds.” Additionally, the term “Tax-Exempt Bonds” is used to refer to the LTGO Tax-Exempt Bonds and the UTGO Bonds, either separately or collectively, and the term “Series” may refer to any series of the Bonds.

Appendix A to this Official Statement includes the forms of the legal opinions of Foster Pepper PLLC of Seattle, Washington (“Bond Counsel”). Appendix B contains the City’s 2013 Comprehensive Annual Financial Report. Appendix C provides economic and demographic information for the City. Appendix D is a description provided on its website by The Depository Trust Company, New York, New York (“DTC”), of DTC procedures with respect to book-entry bonds. Capitalized terms that are not defined herein have the meanings set forth in the Bond Legislation (defined below).

All of the summaries of provisions of 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.

DESCRIPTION OF THE BONDS

Authorization for the Bonds

The Bonds are to be issued by the City pursuant to the State Constitution, Titles 35 and 39 of the Revised Code of Washington (“RCW”), and the Seattle City Charter. In addition, the new money and refunding portions of the LTGO Bonds are authorized by Ordinances 124637 and 121651 (as amended by Ordinance 122286 and as amended and restated by Ordinance 124343), respectively, and Resolution _____, and the UTGO Bonds are authorized by Ordinance 124125 and Resolution _____ (collectively, the “Bond Legislation”).

(1) Preliminary, subject to change.

Additionally, the UTGO Bonds are authorized pursuant to a favorable vote at an election held in the City on November 6, 2012, pursuant to Ordinance 123922 of the City, which authorized the City to issue up to \$290,000,000 of unlimited tax general obligation bonds (the “Bond Authorization”) for the purpose of funding the improvement and replacement of the seawall and associated public facilities and infrastructure, including addressing public safety risks and seismic hazards. Final election results were as follows:

| | <u>Number of Votes</u> | <u>Percentage</u> |
|-----|------------------------|-------------------|
| Yes | 246,662 | 76.98% |
| No | 73,776 | 23.02% |

The UTGO Bonds represent the third series of bonds issued under the Bond Authorization. The first series of bonds issued under this authorization was issued on June 4, 2013, and used \$50,000,000 of the total Bond Authorization. The second series of bonds issued under this authorization was issued on April 10, 2014, and used \$17,000,000 of the remaining Bond Authorization. After the issuance of the UTGO Bonds, the remaining Bond Authorization will be \$_____,000. The City expects to issue the amounts remaining under the Bond Authorization in one or more series over the next one to three years.

Principal Amounts, Dates, Interest Rates, and Maturities

The Bonds will be dated the date of their initial issuance and delivery. The LTGO Tax-Exempt Bonds will mature on December 1, 2015, and June 1 thereafter in the years and amounts set forth on page i of this Official Statement. The UTGO Bonds will mature on December 1 in the years and amounts set forth on page ii of this Official Statement. The LTGO Taxable Bonds will mature on April 1 in the years and amounts set forth on page iii of this Official Statement.

Interest on the LTGO Tax-Exempt Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2015, at the rates set forth on page i of this Official Statement. Interest on the UTGO Bonds is payable semiannually on each June 1 and December 1, beginning December 1, 2015, at the rates set forth on page ii of this Official Statement. Interest on the LTGO Taxable Bonds is payable semiannually on each April 1 and October 1, beginning October 1, 2015, at the rates set forth on page iii of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Registration and Book-Entry Transfer System

Book-Entry Transfer System. The Bonds will be issued initially as fully registered bonds and registered in the name of Cede & Co. as nominee for DTC, which will act as the initial Securities Depository for the Bonds. The Bonds will be held in fully immobilized book-entry form by the Securities Depository. Individual purchases and sales of the Bonds will be made in book-entry form only in denominations of \$5,000 or integral multiples thereof within a maturity of the Bonds (“Authorized Denominations”). Purchasers (“Beneficial Owners”) will not receive certificates representing their interest in the Bonds. So long as the Bonds are held in book-entry form, the Securities Depository will be deemed to be the Registered Owner of the Bonds, and all references herein to the Registered Owners will mean Cede & Co., as nominee of DTC, or its successor and will not mean the Beneficial Owners of the Bonds. For information about DTC and its book-entry system, see Appendix D—Book Entry Transfer System. The City makes no representation as to the accuracy or completeness of the information in Appendix D obtained from DTC. Purchasers of the Bonds should confirm this information with DTC or its participants.

Termination of Book-Entry System. If the Bonds are no longer held in book-entry only form by the Securities Depository, the City will execute, authenticate, and deliver, at no cost to the Beneficial Owners, Bonds in fully registered form, in Authorized Denominations. The principal of the Bonds will then be payable upon due presentment and surrender to the Bond Registrar, and interest on the Bonds will then be payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date, to the Registered Owners, at the address appearing upon the registration books 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 on or prior to the Record Date and at the sole expense of the Registered Owner.

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 National Association in Seattle, Washington (or such other fiscal agent or agents as the State may from time to time designate). 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 D—Book-Entry Transfer System.

Transfer and Exchange; Record Date. The Bond Registrar is not obligated to exchange any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment, principal payment, or redemption date. Record Date means, in the case of each interest or principal payment date, the Bond Registrar’s close of business on the 15th day of the month preceding the interest or principal payment date. With regard to redemption of a Bond prior to its maturity, the Record Date means the Bond Registrar’s close of business on the day prior to the date on which the Bond Registrar sends the notice of redemption. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except (i) to any successor Securities Depository, (ii) to any substitute Securities Depository appointed by the City, or (iii) to any person if the Bond is no longer to be held in book-entry only form.

Payment of the Bonds

The principal of and interest on the Bonds are payable by the Bond Registrar to DTC, which is obligated in turn to remit such payments to its participants for subsequent disbursement to Beneficial Owners of the Bonds, as described herein under “Registration and Book-Entry Transfer System” and Appendix D.

In the event that all or a portion of the Bonds are no longer held in book-entry form (see “Registration and Book-Entry Transfer System”), interest on such Bonds is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The City, however, is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least ten days prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of DTC is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar.

Redemption of Bonds

Optional Redemption—LTGO Tax-Exempt Bonds. The LTGO Tax-Exempt Bonds maturing on and before June 1, 2025, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the LTGO Tax-Exempt Bonds maturing on and after June 1, 2026, prior to their stated maturity dates at any time on and after June 1, 2025, 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.

Optional Redemption—UTGO Bonds. The UTGO Bonds maturing on and before December 1, 2024, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the UTGO Bonds maturing on and after December 1, 2025, prior to their stated maturity dates at any time on and after June 1, 2025, 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.

Optional Redemption—LTGO Taxable Bonds. The LTGO Taxable Bonds maturing on and before April 1, 2025, are not subject to redemption prior to maturity. The City reserves the right and option to redeem the LTGO Taxable Bonds maturing on and after April 1, 2026, prior to their stated maturity dates at any time on and after April 1, 2025, 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 previously redeemed as described above or purchased or defeased under the provisions described below, the Term Bonds maturing on _____, will be called for redemption at a price equal to 100% of the stated principal amount to be redeemed plus accrued interest to the date fixed for redemption on _____ 1 in the years and amounts as follows:

| TERM BONDS | | TERM BONDS | | TERM BONDS | |
|--------------|----------------|--------------|----------------|--------------|----------------|
| <u>Years</u> | <u>Amounts</u> | <u>Years</u> | <u>Amounts</u> | <u>Years</u> | <u>Amounts</u> |
| (1) | | (1) | | (1) | |

(1) Maturity.

If the City redeems all or a portion of the Term Bonds under the optional redemption provisions described above or purchases Term Bonds, the Term Bonds so redeemed or purchased (irrespective of their actual redemption or purchase prices) will be credited at the stated principal amount thereof against the remaining mandatory redemption requirements as determined by the Director of the Finance Division of the City’s Department of Finance and Administrative Services (the “Director of Finance”). If the Director of Finance does not make such a determination, credit will be allocated on a *pro rata* basis.

Selection of Bonds for Redemption. If fewer than all of the outstanding Bonds are selected to be redeemed at the option of the City, the Director of Finance will select the Series and maturity or maturities to be redeemed. If fewer than all of a single maturity of a Series of the Bonds are to be redeemed prior to maturity, then:

- (i) if such Bonds are in book-entry form at the time of such redemption, DTC will select the specific Bonds in accordance with the Letter of Representations, and
- (ii) if such Bonds are not in book-entry form at the time of such redemption, the Bond Registrar is required to select the specific Bonds randomly in such manner as the Bond Registrar determines.

All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination.

Notice of Redemption. The City will cause notice of redemption to be given not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice. The notice requirements will be deemed to have been fulfilled when notice is mailed, whether or not it actually is received by the owner of any Bond. As long as a Bond is held in book-entry form, notices with respect to such Bond will be given in accordance with procedures established by DTC. See “Registration and Book-Entry Transfer System” and Appendix D.

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

Effect of Redemption. Interest on Bonds called for redemption will cease to accrue on the date fixed for redemption unless the notice of redemption has been duly rescinded or the Bonds called are not redeemed when presented pursuant to the call.

Purchase

The City reserves the right to purchase in the open market any of the Bonds at any time at any price acceptable to the City plus accrued interest to the date of purchase.

Failure to Pay Bonds

If the principal of any Bond is not paid when properly presented at its maturity or date fixed for redemption, as applicable, the City will be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or date fixed for redemption until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner thereof.

Refunding or Defeasance of Bonds

The City may issue refunding obligations or use money available from any other lawful source to pay when due the principal of and premium, if any, and interest on any Bond or portion of a Bond, to redeem and retire, release, refund, or defease such Bond (the “defeased Bonds”), and to pay the costs of refunding or defeasing the defeased Bonds. If money and/or Government Obligations (defined below) maturing at a time and in an amount sufficient, together with known earned income from the investment thereof, to redeem and retire, release, refund, or defease the defeased Bonds in accordance with their terms, are set aside in a special trust fund or escrow account irrevocably pledged to such redemption, retirement, or defeasance (the “trust account”), then all right and interest of the owners of the defeased Bonds in the covenants of the Bond Legislation and in the funds and accounts pledged to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, will cease and become void. Such owners thereafter have the right to receive payment of the principal of and interest or redemption price on the defeased Bonds from the trust account. After the trust account is established and fully funded, the defeased Bonds will be deemed as no longer outstanding and the City may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes. Notice of refunding or defeasance will be given as specified under “Redemption of Bonds—Notice of Redemption,” and selection of Bonds for any partial refunding or defeasance will be conducted in the manner set forth in the Bond Legislation for the redemption of Bonds.

The term “Government Obligations” has the meaning given in RCW 39.53.010, currently: (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates, or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank system, the Export-Import Bank of the United States, Federal Land Banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, to the extent insured or to the extent guaranteed as permitted under any other provision of State law.

If the City defeases any LTGO Taxable Bonds, such LTGO Taxable Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. See “Legal and Tax Information—Tax Matters—LTGO Taxable Bonds—Defeasance of the LTGO Taxable Bonds.”

Defaults and Remedies; No Acceleration of the Bonds

The Bond Legislation does not enumerate events of default or remedies upon an event of default. In the event of a default, Bond owners would be permitted to pursue remedies permitted by State law.

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.

USE OF PROCEEDS

Purpose

LTGO Tax-Exempt Bonds. A portion of the proceeds of the LTGO Tax-Exempt Bonds will be used to pay or reimburse a part of the costs of the design, construction, renovation, improvement, or replacement of certain projects of the City described in the Bond Legislation and to pay the costs of issuing the LTGO Tax-Exempt Bonds. In addition, if market conditions are favorable, a portion of the proceeds of the LTGO Tax-Exempt Bonds will be used to refund certain of its outstanding obligations (described below under “Refunding Plan”) and to pay the costs of administering the Refunding Plan.

UTGO Bonds. The proceeds of the UTGO Bonds will be used to pay or reimburse a part of the costs of the design, construction, renovation, improvement, and replacement of the existing seawall and related infrastructure (the “City’s Seawall Project”) and to pay the costs of issuing the UTGO Bonds. The City’s Seawall Project comprises one portion of the Alaskan Way Viaduct and Seawall Replacement Program (the “AWVSR Program”), along with other public projects related to the central waterfront redevelopment. For more information on these projects, see “The City of Seattle—Considerations Related to the Alaskan Way Viaduct and Seawall Replacement Program” herein. Any change in the cost of the City’s Seawall Project due to the delays in other portions of the AWVSR Program (or for any other reason) will not affect the City’s pledge to levy taxes for the payment of debt service on the UTGO Bonds. See “Security for the Bonds” herein.

LTGO Taxable Bonds. The proceeds of the LTGO Taxable Bonds will be used to make a grant to the Pike Place Market Preservation and Development Authority (the “Pike Place Market PDA”) to be used in the financing of public plazas and public parking facilities in connection with the Pike Place Market PDA’s “MarketFront Project” (including expansion of a public parking garage and additional public plaza space in coordination with the central waterfront development efforts) and to pay the costs of issuing the LTGO Taxable Bonds. For more information about the AWVSR Program and related central waterfront redevelopment efforts that may affect the MarketFront Project, see “The City of Seattle—Considerations Related to the Alaskan Way Viaduct and Seawall Replacement Program” herein. The agreement between the City and the Pike Place Market PDA provides for a fixed grant amount. The City has no contractual obligation to increase grant funding in relation to any construction risks relating to the MarketFront Project due to delays in any portion of the AWVSR Program or other central waterfront projects or for any other reason.

Sources and Uses of Funds

The proceeds of the Bonds will be applied as follows:

| | LTGO TAX-EXEMPT | UTGO | LTGO TAXABLE | TOTAL |
|---------------------------------------|----------------------------|-------------|-------------------------|--------------|
| SOURCES OF FUNDS | | | | |
| Stated Principal Amount of Bonds | | | | \$ - |
| Net Original Issue Premium (Discount) | | | | - |
| Total Sources of Funds | \$ - | | \$ - | \$ - |
| USES OF FUNDS | | | | |
| Project Fund Deposit | | | | \$ - |
| Refunding Escrow Deposit | | | | - |
| Costs of Issuance ⁽¹⁾ | | | | - |
| Total Uses of Funds | \$ - | | \$ - | \$ - |

(1) Includes legal fees, financial advisory and rating agency fees, printing costs, underwriters’ discount, and other costs of issuing the Bonds and refunding the Refunded Bonds, defined below under “Refunding Plan.”

Refunding Plan

If market conditions are favorable, a portion of the proceeds of the LTGO Tax-Exempt Bonds will be used to refund all or a portion of the bonds identified below (together, the “Refunding Candidates”). The refunding will be undertaken to achieve debt service savings. The Refunding Candidates that are refunded with the proceeds of the Bonds will be identified as the “Refunded Bonds.”

REFUNDING CANDIDATES⁽¹⁾

| Bond | Maturity Date | Par Amount | Coupon (%) | Call Price (%) | Call Date | CUSIP Numbers |
|---|----------------------|---------------------------------|-------------------|-----------------------|------------------|----------------------|
| <i>Limited Tax General Obligation Improvement and Refunding Bonds, 2005</i> | | | | | | |
| Serials | 8/1/2016 | \$ 4,145,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626P94 |
| | 8/1/2017 | 4,365,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626Q28 |
| | 8/1/2018 | 3,285,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812628Q36 |
| | 8/1/2019 | 3,465,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626Q44 |
| | 8/1/2020 | 1,995,000 ⁽²⁾ | 4.375 | 100 | 8/1/2015 | 812626Q51 |
| | 8/1/2021 | 2,085,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626Q69 |
| | 8/1/2022 | 2,200,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626Q77 |
| | 8/1/2023 | 2,315,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626Q85 |
| | 8/1/2024 | 2,440,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626Q93 |
| | 8/1/2025 | 2,570,000 ⁽²⁾ | 5.000 | 100 | 8/1/2015 | 812626R27 |
| | 8/1/2026 | 2,710,000 | 5.000 | 100 | 8/1/2015 | 812626PX1 |
| 2028 Term | 8/1/2028 | <u>5,860,000</u> | 4.625 | 100 | 8/1/2015 | 812626PY9 |
| Subtotal | | \$ 37,435,000 | | | | |
| <i>Limited Tax General Obligation Improvement and Refunding Bonds, 2006</i> | | | | | | |
| Serials | 3/1/2017 | \$ 465,000 ⁽³⁾ | 4.200 | 100 | 3/1/2016 | 812626SB6 |
| | 3/1/2018 | 485,000 ⁽³⁾ | 4.250 | 100 | 3/1/2016 | 812626SC4 |
| | 3/1/2019 | 510,000 ⁽³⁾ | 4.250 | 100 | 3/1/2016 | 812626SD2 |
| | 3/1/2020 | 530,000 ⁽³⁾ | 4.250 | 100 | 3/1/2016 | 812626SE0 |
| | 3/1/2021 | 560,000 ⁽³⁾ | 4.375 | 100 | 3/1/2016 | 812626SF7 |
| | 3/1/2022 | 440,000 | 4.375 | 100 | 3/1/2016 | 812626SG5 |
| | 3/1/2023 | 460,000 | 4.375 | 100 | 3/1/2016 | 812626SH3 |
| | 3/1/2024 | 480,000 | 4.375 | 100 | 3/1/2016 | 812626SJ9 |
| 2026 Term | 3/1/2026 | <u>885,000</u> | 4.500 | 100 | 3/1/2016 | 812626SK6 |
| Subtotal | | \$ 4,815,000 | | | | |
| <i>Limited Tax General Obligation Improvement and Refunding Bonds, 2007</i> | | | | | | |
| Serials | 10/1/2018 | \$ 995,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UH0 |
| | 10/1/2019 | 1,045,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UJ6 |
| | 10/1/2020 | 1,100,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UK3 |
| | 10/1/2021 | 1,150,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UL1 |
| | 10/1/2022 | 1,210,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UM9 |
| | 10/1/2023 | 1,270,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UN7 |
| | 10/1/2024 | 1,335,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UP2 |
| | 10/1/2025 | 1,400,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UQ0 |
| | 10/1/2026 | 1,470,000 ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626UR8 |
| | 10/1/2027 | <u>1,540,000</u> ⁽³⁾ | 5.000 | 100 | 10/1/2017 | 812626US6 |
| Subtotal | | \$ 12,515,000 | | | | |

(1) Preliminary, subject to change.

(2) The 2005 Bonds were previously partially refunded. The 2005 Refunding Candidates consist of the remaining unrefunded balances.

(3) Partial maturities.

REFUNDING CANDIDATES⁽¹⁾ (CONTINUED)

| Bond | Maturity Date | Par Amount | Coupon (%) | Call Price (%) | Call Date | CUSIP Numbers |
|---|----------------------|-----------------------|-------------------|-----------------------|------------------|----------------------|
| <i>Limited Tax General Obligation Improvement and Refunding Bonds, 2008</i> | | | | | | |
| Serials | 12/1/2019 | \$ 6,250,000 | 5.000 | 100 | 12/1/2018 | 812626XA2 |
| | 12/1/2020 | 7,205,000 | 5.000 | 100 | 12/1/2018 | 812626XB0 |
| | 12/1/2021 | 16,610,000 | 5.000 | 100 | 12/1/2018 | 812626XC8 |
| | 12/1/2022 | 13,640,000 | 5.000 | 100 | 12/1/2018 | 812626XD6 |
| | 12/1/2023 | 9,235,000 | 5.000 | 100 | 12/1/2018 | 812626XE4 |
| | 12/1/2024 | 9,670,000 | 5.000 | 100 | 12/1/2018 | 812626XF1 |
| | 12/1/2025 | 10,120,000 | 5.000 | 100 | 12/1/2018 | 812626XG9 |
| | 12/1/2026 | 10,750,000 | 5.000 | 100 | 12/1/2018 | 812626XH7 |
| | 12/1/2027 | 615,000 | 5.000 | 100 | 12/1/2018 | 812626XJ3 |
| | 12/1/2028 | <u>645,000</u> | 5.000 | 100 | 12/1/2018 | 812626XK0 |
| Subtotal | | <u>\$ 84,740,000</u> | | | | |
| Total | | <u>\$ 139,505,000</u> | | | | |

(1) Preliminary, subject to change.

The City will enter into a Refunding Trust Agreement with Zions First National Bank, as Refunding Trustee, upon the delivery of the LTGO Tax-Exempt Bonds, to provide for the refunding of the Refunded Bonds. The Refunding Trust Agreement creates an irrevocable trust fund to be held by the Refunding Trustee and to be applied solely to the payment of the Refunded Bonds. A portion of the proceeds of the LTGO Tax-Exempt Bonds will be deposited with the Refunding Trustee and will be invested in Government Obligations that will mature and bear interest at rates sufficient to pay interest on the Refunded Bonds when due up to and including the respective Call Dates shown in the table above and 100% of the principal of the Refunded Bonds on those respective Call Dates.

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

The mathematical accuracy of (i) the computations of the adequacy of the maturing principal amounts of and interest on the Government Obligations to be held by the Refunding Trustee to pay principal of and interest on the Refunded Bonds as described above, and (ii) the computations supporting the conclusion of Bond Counsel that the LTGO Tax-Exempt Bonds are not “arbitrage bonds” under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), will be verified by Causey Demgen & Moore P.C., independent certified public accountants.

SECURITY FOR THE BONDS

The Bonds are general obligations of the City.

The LTGO Bonds are secured by the City’s irrevocable pledge to include in its budget and levy taxes annually within the constitutional and statutory tax limitations provided by law without a vote of the electors of the City on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the LTGO Bonds.

The UTGO Bonds are secured by the City’s irrevocable pledge to include in its budget and to levy taxes annually without limitation as to rate or amount on all of the taxable property within the City in an amount sufficient, together with other money legally available and to be used therefor, to pay when due the principal of and interest on the UTGO Bonds.

The full faith, credit, and resources of the City are pledged irrevocably for the annual levy and collection of the respective taxes pledged to each Series of the Bonds and the prompt payment of the principal of and interest on the Bonds. Certain taxes and other money deposited in the City's governmental funds are restricted by State law to specific purposes and may not be available to pay debt service on the Bonds. Under the State's laws and the State Constitution, excess levies approved by the voters for the purpose of retiring outstanding voter-approved indebtedness, such as the UTGO Bonds, may not be used for any other purpose. The City's authority to levy and collect taxes is subject to certain limitations, as more fully described under "General Fund Tax Revenue Sources—General Property Taxes."

The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City or a debt of any proprietary or enterprise fund of the City (including the City's utilities) or of any public development authority chartered by the City.

The Bonds are not subject to acceleration. See "Description of the Bonds—Defaults and Remedies; No Acceleration of the Bonds." Additionally, State law provides that the payment of general obligation bonds is enforceable in mandamus against the issuer. There is no express provision in the State Constitution or law on the priority of payment of debt service on general obligations incurred by a Washington municipality.

The rights and remedies of anyone seeking enforcement of the Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion. See "Legal and Tax Information—Limitations on Remedies and Municipal Bankruptcies."

FINANCIAL RESULTS

Preliminary 2014 Results

On a preliminary basis, the City's financial performance for the fiscal year ended December 31, 2014, improved somewhat compared to the results anticipated in the 2014 adopted budget and reflects continued recovery from the recent recession. General Fund revenues are estimated to have increased by 5.7% in 2014 compared to 2013. Taxes make up the largest share of revenues to the General Fund and are estimated to have increased by 6.9%. The estimated changes in the four largest tax revenue components are as follows: property taxes increased by 6.4%, retail sales and use taxes increased by 10.2%, business taxes increased by 5.8%, and interfund business taxes (i.e., utility taxes) increased by 5.1%.

Non-tax revenues are estimated to have increased by approximately 1.3%, led by increases in license and permit fees, charges for services, and programmatic income and miscellaneous revenues. This was offset by decreases in revenue from fines and forfeitures and grants, shared revenues, and contributions. Expenditures and net transfers out of the General Fund are estimated to have increased by approximately 8.3%. The largest General Fund expenditure component is for Public Safety, and this increased an estimated 5.4% compared to 2013. In 2013, the General Fund balance increased by almost \$30 million to approximately \$309 million. The 2014 General Fund balance is projected to continue this positive trend, albeit more modestly, with a projected balance of just over \$317 million.

2009 Through 2014 Results

The following tables provide a comparative balance sheet and comparative statement of revenues, expenditures and changes in fund balance for the City's General Fund and a comparative statement of revenues, expenditures, and changes in fund balance for all of the City's governmental funds (including General, Transportation, Low-Income Housing, and Debt Service) based on the audits for the years 2009 through 2013 and on preliminary unaudited figures for 2014.

TABLE 1
GENERAL FUND COMPARATIVE BALANCE SHEET
(Years Ended December 31) (\$000)

| | 2014 ⁽¹⁾ | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | | |
| Cash and Equity in Pooled Investments | \$ 216,746 | \$ 237,739 | \$ 195,159 | \$ 144,220 | \$ 111,993 | \$ 153,880 |
| Receivables, Net of Allowances | | | | | | |
| Taxes | 64,268 | 60,526 | 54,726 | 56,860 | 56,523 | 55,030 |
| Accounts | 5,967 | 5,698 | 4,100 | 3,558 | 3,358 | 3,611 |
| Contracts and Notes | 395 | 238 | - | - | - | 4 |
| Special Assessments-Delinquent | - | - | - | - | - | - |
| Interest and Dividends | (478) | (635) | 43 | 71 | 238 | 251 |
| Unbilled and Others | 10 | 39 | 2,039 | 925 | 68 | 429 |
| Due from Other Funds | 15,910 | 17,365 | 11,905 | 14,536 | 14,648 | 13,089 |
| Interfund Loans | 38,105 | - | 850 | - | - | - |
| Due from Other Governments | 53,398 | 55,719 | 58,425 | 44,272 | 41,317 | 38,935 |
| Inventories | - | - | - | - | - | 59 |
| Prepaid and Other Current Assets | 415 | 320 | 515 | 513 | 820 | 603 |
| Deposits with Vendor | 2 | 2 | 2 | 2 | 2 | 1 |
| Contracts and Notes-Noncurrent | - | - | 7,741 | 8,009 | 7,978 | 7,992 |
| Advances to Other Funds | - | 5,545 | 4,881 | - | 1,020 | - |
| Deferred Charges and Other Assets | - | - | - | - | - | 6 |
| Total Assets | \$ 394,738 | \$ 382,556 | \$ 340,386 | \$ 272,966 | \$ 237,965 | \$ 273,890 |
| Deferred Outflows of Resources | 7,775 | 7,771 | - | - | - | - |
| Total Assets and Deferred Outflows | \$ 402,513 | \$ 390,327 | \$ 340,386 | \$ 272,966 | \$ 237,965 | \$ 273,890 |
| Liabilities | | | | | | |
| Accounts Payable | \$ 32,781 | \$ 40,767 | \$ 27,222 | \$ 22,557 | \$ 24,113 | \$ 22,901 |
| Contracts Payable | 273 | 184 | 139 | 123 | 578 | 508 |
| Due to Other Funds | 11,275 | 4,080 | 5,845 | 5,219 | 5,638 | 5,580 |
| Due to Other Governments | 1,806 | 2,313 | 2,853 | 3,915 | 2,286 | 2,245 |
| Salaries, Benefits, and Taxes Payable | 22,207 | 18,831 | 14,853 | 13,320 | 12,776 | 11,115 |
| Interest Payable | 4 | 4 | 752 | 759 | 933 | 867 |
| Deposits Payable | (4) | (85) | 66 | 88 | 194 | 251 |
| Revenue Collected/Billed in Advance-Current | 1,919 | 1,468 | 1,330 | 1,928 | 1,370 | 1,759 |
| Other Current Liabilities | 495 | 1,796 | 241 | 241 | 212 | 208 |
| Advances from Other Funds | - | - | - | - | - | - |
| Deferred Revenues | 2,703 | - | 12,093 | 20,041 | 22,829 | 31,010 |
| Total Liabilities | \$ 73,459 | \$ 69,358 | \$ 65,394 | \$ 68,191 | \$ 70,929 | \$ 76,444 |
| Deferred Inflows of Resources | 11,921 | 12,009 | - | - | - | - |
| Total Liabilities and Deferred Inflows | \$ 85,380 | \$ 81,367 | \$ 65,394 | \$ 68,191 | \$ 70,929 | \$ 76,444 |
| Fund Balances ⁽²⁾ | | | | | | |
| Reserves Legally Segregated for Future Use | | | | | | |
| Capital Improvements | \$ - | \$ - | \$ - | \$ - | \$ 43,616 | \$ 53,759 |
| Continuing Appropriations | - | - | - | - | 3,406 | 8,366 |
| Debt Service | - | - | - | - | - | 11,227 |
| Encumbrances | - | - | - | - | 963 | 2,585 |
| Health Care Rate Stabilization | - | - | - | - | 13,564 | 13,045 |
| Revenues Not Available for Appropriation | | | | | | |
| Endowments | - | - | - | - | - | - |
| Gifts | - | - | - | - | - | - |
| Interfund Loans | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - |
| Petty Cash | - | - | - | - | 811 | 1,080 |
| Unreserved | | | | | | |
| Reported in Major Funds | | | | | | |
| Designated for Special Purpose | - | - | - | - | 57,666 | 37,329 |
| Undesignated | - | - | - | - | 47,010 | 70,055 |
| Reported in Special Revenue Funds | | | | | | |
| Designated for Special Purpose | - | - | - | - | - | - |
| Undesignated | - | - | - | - | - | - |
| Reported in Capital Projects Funds | | | | | | |
| - | - | - | - | - | - | - |
| Reported in Permanent Funds | | | | | | |
| Nonspendable | 453 | 375 | 555 | 572 | - | - |
| Restricted | 94,102 | 99,659 | 82,520 | 58,917 | - | - |
| Committed | 82,401 | 83,155 | 79,508 | 46,268 | - | - |
| Assigned | 5,685 | 5,325 | 6,417 | 19,253 | - | - |
| Unassigned | 134,492 | 120,446 | 105,992 | 79,765 | - | - |
| Total Fund Balances | \$ 317,133 | \$ 308,960 | \$ 274,992 | \$ 204,775 | \$ 167,036 | \$ 197,446 |
| Total Liabilities, Deferred Inflows, and Fund Balances | \$ 402,513 | \$ 390,327 | \$ 340,386 | \$ 272,966 | \$ 237,965 | \$ 273,890 |

(1) Preliminary unaudited.

(2) As a result of the implementation of GASB Statement No. 54 in 2011, fund balance categorizations changed and the Library Fund is reported as part of the General Fund.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2009-2013; unaudited results for 2014

TABLE 2
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(Years Ended December 31) (\$000)

| | 2014 ⁽¹⁾ | 2013 | 2012 | 2011 ⁽²⁾ | 2010 | 2009 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 926,003 | \$ 866,464 | \$ 846,011 | \$ 790,966 | \$ 761,170 | \$ 756,909 |
| Licenses and Permits | 25,027 | 22,005 | 20,672 | 18,817 | 20,401 | 19,333 |
| Grants, Shared Revenues, and Contributions | 35,666 | 48,183 | 43,669 | 47,503 | 31,412 | 28,208 |
| Charges for Services | 61,080 | 50,587 | 51,388 | 53,844 | 66,863 | 69,018 |
| Fines and Forfeits | 31,959 | 41,043 | 34,243 | 33,992 | 30,936 | 28,519 |
| Parking Fees and Space Rent | 38,223 | 38,547 | 35,369 | 31,301 | 26,868 | 25,478 |
| Program Income, Interest, and Miscellaneous Revenues | 42,794 | 31,346 | 29,909 | 23,921 | 16,374 | 14,943 |
| Total Revenues | \$ 1,160,752 | \$ 1,098,175 | \$ 1,061,261 | \$ 1,000,344 | \$ 954,024 | \$ 942,408 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General Government | \$ 195,598 | \$ 178,403 | \$ 162,740 | \$ 168,498 | \$ 172,796 | \$ 180,880 |
| Judicial | 29,158 | 27,642 | 26,654 | 25,855 | 26,300 | 26,812 |
| Public Safety | 519,122 | 492,509 | 458,957 | 445,170 | 437,716 | 424,794 |
| Physical Environment | 6,538 | 11,318 | 7,328 | 10,813 | 8,704 | 16,250 |
| Transportation | 9,779 | 11,321 | 12,031 | 12,529 | 10,823 | 13,236 |
| Economic Environment | 21,540 | 19,157 | 17,633 | 20,718 | 21,084 | 19,986 |
| Health and Human Services | 945 | 63 | - | - | - | 1,262 |
| Culture and Recreation | 72,371 | 69,559 | 59,712 | 58,098 | 26,398 | 10,798 |
| Capital Outlay | | | | | | |
| General Government | 12,305 | 5,043 | 5,642 | 5,456 | 9,001 | 15,978 |
| Public Safety | 5,914 | 10,275 | 7,457 | 4,355 | 2,658 | 2,724 |
| Physical Environment | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - |
| Economic Environment | 7 | - | 69 | - | - | - |
| Culture and Recreation | 24,213 | 30,290 | 14,676 | 23,727 | 22,222 | 24,878 |
| Debt Service | | | | | | |
| Principal | 3 | 4 | 4 | 4 | - | - |
| Advance Refunding to Escrow | - | - | - | - | - | 6 |
| Interest | 1 | - | 1 | 1 | - | - |
| Bond Issuance Cost | - | - | - | - | - | - |
| Total Expenditures | \$ 897,494 | \$ 855,584 | \$ 772,904 | \$ 775,224 | \$ 737,702 | \$ 737,604 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 263,258 | \$ 242,591 | \$ 288,357 | \$ 225,120 | \$ 216,322 | \$ 204,804 |
| Other Financing Sources (Uses) | | | | | | |
| Long-Term Debt Issued | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,471 |
| Refunding Debt Issued | - | - | - | - | - | - |
| Premium on Bonds Issued | - | - | - | - | - | 53 |
| Proceeds of Capital Leases | - | - | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | - | - | - | - | - | - |
| Payments on Intergovernmental Agreements | - | - | - | - | - | - |
| Sales of Capital Assets | - | 22,748 | 754 | 21,326 | 21,309 | 616 |
| Transfers In | 20,027 | 16,762 | 12,262 | 4,537 | 10,068 | 8,336 |
| Transfers Out | (275,112) | (248,133) | (231,156) | (225,649) | (278,109) | (289,244) |
| Total Other Financing Sources (Uses) | \$ (255,085) | \$ (208,623) | \$ (218,140) | \$ (199,786) | \$ (246,732) | \$ (278,768) |
| Net Change in Fund Balance | \$ 8,173 | \$ 33,968 | \$ 70,217 | \$ 25,334 | \$ (30,410) | \$ (73,964) |
| Fund Balances-Beginning of Year | 308,960 | 274,992 | 204,775 | 179,441 | 110,010 | 183,974 |
| Fund Balances-End of Year | \$ 317,133 | \$ 308,960 | \$ 274,992 | \$ 204,775 | \$ 79,600 | \$ 110,010 |

(1) Preliminary unaudited.

(2) As a result of the implementation of GASB Statement No. 54 in 2011, the Library Fund is reported as part of the General Fund beginning in 2011. The resulting primary financial statement change is that the City now records Culture and Recreation expenditures for the Library in the General Fund. These amounted to \$52.8 million in 2011 and \$54.8 million in 2012. For comparison purposes, in 2010, \$20.2 million of the Culture and Recreation expenditures were for the disposition of proceeds from a real estate transaction related to the relocation of the Museum of History and Industry. Additionally, as a result of the inclusion of the Library Fund, the 2011 beginning General Fund balance increased by approximately \$12.4 million.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2009-2013; unaudited results for 2014

TABLE 3
ALL GOVERNMENTAL FUNDS
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(Years Ended December 31) (\$000)

| | 2014 ⁽¹⁾ | 2013 ⁽²⁾ | 2012 ⁽²⁾ | 2011 ⁽²⁾ | 2010 ⁽²⁾ | 2009 ⁽²⁾ |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues | | | | | | |
| Taxes | \$ 1,149,120 | \$ 1,083,499 | \$ 1,044,608 | \$ 973,181 | \$ 933,641 | \$ 927,287 |
| Licenses and Permits | 30,093 | 27,135 | 25,238 | 22,966 | 26,514 | 28,298 |
| Grants, Shared Revenues, and Contributions | 161,361 | 184,784 | 177,775 | 167,813 | 179,842 | 173,231 |
| Charges for Services | 209,791 | 200,847 | 182,595 | 167,644 | 171,509 | 157,081 |
| Fines and Forfeits | 48,538 | 41,107 | 34,340 | 34,066 | 32,300 | 29,645 |
| Parking Fees and Space Rent | 63,891 | 62,463 | 57,107 | 51,004 | 46,858 | 42,404 |
| Program Income, Interest, and Miscellaneous Revenues | 86,758 | 45,462 | 43,649 | 39,706 | 26,037 | 34,011 |
| Total Revenues | \$ 1,749,552 | \$ 1,645,297 | \$ 1,565,312 | \$ 1,456,380 | \$ 1,416,701 | \$ 1,391,957 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General Government | \$ 199,840 | \$ 209,006 | \$ 180,187 | \$ 193,697 | \$ 179,782 | \$ 186,046 |
| Judicial | 29,158 | 27,642 | 26,654 | 25,855 | 26,300 | 26,812 |
| Public Safety | 520,744 | 504,836 | 461,235 | 451,734 | 445,002 | 431,413 |
| Physical Environment | 7,409 | 11,935 | 7,748 | 11,190 | 9,058 | 16,528 |
| Transportation | 114,732 | 97,676 | 92,212 | 90,966 | 93,381 | 111,531 |
| Economic Environment | 77,912 | 128,644 | 128,711 | 106,234 | 123,430 | 103,462 |
| Health and Human Services | 150,794 | 73,151 | 67,103 | 73,100 | 73,956 | 76,471 |
| Culture and Recreation | 244,610 | 276,197 | 216,508 | 211,523 | 233,284 | 223,340 |
| Capital Outlay | | | | | | |
| General Government | 35,600 | 5,043 | 10,684 | 13,862 | 16,799 | 24,651 |
| Public Safety | 25,161 | 10,275 | 27,743 | 8,320 | 21,815 | 20,781 |
| Physical Environment | - | - | - | - | - | - |
| Transportation | 278,555 | 234,188 | 228,272 | 167,590 | 169,636 | 179,231 |
| Economic Environment | 7 | - | 69 | - | 5 | 28 |
| Culture and Recreation | 55,138 | 41,185 | 55,507 | 50,383 | 63,521 | 72,905 |
| Debt Service⁽³⁾ | | | | | | |
| Principal | 61,745 | 56,194 | 53,523 | 47,909 | 45,826 | 53,591 |
| Advance Refunding to Escrow | - | - | - | - | - | 6 |
| Interest | 26,570 | 26,206 | 25,339 | 26,754 | 24,596 | 38,448 |
| Bond Issuance Cost | 259 | 822 | 258 | 369 | 1,303 | 727 |
| Other | - | - | 305 | - | - | - |
| Total Expenditures | \$ 1,828,234 | \$ 1,703,000 | \$ 1,582,058 | \$ 1,479,486 | \$ 1,527,694 | \$ 1,565,971 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (78,682) | \$ (57,703) | \$ (16,746) | \$ (23,106) | \$ (110,993) | \$ (174,014) |
| Other Financing Sources (Uses) | | | | | | |
| Long-Term Debt Issued | \$ 50,455 | \$ 101,115 | \$ 108,085 | \$ 79,433 | \$ 85,325 | \$ 87,810 |
| Refunding Debt Issued | - | 43,945 | - | - | 115,185 | 4,390 |
| Premium on Bonds Issued | 4,149 | 9,377 | 21,140 | 5,181 | 13,270 | 8,152 |
| Proceeds of Capital Leases | - | - | - | - | - | 20 |
| Payment to Refunded Bond Escrow Agent | - | (44,504) | (91,574) | - | (125,170) | (4,735) |
| Payments on Intergovernmental Agreements | - | - | - | - | (23,825) | (16,928) |
| Sales of Capital Assets | 2,128 | 22,903 | 2,282 | 41,161 | 21,310 | 624 |
| Transfers In | 442,667 | 422,670 | 334,611 | 292,224 | 346,551 | 396,129 |
| Transfers Out | (448,410) | (428,882) | (342,571) | (297,597) | (352,650) | (373,971) |
| Total Other Financing Sources (Uses) | \$ 50,989 | \$ 126,624 | \$ 31,973 | \$ 120,402 | \$ 79,996 | \$ 101,491 |
| Net Change in Fund Balance | \$ (27,693) | \$ 68,921 | \$ 15,227 | \$ 97,296 | \$ (30,997) | \$ (72,523) |
| Fund Balances-Beginning of Year | 707,255 | 638,334 | 623,107 | 525,811 | 556,808 | 629,331 |
| Fund Balances-End of Year | \$ 679,562 | \$ 707,255 | \$ 638,334 | \$ 623,107 | \$ 525,811 | \$ 556,808 |

(1) Preliminary unaudited.

(2) Restated.

(3) Debt Service in the Other Governmental Fund excludes \$32 million of debt service paid in 2014 by the following funds: Fleets and Facilities, Downtown Garage, Information Technology, Water, Drainage and Wastewater, and Solid Waste. It includes \$3.1 million paid by LID 6750.

Source: City of Seattle, Comprehensive Annual Financial Reports, 2009-2013; unaudited results for 2014

GENERAL FUND TAX REVENUE SOURCES

The following table sets forth a breakdown of General Fund tax revenues for the years 2009 through 2014:

TABLE 4
GENERAL FUND TAX REVENUE SOURCES
(\$000)

| | 2014 ⁽¹⁾ | 2013 | 2012 | 2011 | 2010 | 2009 |
|-----------------------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Taxes | | | | | | |
| General Property | 268,745 | 252,682 | 259,954 | \$ 254,239 | \$ 250,430 | \$ 245,543 |
| Retail Sales and Use | 199,735 | 181,171 | 169,681 | 158,582 | 146,970 | 150,515 |
| Business | 265,830 | 251,373 | 243,784 | 231,162 | 223,482 | 228,960 |
| Excise | 57,739 | 54,159 | 54,797 | 35,316 | 28,998 | 27,879 |
| Penalties and Interest | 4,024 | 3,468 | 2,648 | 3,126 | 3,202 | 3,644 |
| Interfund Business ⁽²⁾ | 129,930 | 123,611 | 115,147 | 108,541 | 108,088 | 100,368 |
| Total Taxes | \$ 926,003 | \$ 866,464 | \$ 846,011 | \$ 790,966 | \$ 761,170 | \$ 756,909 |

(1) Preliminary unaudited.

(2) Business taxes on City-owned utilities (see “Business Taxes” below).

Source: City of Seattle Comprehensive Annual Financial Reports, 2009-2013; unaudited results for 2014

Based on preliminary figures, the amounts for the four primary General Fund tax revenues sources (general property taxes, retail sales and use taxes, business taxes, and interfund business taxes) varied in 2014 from 2013 levels by approximately 6.4%, 10.2%, 5.8%, and 5.1%, respectively, as discussed above under “Financial Results—Preliminary 2014 Results.” Further descriptions of these major sources of General Fund tax revenues are provided below.

General Property Taxes

The following provides a general description of the City’s authority with regard to *ad valorem* property taxes and limitations on that authority, the method of determining the assessed value of real and personal property, tax collection procedures, and tax collection information.

Authorized Property Taxes. Under the State’s laws and the State Constitution, property taxes are classified as either “regular” property taxes or “excess” property taxes. The City is authorized to levy both types of taxes. The City adopts a levy ordinance each November, in conjunction with its annual budget process. It submits a levy amount request to the King County Assessor (the “Assessor”), who calculates the levy rate by spreading the levy amount on the tax rolls, following procedures established by the State Department of Revenue. The Assessor confirms that the levy is within applicable statutory and constitutional limitations and makes any necessary reductions before the County Treasurer may begin to collect the levy on behalf of the City. See “Property Tax Collection Procedure” below.

- (i) *Regular Property Taxes.* Regular property taxes are subject to constitutional and statutory limitations as to rates and amounts and commonly are imposed by taxing districts for general municipal purposes, although certain statutes authorize additional regular levies or levy increases for specified limited purposes. General purpose levies may be used for the payment of debt service on limited tax general obligation indebtedness such as the LTGO Bonds, but State law does not provide any priority of use. In general, regular property taxes for general purposes do not require voter approval, though certain statutes authorizing limited purpose levies may require voter approval. Certain tax limitations may be exceeded upon voter approval.

- (ii) *Excess Property Taxes.* Excess property taxes are not subject to limitation as to rate or amount but must be authorized by a 60% approving popular vote meeting a minimum voter turnout requirements. Excess levies may be imposed (a) by any taxing district for the repayment of bonds issued for capital purposes, excluding replacement of equipment; (b) by any taxing district for one year for any governmental purpose; or (c) without a popular vote when necessary to prevent impairment of the obligations of contracts when ordered to do so by a court of last resort. Excess levies for the repayment of bonds must meet a minimum voter turnout of 40% of the number who voted at the last November general election. The UTGO Bonds are payable from such voter-approved excess property taxes. See “Description of the Bonds—Authorization for the Bonds.”

Uniformity Requirement. Article VII, Section 1 of the State Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district levying the tax. The State Constitution also provides that all real estate constitutes a single class, except for certain agricultural properties eligible for special use classification, which may be valued based on current use. It is possible that, because of overlapping taxing district boundaries, the maximum permissible levy might vary within the boundaries of a particular taxing district. In that event, to comply with the constitutional requirement for uniformity of taxation, the lowest permissible rate for any part of the taxing district would be applied to the entire taxing district. See Table 7—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2015 for an example of the levy rates of taxing districts that overlap within the City.

Regular Property Tax Limitations. The authority of a taxing district to levy taxes without a vote of the people for general purposes, including the payment of debt service on limited tax general obligation indebtedness such as the LTGO Bonds, is subject to the limitations described below. These limitations do not apply to the excess property taxes collected for payment of the UTGO Bonds.

Information relating to regular property tax limitations and requirements is based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations on the City. Under existing laws and circumstances, none of the property tax limitations currently affect the ability of the City to levy regular property taxes at rates sufficient to pay the debt service on its limited tax general obligation indebtedness such as the LTGO Bonds. The following list of tax limitations is not intended to be a comprehensive list of all possible overlapping levies or limitations.

- (i) *City Regular Property Tax Rate Limitations.* The City’s effective aggregate maximum regular property tax levy for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, is \$3.60 per \$1,000 of assessed value. This maximum rate is derived from two statutes: RCW 84.52.043 and RCW 41.16.060. RCW 84.52.043 limits the general regular property tax levy of the City to \$3.375 per \$1,000. RCW 41.16.060 allows an additional \$0.225 per \$1,000 to be levied for general municipal purposes, only if an actuarial report establishes that the levy is not required to fund certain firefighter pension programs. Based on the most recent actuarial valuation of the City’s firefighter pension programs, the City is not required to and has not levied this additional tax for 2015. See “The City of Seattle—Pension Plans.” It would therefore be available to the City for general municipal purposes as an additional levy.

The City’s regular levy rate for collection in 2015 is \$2.49312 per \$1,000 of assessed value. However, \$0.86760 per \$1,000 of this 2015 levy is statutorily restricted to purposes described in certain levy lid lift ballot measures. See Table 7 and the discussion of “levy lid lift” ballot measures under “Regular Property Tax Amount Increase Limitation” below.

- (ii) *Aggregate Regular Property Tax Levy Rate Limitations.* Article VII, Section 2, of the State Constitution and RCW 84.52.050 limit the aggregate of all regular property tax levies imposed on any given tax parcel by the State and all overlapping taxing districts, except port districts and public utility districts, to 1% of the true and fair value of property. Within the 1% limitation, State statute limits the levy by the State to not more than \$3.60 per \$1,000 of assessed value and limits the aggregate of all regular levies by all taxing districts (other than the State and other than certain specified levies) to not more than \$5.90 per \$1,000 of assessed value. The specified levies excluded from the \$5.90 limitation include port or public utility district levies, excess property tax levies, levies for acquiring conservation futures, levies for emergency medical care or emergency medical services (“EMS”), levies to finance affordable housing for very low-income housing, certain portions

of levies by metropolitan park districts, certain levies imposed by ferry districts, levies for criminal justice purposes, certain portions of levies by fire protection districts, levies by counties for transit-related purposes, and portions of certain levies by certain flood control zone districts. Certain of these exclusions from the \$5.90 limitation are set to expire in 2018 and may be changed at any time by the State Legislature. The aggregate of all overlapping levy rates within the City that are subject to the \$5.90 limitation is \$4.23854 for the 2015 tax collection year. The aggregate of all overlapping levy rates within the City that are subject to the 1% limitation is \$7.32912 for the 2015 tax collection year.

Because various taxing districts may overlap, the aggregate levy rate applied to any two tax parcels within the City may not be identical. If the aggregate levy rate exceeds the aggregate rate limitation on any single parcel within a taxing district, the regular levy rates of each taxing district that includes that parcel may be reduced. Because of the constitutional requirement for uniformity of taxation within a taxing district (described above), any reduction affects the entire taxing district. If reductions are required, they are made by the Assessor, in accordance with State statutes and guidance from the State Department of Revenue setting forth a prioritization of regular levies. The regular levies of the State, counties, road districts, cities, towns, port districts, and public utility districts are considered “senior” levies; the regular levies of all other taxing districts are considered “junior” levies. State statute prescribes the order in which the levies of the various junior levies are reduced or eliminated in order to comply with the aggregate rate limitations. Senior levies, such as the City’s general purpose levy, are not subject to reduction or elimination based on aggregate rate limitations.

- (iii) *Regular Property Tax Amount Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) also limits the amount of a regular levy for any particular year to the highest amount that could have been levied in any prior year, multiplied by a specified percentage (the “limit factor”) plus an adjustment for new construction, annexations, certain improvements to property, and State-assessed property. The limit factor is defined as the greater of (a) the lesser of 101% or 100% plus inflation, or (b) if approved by a majority plus one vote of the governing body upon a finding of substantial need, any percentage up to 101%. If a taxing district levies less than its highest allowable levy, the amount not levied still may be included in the base for determining a subsequent year’s maximum amount limitation. The difference between the highest amount that could have been levied in any year and the amount actually levied is sometimes referred to as “banked” levy capacity.

The amount limitation may be exceeded upon approval of a simple majority of voters. This is known as a “levy lid lift.” A levy lid lift permits a levy amount increase greater than would otherwise be allowed, which increase may be effective indefinitely or for a limited period of time. Tax receipts from the incremental increase may be (but are not required to be) restricted in the ballot proposition to satisfy a limited purpose. A levy lid lift will not increase the levy if it would cause the taxing district’s levy to exceed the applicable maximum rate limitations or the aggregate rate limitations described above. The City has several levy lid lifts that have been approved by the voters and are currently in effect. They are described below in Table 7—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2015.

Relationship Between Rate and Amount Limitations. Because the regular property tax increase limitation applies to the total dollar amount levied rather than to the levy rate, increases in the assessed value of all property in the taxing district (excluding new construction, improvements, and State-assessed property) which exceed the rate of growth in taxes allowed by the limit factor may result in decreased regular tax levy rates, unless voters authorize a higher levy or the taxing district uses banked levy capacity. Decreases in the assessed value of all property in the taxing district (including new construction, improvements, and State-assessed property) or increases in such assessed value that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates. Thus, as assessed values rise, the levy amount increase limitation may restrict levy growth. As assessed values fall, the levy rate limitation may restrict levy growth.

Guaranty Fund Levies. Outside of the \$3.60 per \$1,000 and \$5.90 per \$1,000 limitations described above, but within the constitutional 1% aggregate levy limitation, the City may impose a levy for the maintenance of a local improvement guaranty fund to secure debt of any local improvement district that may be created by the City. The amount of a guaranty fund levy in any given collection year may not exceed the greater of (i) 12% of the outstanding obligations guaranteed by the fund, or (ii) the total amount of delinquent assessments and interest accumulated on

the delinquent assessments (RCW 35.54.060). The taxes levied for the maintenance of the guaranty fund will be in addition to and, if need be, in excess of all statutory and charter limitations applicable to tax levies in any city or town.

The City previously issued \$21,924,640.73 of Local Improvement District No. 6750 Bonds, 2006, of which \$12,165,000 principal amount is currently outstanding and guaranteed by the local improvement guaranty fund. The City is considering the creation of an additional local improvement district for the purpose of financing a portion of the costs of certain waterfront improvements and issuing local improvement district debt within approximately the next five years that may or may not be guaranteed by the local improvement guaranty fund. The Waterfront Program Progress Report—Q4 2014, published in March 2015, projects that the amount of such financing could be as much as \$200 million.

Assessed Value Determination. The Assessor determines the value of all real and personal property throughout King County (the “County”) (including the City) that is subject to *ad valorem* taxation, with the exception of certain public service properties for which values are determined by the State Department of Revenue. The Assessor is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the State Department of Revenue.

The assessed value of real property is equal to 100% of its fair market value, as determined by the Assessor using procedures prescribed by the State Department of Revenue. Three approaches may be used to determine the fair market value of real property: market data, replacement cost, and income-generating capacity. All property in the County is revalued each year based on market statistics and is subject to on-site appraisal and revaluation every six years. Although the intent is that the assessed value reflect 100% of market value, the infrequency of on-site appraisals can lead to assessed valuations that lag market and other adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor’s office. The Assessor’s determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals.

Property Tax Collection Procedure. Property taxes are levied in specific amounts by the respective taxing districts. The levy rate is calculated and fixed by the Assessor based upon the assessed value of the taxable property within the taxing district. The Assessor is empowered to make adjustments according to statute and regulations promulgated by the State Department of Revenue to ensure compliance with the levy rate and amount limitations described above.

The method of giving notice of payment of taxes due, the accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency, and collection procedures are all covered by statute and regulation. The Assessor extends the taxes to be levied within each taxing district on a tax roll which contains the total amount of taxes levied and to be collected. The tax roll is delivered by January 15 of each year to the King County Treasury Division Manager (an appointed official), who creates a tax account for each taxpayer and is responsible for the collection of taxes due to each account.

All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds \$50, one half may be paid by April 30 and the balance must be paid no later than October 31 of that year. Delinquent taxes are subject to interest at the rate of 12% per year computed on a monthly basis from the date of delinquency until paid. In addition, a penalty of 3% is imposed on June 1 of the year in which the tax is due and 8% on December 1 of that year. Penalties are credited to the account of the taxing district; interest on delinquent taxes is credited to the County’s current expense fund.

The lien on property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation except for federal civil judgment liens and the possible application of the State “homestead exemption” described below. A federal lien on personal property that is filed before a State or local personal property tax is levied is senior to the State or local personal property tax lien. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to a lien for real property taxes that are levied after the judgment lien has been recorded.

By law, the County may not commence foreclosure of a tax lien on real property until three years have passed since the first delinquency. State courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first \$125,000 of proceeds of the forced sale of a family residence for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not. See also *Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982) (holding the homestead right superior to liens for improvement district assessments).

The following tables set forth financial information regarding the City’s tax collection record and *ad valorem* levy rates and an example of representative overlapping levy rates for one levy code area of the City.

**TABLE 5
CITY PROPERTY TAX COLLECTION RECORD**

| Collection Year | Taxable Assessed Value⁽¹⁾ | Ad Valorem Tax Levy | Tax Collected Year Due | Total Collected As of 12/31/14 |
|------------------------|---|----------------------------|-------------------------------|---------------------------------------|
| 2015 | \$ 144,513,932,119 | \$ 379,042,833 | N/A | N/A |
| 2014 | 128,205,753,919 | 390,707,880 | 98.57% | 98.62% |
| 2013 | 116,995,513,489 | 384,420,997 | 98.49% | 99.63% |
| 2012 | 116,796,890,401 | 382,656,189 | 98.36% | 99.82% |
| 2011 | 119,424,060,925 | 365,494,860 | 98.45% | 99.99% |

(1) Tax base used for regular (non-voted) property tax levies; equals total City assessed value shown under “Debt Information—Debt Capacity and Debt Service Summaries” less the value of certain property exempt from taxation.

Source: *King County Department of Assessments, King County Finance and Business Operations Division, and City Department of Finance and Administrative Services*

**TABLE 6
AD VALOREM LEVY RATES AND LEVY AMOUNTS OF THE CITY**

| Collection Year | Levy Rates (per \$1,000 of Assessed Value) | | | Levy Amounts | | |
|------------------------|---|-------------------|--------------|------------------------------|-------------------|----------------|
| | General⁽¹⁾ | UTGO Bonds | Total | General⁽¹⁾ | UTGO Bonds | Total |
| 2015 | \$ 2.49312 | \$ 0.13040 | \$ 2.62352 | \$ 360,294,510 | \$ 18,739,206 | \$ 379,033,716 |
| 2014 | 2.90871 | 0.13964 | 3.04835 | 372,996,577 | 17,792,381 | 390,788,958 |
| 2013 | 3.14774 | 0.13782 | 3.28556 | 368,415,337 | 16,005,659 | 384,420,997 |
| 2012 | 3.12958 | 0.14701 | 3.27659 | 365,625,854 | 17,030,335 | 382,656,189 |
| 2011 | 2.91279 | 0.14807 | 3.06086 | 347,951,272 | 17,543,588 | 365,494,860 |

(1) The General Levy is subject to the \$3.60 rate limit (see “General Property Taxes—Regular Property Tax Limitations”) and currently includes nonvoted regular levies and voted levy lid lifts for the Pike Place Market PDA, public housing, families and education, parks and open space, library, and transportation. A voter-approved EMS levy, which is not included in the \$3.60 per \$1,000 limit, is not shown in this table. See Table 7.

Source: *King County Department of Assessments*

TABLE 7
REPRESENTATIVE OVERLAPPING LEVY RATES AND CITY-SPECIFIC TAX RATES WITHIN THE CITY,
COLLECTION YEAR 2015
(Per \$1,000 of Assessed Value)

| Overlapping Rates within Seattle | 2015 |
|---|-------------------|
| City of Seattle | \$ 2.62352 |
| King County | 1.34522 |
| State | 2.28514 |
| Port of Seattle | 0.18885 |
| Schools No. 1 | 2.39083 |
| EMS | 0.30217 |
| Flood Zone | 0.13860 |
| Ferry District | 0.00306 |
| Total within City of Seattle | \$ 9.27739 |
| | |
| City of Seattle - Specific Rates | |
| Current Expense Base and Pension | \$ 1.62552 |
| Voted Lid Lifts (with Beginning Year) | |
| Public Housing (2009) | 0.14333 |
| Families and Education (2011) | 0.22886 |
| Library (2012) | 0.12000 |
| Transportation (2006) | 0.27462 |
| Pre-K Early Learning (2014) | 0.10079 |
| Subtotal Voted Lid Lifts | \$ 0.86760 |
| Subject to \$3.60 Limit | \$ 2.49312 |
| | |
| Voted Bonds | 0.13040 |
| Subtotal City Rates | \$ 2.62352 |

Note: Levy rate paid by taxpayers within the City's levy code area with the largest assessed value. This table includes both regular and excess property tax levies and cannot be used to determine levy capacity within the \$5.90 or 1% aggregate levy rate limitations described under "General Property Taxes—Regular Property Tax Limitations."

At the August 5, 2014, general election, City voters approved a ballot measure that creates a metropolitan park district called the Seattle Park District, the boundaries of which are coterminous with the City. This district will collect its first property tax levy beginning in 2016. Its statutory maximum levy rate is \$0.75 per \$1,000 of assessed value, but pursuant to an interlocal agreement with the City, the levy is expected to be approximately \$0.30 per \$1,000 of assessed value.

Source: *King County Department of Assessments*

Major Property Tax Payers. The following table presents the ten property tax payers within the City with the highest 2014 assessed value for tax collection year 2015.

**TABLE 8
2015 LARGEST PROPERTY TAX PAYERS**

| Taxpayer⁽¹⁾ | Type of Business | Assessed Value (\$) | Percentage of Total Assessed Value (%) |
|--|-------------------------|----------------------------|---|
| Union Square Limited Partnership | Real Estate | \$ 593,709,418 | 0.41 % |
| 1201 Tab Owner LLC | Real Estate | 457,615,155 | 0.32 |
| FSP-RIC LLC | Insurance | 425,210,248 | 0.29 |
| The Boeing Company | Aerospace | 415,107,803 | 0.29 |
| City Centre Associates JV | Real Estate | 377,512,737 | 0.26 |
| Columbia Center Property | Real Estate | 339,923,346 | 0.23 |
| 999 Third Avenue Property | Real Estate | 284,732,386 | 0.20 |
| Seattle Sheraton | Hotel | 269,568,301 | 0.19 |
| Puget Sound Energy-Gas | Utility | 258,365,725 | 0.18 |
| Essex Portfolio LP | Real Estate | 257,672,200 | 0.18 |
| Total | | \$ 3,679,417,319 | 2.54 % |
| Total City Assessed Value for Tax Collection Year 2015 | | \$ 145,091,711,416 | |

(1) Includes taxpayers paying real and personal property taxes as property owners. Excludes governmental entities or taxpayers paying leasehold excise taxes based on rental payments for property they lease from governments.

Source: King County Department of Assessments

Retail Sales and Use Taxes

Under State law, the State imposes a State-wide sales and use tax on goods and services, and local governments (cities, counties, and certain other municipal corporations) are authorized to levy additional “local option” sales and use taxes for general governmental purposes. Local option sales and use taxes are imposed on the same goods and services as the State retail sales and use tax. Among the various items currently exempt from sales and use taxes are most personal services, motor vehicle fuel, most food sold for off premises consumption, trade-ins, and purchases for resale. The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion. State law does not provide a general exemption for businesses, nonprofits, or governmental entities from payment of sales and use taxes. Receipts from certain local option retail sales and use taxes are restricted to a specific purpose.

A sales tax of 9.5% is charged on all gross retail sales in the City. The 9.5% is a composite of separate rates for several jurisdictions: 6.5% for the State, 0.85% for the City, 0.15% for the County for general purposes, 0.9% for the County to support public transportation, 0.9% for the Central Puget Sound Regional Transit Authority, 0.1% for the County to support chemical dependency or mental health programs, and 0.1% for the support of criminal justice programs within the County. The first 10% of the criminal justice tax revenues is allocated to the County. The remaining 90% of the criminal justice tax revenues is allocated to the County and cities within the County based on population.

In general, sales taxes are imposed on the purchase by consumers (including State and local governments) of a broad base of tangible personal property and selected services, including construction (labor and materials), machinery and supplies, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and the use of certain personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax).

Sales taxes on applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon the applicable rendering of service or use of personal property. The County collects any use tax imposed on the use of motor vehicles. Each seller (and the County) is required to hold taxes in trust until remitted to the State Department of Revenue, which usually occurs on a monthly basis. The State Department of Revenue administers and collects sales and use taxes from sellers, consumers, and the County and makes disbursements to the City on a monthly basis. Disbursements lag two months behind collections.

Business Taxes

The City imposes a business and occupation (“B&O”) tax for the act or privilege of engaging in business activities. The City imposes this B&O tax at varying rates, depending on the class of business, based on the value of products, gross proceeds of sales, or gross income of the business, as applicable. Certain businesses are exempted, and deductions and credits are allowed. State law limits the maximum rate at which cities may levy the B&O tax to 0.2%, but cities whose tax rates were higher than this level when the limit was imposed can maintain their current tax rates. Some additional rate increases are possible within the parameters set by State law, including voter approval. The City’s current rates range from 0.215% to 0.415%. The City’s tax is in addition to the B&O tax imposed by the State.

The City imposes a utility B&O tax on the investor-owned natural gas, telephone, and steam utilities operating in the City at the 6% maximum rate permitted under State law without a vote of the electors and a utility B&O tax on cable television utilities operating in the City at the rate of 10%.

The City imposes a utility B&O tax on the City-owned electric utility at the 6% maximum rate permitted under State law without a vote of the electors and a utility B&O tax on the City-owned drainage utility and solid waste utility at the rate of 11.5%, on the City-owned wastewater utility at the rate of 12%, and on the City-owned water utility at the rate of 15.54%. Under the City Charter, a City-owned utility may pay taxes to the City only if sufficient revenue is available after paying debt service and the cost of necessary betterments and replacements for the current year. These taxes are categorized as Interfund Business Taxes in Table 4.

Real Estate Excise Taxes

The City imposes a real estate excise tax of 0.5% on sales of real property in the City. The proceeds are used for qualifying capital projects. A portion of the revenue is used for the payment of certain of the City’s general obligation bonds issued to finance those projects. The City’s tax is in addition to the current State real estate excise tax of 1.28%.

Legislative Changes Affecting City Taxes

Recent and pending changes in tax legislation at both the State and national level could affect City revenues. The authority of Washington local governments to impose taxes must be expressly granted by statute and, from time to time, city taxing powers are adjusted by the State Legislature or by initiative measures. Legislation affecting the City’s taxing power may be pending or may arise at any time.

DEBT INFORMATION

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be incurred in accordance with detailed budget procedures and paid from identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur a current liability in excess of budgetary appropriations. In an emergency, the City Council may put a plan into effect and authorize indebtedness outside the current budget. All expenditures for emergency purposes must be paid from any available money in the fund properly chargeable with such expenditures.

Limitations on Indebtedness

The State Constitution and statutes limit the City's ability to incur indebtedness based on a percentage of the assessed value of the taxable property within the City at the time the indebtedness is incurred. Changes in assessed value subsequent to issuance have no effect on outstanding debt, but may limit the City's ability to issue future debt. See "Debt Capacity and Debt Service Summaries" below.

Non-Voted Debt. The LTGO Bonds are issued as non-voted debt. State law provides that the City may, without a vote of the electors, incur general obligation debt in an amount not to exceed 1.5% of the assessed value of all taxable property within the City. The amount of non-voted debt plus the outstanding voter-approved debt for general municipal purposes also is subject to the aggregate debt limitation described below. Non-voted general obligation debt may be issued as follows: (i) pursuant to an ordinance specifying the amount and object of the expenditure of the proceeds, the City Council may borrow money for corporate purposes and issue bonds or notes within the constitutional and statutory limitations on indebtedness; (ii) the City may execute conditional sales contracts for the purchase of real or personal property; and (iii) the City may execute leases with or without an option to purchase.

Voter-Approved Debt. The UTGO Bonds are issued as voter-approved debt. Subject to 60% approval at an election held within the City, the City additionally may incur general obligation debt in an amount not to exceed 2.5% of assessed value for general municipal purposes (when combined with any outstanding non-voted debt), 2.5% for certain utility purposes, and 2.5% for certain parks, open space, and economic development purposes. If the ballot proposition approving issuance of voter-approved debt also approves (upon the requisite minimum voter turnout) the levy of taxes without limitation in amounts sufficient to repay those voter-approved bonds, then the bonds will be payable from a special excess tax levy. Under the State's laws and constitution, the levy for such purpose may not be used for any purpose other than the repayment of those voter-approved bonds.

Aggregate Debt Limitations. The combination of voted and non-voted general obligation debt for general municipal purposes may not exceed 2.5% of assessed value. The total of all voted and non-voted general obligation debt issued for all purposes may not exceed 7.5% of assessed value.

Short-Term Obligations. Within the limitations described above, State law permits municipal corporations to borrow money and to issue short-term obligations for any lawful purpose and in anticipation of the receipt of revenues, taxes, or grants, or the sale of bonds, if the bonds have been authorized by the governing body or the voters, as applicable. Short-term obligations issued in anticipation of taxes must be repaid within six months after the end of the fiscal year in which they are issued.

City-Guaranteed Debt. The City has entered into agreements with several public development authorities chartered by the City and other public entities to provide guarantees or contingent loan agreements with respect to debt issued by those authorities. The City includes the outstanding principal amount of such debt that it has guaranteed as a debt of the City for the purposes of calculating its legal debt capacity under the constitutional limitations described above. The amounts of such outstanding debt subject to City guarantees or contingent loan agreements are shown on Table 9—Estimated Legal Debt Capacity (notes 6 and 7).

Debt Payment Record

The City always has met principal and interest payments on all of its general obligation bonds when due and has not issued refunding bonds for the purpose of preventing an impending default.

Future General Obligation Debt Financing

The City generally issues limited tax general obligation debt to fund its capital programs on an annual basis. Additionally, the City anticipates issuing the remaining authorized but unissued unlimited tax general obligation bonds over the next three to five years. See "Description of the Bonds—Authorization for the Bonds." The City periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

Debt Capacity and Debt Service Summaries

Table 9 sets forth the computation of the City's estimated legal debt capacity based on debt outstanding as of December 31, 2014, and a total City assessed value for collection of taxes in 2015 of \$145,091,711,416. Giving effect to the issuance of the Bonds, there remains \$1,162,660,414⁽¹⁾ of unlimited tax general obligation debt capacity for general purposes and \$1,234,925,152⁽¹⁾ of limited tax general obligation debt capacity. The tables below show the annual principal and interest due on the Bonds and all outstanding general obligations of the City and the City's net direct and overlapping debt and debt ratios.

(1) Preliminary, subject to change.

TABLE 9
ESTIMATED LEGAL DEBT CAPACITY⁽¹⁾
(as of December 31, 2014)

| | General Capacity | | Special Purpose Capacity | | Total Capacity (7.5% of AV) | |
|--|---------------------------|----------------------------------|--|---|--------------------------------|-------------------|
| | A | B | Voter-Approved Open Space and Parks (2.5% of AV) | Voter-Approved Utility Purpose (2.5% of AV) | | |
| | Non-voted (1.5% of AV) | Voted (2.5% less Column A) | | | | |
| Total City Assessed Value as of February 26, 2015 ⁽²⁾ | | | | | | |
| \$145,091,711,416 | | | | | | |
| | 2.5% of AV | \$ - | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 10,881,878,356 |
| | 1.5% of AV | 2,176,375,671 | (2,176,375,671) | - | - | - |
| | | \$ 2,176,375,671 | \$ 1,450,917,114 | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 10,881,878,356 |
| Debt Outstanding ⁽³⁾ | | | | | | |
| The Bonds ⁽⁴⁾ | \$ (57,540,000) | \$ (156,875,000) | \$ - | \$ - | \$ (214,415,000) | |
| Outstanding Bonds ⁽⁵⁾ | (739,915,000) | (132,615,000) | - | - | (872,530,000) | |
| Guarantees on PDA bonds ⁽⁶⁾ | (55,775,000) | - | - | - | (55,775,000) | |
| Public Works Trust Fund Loans ⁽⁷⁾ | (14,579,719) | - | - | - | (14,579,719) | |
| Compensated Absences ⁽⁸⁾ | (97,790,000) | - | - | - | (97,790,000) | |
| Total Debt Outstanding | \$ (965,599,719) | \$ (289,490,000) | \$ - | \$ - | \$ (1,255,089,719) | |
| Available Net Assets in Redemption and Other Funds ⁽⁹⁾ | \$ 9,719,200 | \$ 1,233,300 | \$ - | \$ - | \$ 10,952,500 | |
| Compensated Absences for Sick Leave ⁽⁸⁾ | 14,430,000 | - | - | - | 14,430,000 | |
| Net Debt Outstanding | \$ (941,450,519) | \$ (288,256,700) | \$ - | \$ - | \$ (1,229,707,219) | |
| Legal Debt Margin | \$ 1,234,925,152 | \$ 1,162,660,414 | \$ 3,627,292,785 | \$ 3,627,292,785 | \$ 9,652,171,137 | |

FOOTNOTES TO TABLE:

- (1) Legal debt limits are established in the State Constitution and by statutes, including RCW 39.36.020 and 35.42.200.
- (2) RCW 39.36.015 allows incorporated cities to use the “last assessment for city purposes.” This assessment was issued as of February 26, 2015, for taxes payable in 2015.
- (3) State law and the State Auditor’s Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating legal debt capacity, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.
- (4) New money portion only. Preliminary, subject to change. Column A includes the LTGO Tax-Exempt Bonds and the LTGO Taxable Bonds.
- (5) Includes the Refunding Candidates; preliminary, subject to change.
- (6) Includes the principal amounts of City-guaranteed bonds issued by the following PDAs established by the City: the Pike Place Market PDA, the Seattle Indian Services Commission, the Museum Development Authority, and Seattle-Chinatown International District Preservation and Development Authority.
- (7) Includes City obligations to repay loans from the Washington State Public Works Assistance Account. This is a departure from State accounting procedures prescribed by the State Auditor that currently do not include amounts loaned by the State and federal governments in calculating debt capacity. However, the City’s bond counsel does include State and federal loans to the City, including Public Works Assistance Account indebtedness, as within the applicable constitutional debt limits.
- (8) Preliminary numbers as of December 31, 2014. The State Auditor’s Office requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt capacity. All compensated absences except the sick leave estimate meet this criterion. The City’s bond counsel does not include compensated absences as debt for the purpose of calculating the City’s debt capacity.
- (9) Preliminary numbers as of December 31, 2014. Excludes available net assets in the Local Improvement Guaranty Fund and the Interfund Notes Payable Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

TABLE 10
SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS—LIMITED TAX GENERAL OBLIGATION BONDS

| | Limited Tax General Obligation Bonds | | | | | | | | | |
|--------------|--------------------------------------|-----------------------|-----------------------|--|----------------------|----------------------|---------------------------------------|----------------------|----------------------|-------------------------|
| | Outstanding ⁽¹⁾ | | | The LTGO Tax-Exempt Bonds ⁽²⁾ | | | The LTGO Taxable Bonds ⁽³⁾ | | | Total LTGO |
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total | |
| 2015 | \$ 60,072,103 | \$ 32,327,517 | \$ 92,399,620 | \$ - | \$ 603,857 | \$ 603,857 | \$ - | \$ 301,509 | \$ 301,509 | \$ 93,304,986 |
| 2016 | 59,582,981 | 29,895,295 | 89,478,276 | 2,515,000 | 1,119,000 | 3,634,000 | 1,115,000 | 830,767 | 1,945,767 | 95,058,043 |
| 2017 | 61,169,456 | 27,455,133 | 88,624,589 | 2,580,000 | 1,055,150 | 3,635,150 | 1,125,000 | 821,861 | 1,946,861 | 94,206,600 |
| 2018 | 59,915,163 | 24,809,995 | 84,725,158 | 2,660,000 | 976,550 | 3,636,550 | 1,135,000 | 809,928 | 1,944,928 | 90,306,636 |
| 2019 | 59,010,287 | 22,239,019 | 81,249,306 | 2,745,000 | 895,475 | 3,640,475 | 1,150,000 | 792,889 | 1,942,889 | 86,832,670 |
| 2020 | 52,830,287 | 19,884,671 | 72,714,958 | 2,835,000 | 811,775 | 3,646,775 | 1,175,000 | 771,541 | 1,946,541 | 78,308,274 |
| 2021 | 57,043,355 | 17,685,838 | 74,729,193 | 755,000 | 754,150 | 1,509,150 | 1,200,000 | 746,286 | 1,946,286 | 78,184,629 |
| 2022 | 52,038,256 | 15,188,307 | 67,226,563 | 790,000 | 723,250 | 1,513,250 | 1,225,000 | 717,601 | 1,942,601 | 70,682,414 |
| 2023 | 50,343,256 | 12,813,232 | 63,156,488 | 820,000 | 691,050 | 1,511,050 | 1,260,000 | 685,709 | 1,945,709 | 66,613,247 |
| 2024 | 51,727,442 | 10,480,190 | 62,207,632 | 860,000 | 657,450 | 1,517,450 | 1,295,000 | 650,373 | 1,945,373 | 65,670,455 |
| 2025 | 52,687,442 | 8,093,599 | 60,781,041 | 900,000 | 617,750 | 1,517,750 | 1,335,000 | 612,360 | 1,947,360 | 64,246,151 |
| 2026 | 31,937,442 | 5,598,693 | 37,536,135 | 950,000 | 571,500 | 1,521,500 | 1,375,000 | 571,491 | 1,946,491 | 41,004,126 |
| 2027 | 22,292,442 | 4,178,543 | 26,470,985 | 995,000 | 522,875 | 1,517,875 | 1,415,000 | 527,325 | 1,942,325 | 29,931,185 |
| 2028 | 21,182,442 | 3,261,905 | 24,444,347 | 1,035,000 | 472,125 | 1,507,125 | 1,465,000 | 479,570 | 1,944,570 | 27,896,042 |
| 2029 | 17,255,789 | 2,365,903 | 19,621,692 | 1,085,000 | 419,125 | 1,504,125 | 1,515,000 | 427,923 | 1,942,923 | 23,068,740 |
| 2030 | 16,405,789 | 1,680,048 | 18,085,837 | 1,145,000 | 363,375 | 1,508,375 | 1,570,000 | 372,533 | 1,942,533 | 21,536,745 |
| 2031 | 16,390,789 | 1,011,395 | 17,402,184 | 1,215,000 | 304,375 | 1,519,375 | 1,630,000 | 313,478 | 1,943,478 | 20,865,037 |
| 2032 | 7,210,000 | 451,256 | 7,661,256 | 1,275,000 | 242,125 | 1,517,125 | 1,695,000 | 250,453 | 1,945,453 | 11,123,834 |
| 2033 | 3,465,000 | 175,756 | 3,640,756 | 1,330,000 | 177,000 | 1,507,000 | 1,760,000 | 183,677 | 1,943,677 | 7,091,433 |
| 2034 | 1,935,000 | 41,025 | 1,976,025 | 1,405,000 | 108,625 | 1,513,625 | 1,830,000 | 113,394 | 1,943,394 | 5,433,044 |
| 2035 | - | - | - | 1,470,000 | 36,750 | 1,506,750 | 1,905,000 | 38,672 | 1,943,672 | 3,450,422 |
| 2036 | - | - | - | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - | - | - | - |
| 2038 | - | - | - | - | - | - | - | - | - | - |
| 2039 | - | - | - | - | - | - | - | - | - | - |
| 2040 | - | - | - | - | - | - | - | - | - | - |
| 2041 | - | - | - | - | - | - | - | - | - | - |
| 2042 | - | - | - | - | - | - | - | - | - | - |
| 2043 | - | - | - | - | - | - | - | - | - | - |
| 2044 | - | - | - | - | - | - | - | - | - | - |
| Total | \$ 754,494,721 | \$ 239,637,320 | \$ 994,132,041 | \$ 29,365,000 | \$ 12,123,332 | \$ 41,488,332 | \$ 28,175,000 | \$ 11,019,337 | \$ 39,194,337 | \$ 1,074,814,710 |

(1) Includes the Refunding Candidates. Preliminary, subject to change. Includes debt service on Public Works Trust Fund Loans. Does not include City-guarantees or contingent loan agreements with respect to debt issued by City-chartered PDAs. Reflects taxable rates on certain bonds issued as taxable bonds with a federal subsidy, but is not adjusted to reflect the receipt of any federal tax credit subsidy payment associated with those bonds. See "Federal Sequestration."

(2) New money portion only. Preliminary, subject to change. Assumes interest rates ranging from 2.00% to 5.00%.

(3) Preliminary, subject to change. Assumes interest rates ranging from 0.75% to 4.06%.

TABLE 11
SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS—UNLIMITED TAX GENERAL OBLIGATION BONDS

| | Unlimited Tax General Obligation Bonds | | | | | | |
|--------------|--|----------------------|-----------------------|-------------------------------|----------------------|-----------------------|----------------------|
| | Outstanding | | | The UTGO Bonds ⁽¹⁾ | | | Total UTGO |
| | Principal | Interest | Total | Principal | Interest | Total | |
| 2015 | \$ 12,940,000 | \$ 5,799,206 | \$ 18,739,206 | \$ - | \$ 3,890,725 | \$ 3,890,725 | \$ 22,629,931 |
| 2016 | 13,450,000 | 5,273,481 | 18,723,481 | 2,875,000 | 7,371,900 | 10,246,900 | 28,970,381 |
| 2017 | 14,040,000 | 4,668,969 | 18,708,969 | 2,935,000 | 7,314,400 | 10,249,400 | 28,958,369 |
| 2018 | 14,370,000 | 4,042,350 | 18,412,350 | 3,020,000 | 7,226,350 | 10,246,350 | 28,658,700 |
| 2019 | 7,015,000 | 3,395,300 | 10,410,300 | 3,110,000 | 7,135,750 | 10,245,750 | 20,656,050 |
| 2020 | 7,355,000 | 3,051,750 | 10,406,750 | 3,205,000 | 7,042,450 | 10,247,450 | 20,654,200 |
| 2021 | 7,720,000 | 2,687,700 | 10,407,700 | 3,300,000 | 6,946,300 | 10,246,300 | 20,654,000 |
| 2022 | 1,650,000 | 2,305,550 | 3,955,550 | 3,435,000 | 6,814,300 | 10,249,300 | 14,204,850 |
| 2023 | 1,735,000 | 2,223,050 | 3,958,050 | 3,570,000 | 6,676,900 | 10,246,900 | 14,204,950 |
| 2024 | 1,820,000 | 2,136,300 | 3,956,300 | 3,715,000 | 6,534,100 | 10,249,100 | 14,205,400 |
| 2025 | 1,915,000 | 2,045,300 | 3,960,300 | 3,865,000 | 6,385,500 | 10,250,500 | 14,210,800 |
| 2026 | 2,005,000 | 1,949,550 | 3,954,550 | 4,055,000 | 6,192,250 | 10,247,250 | 14,201,800 |
| 2027 | 2,095,000 | 1,859,000 | 3,954,000 | 4,260,000 | 5,989,500 | 10,249,500 | 14,203,500 |
| 2028 | 2,175,000 | 1,780,200 | 3,955,200 | 4,470,000 | 5,776,500 | 10,246,500 | 14,201,700 |
| 2029 | 2,260,000 | 1,693,200 | 3,953,200 | 4,695,000 | 5,553,000 | 10,248,000 | 14,201,200 |
| 2030 | 2,355,000 | 1,602,800 | 3,957,800 | 4,930,000 | 5,318,250 | 10,248,250 | 14,206,050 |
| 2031 | 2,450,000 | 1,508,600 | 3,958,600 | 5,175,000 | 5,071,750 | 10,246,750 | 14,205,350 |
| 2032 | 2,545,000 | 1,410,600 | 3,955,600 | 5,435,000 | 4,813,000 | 10,248,000 | 14,203,600 |
| 2033 | 2,650,000 | 1,308,800 | 3,958,800 | 5,705,000 | 4,541,250 | 10,246,250 | 14,205,050 |
| 2034 | 2,750,000 | 1,202,800 | 3,952,800 | 5,990,000 | 4,256,000 | 10,246,000 | 14,198,800 |
| 2035 | 2,865,000 | 1,092,800 | 3,957,800 | 6,290,000 | 3,956,500 | 10,246,500 | 14,204,300 |
| 2036 | 2,975,000 | 978,200 | 3,953,200 | 6,605,000 | 3,642,000 | 10,247,000 | 14,200,200 |
| 2037 | 3,100,000 | 859,200 | 3,959,200 | 6,935,000 | 3,311,750 | 10,246,750 | 14,205,950 |
| 2038 | 3,220,000 | 735,200 | 3,955,200 | 7,285,000 | 2,965,000 | 10,250,000 | 14,205,200 |
| 2039 | 3,350,000 | 606,400 | 3,956,400 | 7,645,000 | 2,600,750 | 10,245,750 | 14,202,150 |
| 2040 | 3,485,000 | 472,400 | 3,957,400 | 8,030,000 | 2,218,500 | 10,248,500 | 14,205,900 |
| 2041 | 3,625,000 | 333,000 | 3,958,000 | 8,430,000 | 1,817,000 | 10,247,000 | 14,205,000 |
| 2042 | 3,770,000 | 188,000 | 3,958,000 | 8,855,000 | 1,395,500 | 10,250,500 | 14,208,500 |
| 2043 | 930,000 | 37,200 | 967,200 | 9,295,000 | 952,750 | 10,247,750 | 11,214,950 |
| 2044 | - | - | - | 9,760,000 | 488,000 | 10,248,000 | 10,248,000 |
| Total | \$ 132,615,000 | \$ 57,246,906 | \$ 189,861,906 | \$ 156,875,000 | \$144,197,925 | \$ 301,072,925 | \$490,934,831 |

(1) Preliminary, subject to change. Assumes interest rates ranging from 2.00% to 5.00%.

TABLE 12
NET DIRECT AND OVERLAPPING DEBT

| | |
|---|-------------------------|
| Outstanding Direct Debt ⁽¹⁾ | |
| Unlimited Tax General Obligation Bonds | \$ 132,615,000 |
| The UTGO Bonds ⁽²⁾ | 156,875,000 |
| Limited Tax General Obligation Bonds ⁽²⁾⁽³⁾ | 739,915,000 |
| The LTGO Tax-Exempt Bonds ⁽⁴⁾ | 29,365,000 |
| The LTGO Taxable Bonds ⁽²⁾ | 28,175,000 |
| Less: Cash and Investments in Debt Service Funds ⁽⁵⁾ | (14,705,456) |
| Net Direct Debt | \$ 1,072,239,544 |
| | |
| Estimated Overlapping Debt | |
| King County ⁽⁶⁾⁽⁷⁾ | \$ 316,125,778 |
| Port of Seattle ⁽⁶⁾ | 84,261,996 |
| Seattle School District No. 001 ⁽⁶⁾ | 45,955,140 |
| Highline School District No. 401 ⁽⁶⁾ | 13,365 |
| Total Estimated Overlapping Debt | \$ 446,356,279 |
| Total Estimated Net Direct and Overlapping Debt | \$ 1,518,595,823 |

-
- (1) As of December 31, 2014. Excludes public corporation bonds guaranteed by the City.
 - (2) Preliminary, subject to change.
 - (3) Includes the Refunding Candidates. Excludes the Public Works Trust Fund loans and City-guarantees or contingent loan agreements with respect to the debt issued by City-chartered PDAs. See Table 9—Estimated Legal Debt Capacity.
 - (4) New money portion only. Preliminary, subject to change.
 - (5) As of December 31, 2014.
 - (6) As of December 31, 2014. Allocated to the City according to its share of 2014 total assessed values.
 - (7) Excludes limited tax general obligation indebtedness payable first from other revenues of the County, such as sales tax and sewer revenue.

TABLE 13
CITY BONDED DEBT RATIOS⁽¹⁾

| | |
|---|-----------------------------|
| Total City Assessed Value for 2015 Collections ⁽²⁾ | \$145,091,711,416 |
| 2014 Population Estimate ⁽³⁾ | 640,500 |
| Assessed Valuation | 100% of True and Fair Value |
| Net Direct Debt to Assessed Value | 0.74% |
| Net Direct and Overlapping Debt to Assessed Value | 1.05% |
| Per Capita Assessed Value | \$226,529 |
| Per Capita Net Direct Debt | \$1,674 |
| Per Capita Net Direct and Overlapping Debt | \$2,371 |
| | |
| Net Direct Debt | \$1,072,239,544 |
| Net Direct and Overlapping | \$1,518,595,823 |

-
- (1) Preliminary, subject to change.
 - (2) Source: King County Assessor.
 - (3) Source: State of Washington Office of Financial Management's 2014 estimate.

Federal Sequestration

The sequestration provisions of the Budget Control Act of 2011 (“Sequestration”) went into effect on March 1, 2013, and are currently scheduled to remain in effect through federal fiscal year 2024. With respect to the City’s outstanding general obligation Build America Bonds issued in 2010, the City is eligible for a tax credit subsidy payment of 35% of each interest payment due. As a result of Sequestration, the interest subsidy payment from the federal government that came due on August 1, 2014, was reduced by 7.2% (\$37,981) and payments in 2015 are reduced by 7.3% (a reduction of approximately \$77,016 for the year). The City has sufficient cash available in its general governmental funds to make timely debt service payments through its 2015 budget cycle, and does not expect Sequestration to materially adversely affect its ability to make debt service payments in the current or future years.

THE CITY OF SEATTLE

The following provides general information about the City.

Municipal Government

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

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

The City is organized under the mayor-council form of government and operates under its City Charter. The Mayor, the city attorney, and the Municipal Court judges are all elected to four-year terms. Until 2013, City Council members served four-year terms. Pursuant to a charter amendment initiated and approved by voters in November 2013 that created seven City Council districts and two at-large positions, all nine City Council positions will be up for re-election in 2015. The City Council members elected by district will serve a four-year term and the at-large City Council members elected in 2015 will serve a two-year term. In 2017, the at-large positions will be up for re-election, and thereafter, all City Council positions will be for staggered four-year terms.

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

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

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

Financial Management

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

Accounting. The accounting and reporting policies of the City conform to generally accepted accounting principles for municipal governments and are regulated by the State Auditor’s Office, which maintains a resident staff at the City to perform a continual current audit as well as an annual, post-fiscal year audit of City financial operations.

The Accounting Services Division of the Department of Finance and Administrative Services maintains general supervision over the accounting functions of the City.

Auditing. The State Auditor is required to examine the affairs of all local governments at least once every three years; the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, compliance with the laws and State Constitution, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The City's Comprehensive Annual Financial Report may be obtained from the Department of Finance and Administrative Services and is available at <http://www.seattle.gov/cafrs/default.htm>. The City's Comprehensive Annual Financial Report for 2013 is attached as Appendix B.

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

Municipal Budget. City operations are guided by a budget prepared under the direction of the Mayor by the City Budget Office pursuant to State statute (chapter 35.32A RCW) and based in part on General Fund revenue forecasts prepared by the City's Department of Finance and Administrative Services. The proposed budget is submitted to the City Council by the Mayor each year not later than 90 days prior to the beginning of the next fiscal year. Currently the fiscal year of the City is January 1 through December 31. The City Council considers the proposed budget, holds public hearings on its contents, and may alter and revise the budget at its discretion, subject to the State requirement that budgeted revenues must at least equal expenditures. The City Council is required to adopt a balanced budget at least 30 days before the beginning of the next fiscal year, which may be amended or supplemented from time to time by ordinance. The Mayor may choose to approve the City Council's budget, veto it, or permit it to become law without the Mayor's signature. The Mayor does not have line-item veto power. The 2015 budget was adopted on November 24, 2014.

The City's adopted General Subfund budget is \$1,023.9 million in 2014 and \$1,048.1 million in 2015. According to the City's November 2014 forecast, total General Fund revenues are expected to increase by about 3.5% in 2015. As part of its budgeting and management process, the City updates its projections for major revenue sources three times per year. This process is conducted utilizing a dedicated team of four economists with the assistance of regularly updated third-party national and local data and economic forecasts.

Investments

Authorized Investments. Chapter 35.39 RCW permits the investment by cities and towns of their inactive funds or other funds in excess of current needs in the following: United States bonds, United States certificates of indebtedness, State bonds or warrants, general obligation or utility revenue bonds of its own or of any other city or town in the State, its own bonds or warrants of a local improvement district that are within the protection of the local improvement guaranty fund law, and any other investment authorized by law for any other taxing district. Under chapter 39.59 RCW, a city or town also may invest in the following: bonds of any local government in the State that have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, 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, and any investments authorized by law for the State Treasurer or any local government of the State other than a metropolitan municipal corporation (other than bank certificates of deposit of banks or bank branches not located in the State). Under chapter 43.84 RCW, the State Treasurer (and, under chapter 39.59 RCW, cities and towns) may invest in the following: obligations of the United States or its agencies and of any corporation wholly owned by the government of the United States; State, county, municipal, or school district general obligation bonds or general obligation warrants of taxing districts of the State, if within the statutory limitation of indebtedness; motor vehicle fund warrants; Federal Home Loan Bank notes and bonds, Federal Land Bank bonds, Fannie Mae notes, debentures, and guaranteed certificates of participation and obligation of any other government-sponsored corporation whose obligations are eligible for collateral for advances to Federal Reserve System member banks; bankers' acceptances purchased in the secondary market; negotiable certificates of deposit of any national or state commercial or mutual savings bank or savings and loan association doing business in the United States; and commercial paper.

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 for the benefit of the general government in accordance with City ordinances or resolutions.

Authorized Investments for Bond Proceeds. Funds derived from the sale of bonds or other instruments of indebtedness will be invested or used in such manner as the initiating ordinances, resolutions, or bond covenants may lawfully prescribe. In addition to the eligible investments discussed above, bond proceeds may also be invested, subject to certain restrictions, in mutual funds with portfolios consisting of (i) only United States government bonds or United States government guaranteed bonds issued by federal agencies with average maturities of less than four years; bonds of the State or of any local government in the State that have at the time of the investment one of the four highest credit ratings of a nationally recognized rating agency; 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 four highest credit ratings of a nationally recognized rating agency; (ii) bonds of states and local governments or other issuers authorized by law for investment by local governments that have at the time of investment one of the two highest credit ratings of a nationally recognized rating agency; or (iii) securities otherwise authorized by law for investment by local governments.

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

All cash-related transactions for the City, including its utilities, are administered by the Department of Finance and Administrative Services. City cash is deposited into a single bank account, and cash expenditures are paid from a consolidated disbursement account. Investments of temporarily idle cash may be made, according to existing City Council-approved policies, by the Treasury Division of the Department of Finance and Administrative Services in securities described above under “Authorized Investments.”

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

As of December 31, 2014, the combined investment portfolios of the City, not including pensions, totaled \$1,613 million at par value. The City’s Investment Pool is constituted solely of City funds. The City does not invest any funds in other pools, with the exception of tax collection receipts initially held by the County. As of December 31, 2014, the annualized yield on the City’s investment portfolio was 0.94%. As of December 31, 2014, the average maturity of the portfolio was 895 days. Approximately 24.7%, or \$399.3 million, was invested in securities with maturities of three months or less. The City held no securities with maturities longer than 15 years.

Investments were allocated as follows:

| | |
|---------------------------------------|-----|
| U.S. Government-Sponsored Enterprises | 34% |
| Commercial Paper | 20% |
| Taxable Municipal Bonds | 15% |
| U.S. Treasuries | 14% |
| Mortgage-Backed Securities | 11% |
| Repurchase Agreements | 5% |
| Certificates of Deposit | 2% |

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

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

Risk Management

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. The policies provide \$40 million limits above a \$6.5 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City's hydroelectric dams. The City also purchases all risk property insurance, including earthquake and flood perils, that provides up to \$500 million in limits subject to a schedule of deductibles and sublimits. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy.

The City insures a primary level of fiduciary, crime liability, inland marine, and various commercial general liability, medical, accidental death and dismemberment, and miscellaneous exposures. Surety bonds are purchased for certain public officials, notary publics, and workers who are permanently and totally disabled from a workplace injury or occupational disease.

Pension Plans

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

Additional plan detail is available from SCERS and DRS on their respective websites (SCERS: <http://www.seattle.gov/retirement/>; DRS: <http://www.drs.wa.gov/>).

Nearly all 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. Current uniformed police and fire personnel are eligible for membership in LEOFF.

In June 2012, GASB approved Statements 67 and 68 that modify the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. SCERS and LEOFF will be subject to GASB 67; the City will be subject to GASB 68. GASB 67 is effective for the City's fiscal year ending December 31, 2014; GASB 68 is effective beginning in the City's fiscal year ending December 31, 2015.

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

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. As of January 1, 2014, there were 5,880 retirees and beneficiaries receiving benefits, and 8,603 active members of SCERS. There are an additional 2,037 terminated employees entitled to future benefits. From January 1, 2013, to January 1, 2014, the net number of active members increased by 1.6%, the net number of retirees receiving benefits increased by 2.4%, and the net number of vested terminated members increased by 3.2%.

Certain demographic data from the most recent Actuarial Valuation (as of January 1, 2014), which was completed on July 10, 2014 (the "2013 Actuarial Valuation"), is shown below:

TABLE 14
PLAN MEMBER DEMOGRAPHIC INFORMATION

| <u>Age Range</u> | <u>Receiving Benefits</u> | | <u>Active Employees</u> | |
|------------------|---------------------------|---------------------|-------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| <25 | 0 | 0.0% | 95 | 1.1% |
| 25-39 | 0 | 0.0% | 1,881 | 21.9% |
| 40-49 | 10 ⁽¹⁾ | 0.2% ⁽¹⁾ | 2,168 | 25.2% |
| 50-59 | 341 | 5.9% | 2,831 | 32.9% |
| 60-69 | 2,306 | 39.8% | 1,531 | 17.8% |
| 70+ | 3,136 | 54.1% | 97 | 1.1% |

(1) Includes everyone under the age of 50.

Source: 2013 Actuarial Valuation

FINANCIAL CONDITION AND ACTUARIAL VALUATIONS. As a department of the City, SCERS is subject to the City’s internal control structure and is required by SMC 4.36.140.D to transmit a report to the City Council annually, regarding the financial condition of SCERS. The most recent such audited report, the 2013 Annual Report, for the year ended December 31, 2013, was transmitted on June 19, 2014, by CliftonLarsonAllen LLP.

On July 17, 2014, the Washington State Auditor’s Office issued a finding of a significant deficiency in internal controls over financial reporting relating to SCERS account reconciliations. As described, the finding stated that general ledger accounts were not analyzed and reconciled with subsidiary information on a monthly basis. The City responded to this finding by stating that SCERS will work with the City’s central accounting unit to establish a common understanding of how investments and investment activities should be reflected in the City’s general ledger. A copy of that audit report is available on the State Auditor’s website (www.sao.wa.gov).

In addition, Milliman Consultants and Actuaries, as consulting actuary, evaluates the funding status of SCERS annually; the most recent actuarial report is the 2013 Actuarial Valuation. A valuation for calendar year 2014 (as of January 1, 2015) is expected to be completed by mid-2015. Historically, the City prepared actuarial valuations biennially, but in 2011 the City began preparing them annually.

As of January 1, 2014, the actuarial value of net assets available for benefits was \$2.094 billion and the actuarial accrued liability was \$3.260 billion. The 2013 Actuarial Valuation utilized the following assumptions:

| | |
|---|-------|
| Investment return | 7.50% |
| Price inflation | 3.25% |
| Expected annual average membership growth | 0.50% |
| Wage inflation | 4.00% |
| Interest on member contributions made prior to January 1, 2012 ⁽¹⁾ | 5.75% |

(1) Contributions made on or after January 1, 2012, are assumed to accrue interest at 4.75%.

To the extent that actuarial accrued liability exceeds plan assets, an unfunded actuarial accrued liability (“UAAL”) exists. The UAAL increased from \$1,105.2 million as of January 1, 2013, to \$1,165.8 million as of January 1, 2014. The funded ratio increased from 63.5% as of January 1, 2013, to 64.2% as of January 1, 2014, which increase is primarily due to recognition of asset gains which were offset somewhat by the adoption of more conservative assumptions in the most recent actuarial valuation. Recognized asset gains in 2009, 2010, 2012, and 2013 more than offset the recognition of asset losses from 2011. Unlike most public pension systems, prior to January 1, 2011, all valuations were reported on a mark-to-market basis. Consequently, the full impact of annual asset gains or losses occurring in recent years was reflected in each actuarial valuation. To improve its ability to manage short-term market volatility, the City adopted

a five-year asset smoothing methodology in 2011 that recognizes the asset gain or loss occurring in each year evenly over a five-year period.

The following table provides historical plan funding information:

TABLE 15
HISTORICAL SCERS ACTUARIAL VALUATION INFORMATION⁽¹⁾

| Actuarial Valuation Date (January 1)⁽²⁾ | Actuarial Value of Assets (AVA) | Actuarial Accrued Liability (AAL)⁽³⁾ | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll⁽⁴⁾ | UAAL as % of Covered Payroll |
|---|--|--|--------------------------------|-------------------------|--|---|
| 2004 | \$ 1,527.5 | \$ 1,778.9 | \$ (251.4) | 85.9% | \$ 424.7 | 59.2 % |
| 2006 | 1,791.8 | 2,017.5 | (225.7) | 88.8% | 447.0 | 50.5 % |
| 2008 | 2,119.4 | 2,294.6 | (175.2) | 92.4% | 501.9 | 34.9 % |
| 2010 | 1,645.3 | 2,653.8 | (1,008.5) | 62.0% | 580.9 | 173.6 % |
| 2011 ⁽⁵⁾ | 2,013.7 | 2,709.0 | (695.4) | 74.3% | 563.2 | 123.5 % |
| 2012 ⁽⁵⁾ | 1,954.3 | 2,859.3 | (905.0) | 68.3% | 557.0 | 162.5 % |
| 2013 ⁽⁵⁾ | 1,920.1 | 3,025.3 | (1,105.2) | 63.5% | 567.8 | 194.6 % |
| 2014 ⁽⁵⁾ | 2,094.3 | 3,260.1 | (1,165.8) | 64.2% | 597.9 | 195.0 % |

(1) Dollar amounts shown in millions.

(2) Actuarial valuations were performed biennially until 2010, after which the City began performing an actuarial valuation annually.

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

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

(5) Beginning with the January 1, 2011, Actuarial Valuation, SCERS has used five-year asset smoothing.

Source: 2013 Actuarial Valuation

SCERS CONTRIBUTION RATES. Member and employer contribution rates are established by Chapter 4.36 of the SMC, which provides that the City contribution must match the normal contributions of members and does not permit the employer rate to drop below the employee rate. The SMC also requires that the City contribute, in excess of the matching contributions, the amount determined by the most recent actuarial valuation that is required to fully fund the plan. Contribution rates are recommended annually by the Board, based on the system's actuarial valuation. Benefit and contribution rates are set by the City Council.

The actuarially required contribution ("ARC") rate is based on amortizing the required contribution over 30 years, meaning that the total contribution rate must be sufficient to pay for the costs of benefits earned during the current year, as well as the annual cost of amortizing the plan's UAAL over 30 years. The City Council may from time to time set the amortization period by resolution, and in 2013, it passed a resolution to close the 30-year amortization period for calculating UAAL. As a result, for purposes of the 2013 Actuarial Valuation calculation, a 29-year amortization period was used. This policy may be revised by the City Council in future years. The 2013 Actuarial Valuation was prepared using the Entry Age Actuarial Cost Method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of the individual's projected compensation between entry age into the system and assumed exit age (e.g., termination or retirement).

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

**TABLE 16
EMPLOYER AND EMPLOYEE SCERS CONTRIBUTION RATES**

| Calendar Years (beginning Jan. 1) | Employer Rate | Employee Rate | Total Contribution Rate | Total ARC ⁽¹⁾ | % of Total ARC Contributed | Total ARC per GASB 27 ⁽²⁾ | % of Total ARC Contributed per GASB 27 |
|--------------------------------------|------------------|------------------|----------------------------|-----------------------------|-------------------------------|---|--|
| 2010 | 8.03% | 8.03% | 16.06% | 16.06% | 100% | 25.03% | 64% |
| 2011 | 9.03% | 9.03% | 18.06% | 25.03% | 72% | 22.14% | 82% |
| 2012 | 11.01% | 10.03% | 21.04% | 21.04% | 100% | 21.87% | 96% |
| 2013 | 12.89% | 10.03% | 22.92% | 22.92% | 100% | 24.05% | 95% |
| 2014 | 14.31% | 10.03% | 24.34% | 24.34% | 100% | 25.63% | 95% |

- (1) Per SCERS Annual Actuarial Valuation Reports. Reflects total actuarial required contribution (*i.e.*, employer plus employee contribution rates). Beginning November 21, 2011, this rate is used for City budgeting purposes per City Council Resolution 31334.
- (2) The primary difference between the Total ARC calculation and that calculated under GASB Statement No. 27 is that the Total ARC calculation uses a 0.50% membership growth assumption, while GASB specifies no membership growth assumption. Beginning with calendar year 2011, the GASB rate calculations take into account the lag between the determination of the ARC and the expected contribution date associated with that determination (*e.g.*, contribution rates for calendar year 2012 were based on the ARC determined as part of the Actuarial Valuation performed as of January 1, 2011).

Source: Seattle Municipal Code; 2014 Budget; Annual Actuarial Valuation Reports

In 2011, the City failed to increase contribution rates sufficiently to fund the ARC. During 2011, the City limited its contribution to matching the employee contribution (which was capped pursuant to certain collective bargaining agreements described in the following paragraph), without regard to any amortization of UAAL. This resulted in an increase in unfunded liability, underfunded the pension obligations, and deferred pension funding. On November 21, 2011, the City Council passed Resolution 31334 affirming the City’s intent to fully fund the annual ARC each year with its budget. The City’s budget fully funds the respective ARC by increasing the employer contribution rate to match the ARC determined by the most recent Actuarial Valuation. See Table 16—Employer and Employee SCERS Contribution Rates and Table 17—Projected Actuarially Required Total Contribution Rates by Employer and Employee.”

The City’s contracts with all labor unions that represent SCERS members describe how contribution rates would be changed in the event that higher contributions are needed to improve the funding status of the system. Under these contracts, the City and employees share in any contribution rate increase equally, up to a maximum increase of 2% in the employee contribution. The 2% employee contribution rate increase was implemented via 1% increases in 2011 and 2012. This contractual restriction shifts the risk of future increases to the City’s employer contribution. Most of the City’s existing collective bargaining contracts expired at the end of either 2013 or 2014 and the City is actively negotiating renewals. See “Labor Relations.” The negotiations include exploring options for managing the system more cost-effectively in the long term, including the creation of another system for new employees.

Projected total actuarially required contribution rates reported in the 2013 Actuarial Valuation are shown in the table below:

TABLE 17
PROJECTED ACTUARIALY REQUIRED TOTAL CONTRIBUTION RATES
BY EMPLOYER AND EMPLOYEE

| Contribution Year⁽¹⁾ | Assuming 7.50% Returns | Range (90% Confidence Interval) |
|--|-----------------------------------|--|
| 2015 | 25.76% | 25.76%-25.76% |
| 2016 | 25.31% | 24.52-25.98 |
| 2017 | 25.10% | 23.29-26.71 |
| 2018 | 24.55% | 21.45-27.36 |
| 2019 | 24.40% | 19.80-28.41 |
| 2020 | 24.08% | 18.04-29.20 |

(1) Contribution year lags valuation year by one. For example, contribution year 2015 is based on the 2013 Actuarial Valuation (as of January 1, 2014) results, amortized over 29 years beginning in 2014 if the contribution rate increase takes place in 2015.

Source: 2013 Actuarial Valuation

Employer contributions were \$76.6 million in 2013. In 2014, employer contributions were approximately \$89.6 million. The employer share for employees of each of the utility funds is allocated to and paid out of the funds of each respective utility.

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

SCERS' net assets increased by \$265.5 million (13.6%) during 2013, including member and employer contributions of \$137.4 million and revenue from investment activity totaling \$289.8 million. Expenses increased by \$9.4 million in 2013, primarily attributed to a \$7.3 million increase in retiree benefit payments and an increase of \$1.7 million in administrative expenses.

Table 18 below shows the historical market value of SCERS' net assets (as of each December 31). Table 19 shows the revenue or loss from investment activity for the last nine years.

TABLE 18
MARKET VALUE OF ASSETS

| Year (As of December 31) | Market Value of Assets (MVA)⁽¹⁾ |
|---|---|
| 2004 | \$ 1,684.5 |
| 2005 | 1,791.8 |
| 2006 | 2,011.2 |
| 2007 | 2,119.4 |
| 2008 | 1,477.4 |
| 2009 | 1,645.3 |
| 2010 | 1,812.8 |
| 2011 | 1,753.5 |
| 2012 | 1,951.4 |
| 2013 | 2,216.9 |

(1) In millions.

Source: SCERS Actuarial Valuations

TABLE 19
SCERS INVESTMENT RETURNS

| Year (As of December 31) | Net Investment Income (Loss) | |
|---|-------------------------------------|------------------------|
| | Amount⁽¹⁾ | %⁽²⁾ |
| 2004 | \$ 171.3 | 11.5% |
| 2005 | 129.6 | 8.1% |
| 2006 | 242.7 | 13.9% |
| 2007 | 138.8 | 7.3% |
| 2008 | (619.7) | -26.8% |
| 2009 | 194.7 | 10.8% |
| 2010 | 208.5 | 13.2% |
| 2011 | (15.8) | 0.0% |
| 2012 | 230.7 | 14.0% |
| 2013 | 289.8 | 15.5% |

(1) In millions.

(2) Represents one-year return on asset classes.

Source: SCERS Annual Reports

The table below shows the historical distribution of SCERS investments over the last five years:

TABLE 20
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS

| Investment Categories (January 1) | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|---------------|---------------|---------------|---------------|---------------|
| Fixed Income ⁽¹⁾ | 23.7% | 23.1% | 22.8% | 15.5% | 17.7% |
| Domestic Stocks | 32.1% | 30.4% | 30.8% | 41.9% | 38.9% |
| International Stocks | 28.7% | 29.0% | 25.5% | 20.4% | 18.8% |
| Real Estate | 10.6% | 11.3% | 12.7% | 10.3% | 11.3% |
| Alternative Investments ⁽²⁾ | 4.9% | 6.2% | 8.1% | 11.9% | 13.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

(1) Includes investments in U.S. government obligations, corporate bonds, mortgage-backed securities, and other government-related investments. Prior to 2011, SCERS tracked some of these categories separately.

(2) Includes investments in the “mezzanine debt” category prior to 2011. Prior to 2011, SCERS tracked investments in a category called “mezzanine debt,” which investments were reassigned to the “alternative investments” and a minor portion was assigned to the “real estate” category, as appropriate for each investment. For purposes of this table, all pre-2011 mezzanine debt investments have been assigned to the “alternative investments” category.

Source: SCERS Actuarial Valuations

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

Under RCW 41.28.005 and SMC 4.36.130, the Board’s investment policies define eligible investments to include securities lending transactions. Through a custodial agent, SCERS participates in a securities lending program whereby securities are lent from the system’s investment portfolio on a collateralized basis to third parties (primarily financial institutions) for the purpose of generating additional income to the system. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent. Lending is limited to a volume of less than \$75 million.

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

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

These pension plans provide retirement benefits, death benefits, and certain medical benefits for eligible active and retired employees. Retirement benefits are determined under chapters 41.18 and 41.26 RCW for the Firefighters’ Pension Fund and under chapters 41.20 and 41.26 RCW for the Police Relief and Pension Fund. As of December 31, 2013, membership in these plans consisted of 775 fire employees (27 of whom are active employees)

and 790 police (21 of whom are active employees). See “Other Post-Employment Benefits” below for a discussion of medical benefits paid to retirees.

These pension plans do not issue separate financial reports. The most recent actuarial valuation, dated January 1, 2014, uses the Entry Age Normal Actuarial Cost Method, values plan assets at fair value, and uses the following actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 5.25%; and projected salary increases, 3.00%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the Firefighters’ Pension Fund and adopted a policy of fully funding the actuarial accrued liability (“AAL”) by the year 2018 (which was subsequently extended to 2023). For 2013, the City funded 100% of the ARC but only a portion of the projected payment necessary to fully fund the AAL by 2023. The City’s 2014 budget also anticipates fully funding the ARC and making partial payments toward the full funding of the AAL. As of January 1, 2014, the actuarial value of net assets available for benefits in the Firefighters’ Pension Fund was \$12.7 million, and the AAL was \$84.3 million. As a result, the UAAL was \$71.6 million and the funded ratio was 15.1%. The City’s employer contribution to the fund in 2013 was \$6.5 million, representing 124% of the ARC; there were no current member contributions. Under State law, partial funding of the Firefighters’ Pension Fund may be provided by an annual property tax levy of up to \$0.225 per \$1,000 of assessed value within the City. The City does not currently levy this additional property tax, but makes contributions out of the General Fund levy. The fund also receives a share of the State tax on fire insurance premiums.

The City funds the Police Relief and Pension Fund as benefits become due. As of January 1, 2014, the actuarial value of net assets available for benefits in the Police Relief and Pension Fund was \$3.2 million, and the AAL was \$92.6 million. As a result, the UAAL was \$89.4 million and the funded ratio was 3.5%. The City’s employer contribution to the fund in 2013 was \$7.1 million, representing 111% of the ARC; there were no current member contributions. The fund also receives police auction proceeds of unclaimed property.

Law Enforcement Officers’ and Fire Fighters’ Retirement System. Substantially all of the City’s current uniformed firefighters and police officers are enrolled in LEOFF. LEOFF is a defined benefit plan administered by the DRS. Contributions by employees, employers, and the State are based on gross wages. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. LEOFF participants who joined on or after October 1, 1977, are Plan 2 members. For all of the City’s employees who are covered under LEOFF, the City contributed \$12.9 million in 2013 and \$12.5 million in 2012. The following table outlines the contribution rates of employees and employers under LEOFF.

TABLE 21
LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL
(As of September 30, 2014)

| | Plan 1 | Plan 2 |
|----------|----------------------|----------------------|
| Employer | 0.18% ⁽¹⁾ | 5.23% ⁽¹⁾ |
| Employee | 0.00 | 8.41% |
| State | N/A | 3.36% |

(1) Includes a 0.18% (as of September 1, 2013) DRS administrative expense rate.

Source: Washington State Department of Retirement Systems

While the City’s current contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The State Actuary’s website includes information regarding the values and funding levels of LEOFF. For additional information, see Note 11 to the City’s 2013 Comprehensive Annual Financial Report, attached as Appendix B.

According to the Office of the State Actuary's June 1, 2013, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 125% and LEOFF Plan 2 had a funded ratio of 115%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.8% annual rate of investment return for LEOFF Plan 1 and a 7.5% annual rate of investment return for LEOFF Plan 2, 3.75% general salary increases, and 3.0% consumer price index increase. Liabilities were valued using the "Projected Unit Credit" cost method and assets were valued using the actuarial value of assets, which defers a portion of the annual investment gains or losses over a period of up to eight years.

Other Post-Employment Benefits

The City has liability for two types of other post-employment benefits ("OPEB"): (i) an implicit rate subsidy for health insurance covering employees retiring under SCERS or LEOFF Plan 2 and dependents of employees retiring under LEOFF Plan 1, and (ii) medical benefits for eligible beneficiaries of the City's Firefighters' Pension Fund and Police Relief and Pension Fund. The implicit rate subsidy is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. The City has assessed its OPEB liability in order to satisfy the expanded reporting requirements specified by the Governmental Accounting Standards Board Statement No. 45 ("GASB 45"). While GASB 45 requires reporting and disclosure of the unfunded OPEB liability, it does not require that it be funded. The City funds its OPEB on a pay-as-you-go basis.

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS or LEOFF plans. The last report was as of January 1, 2014, and showed the UAAL for the implicit rate subsidy was \$42.9 million; the City's estimated contribution in 2014 was \$1.0 million. The valuation of the OPEB liability associated with the City's Firefighters' Pension Fund and Police Relief and Pension Fund is updated annually. As of January 1, 2014, the UAAL for OPEB in the City's Firefighters' Pension Fund was \$264.7 million; the estimated annual contribution for 2014 is \$11.0 million. As of January 1, 2014, the UAAL for OPEB in the Police Relief and Pension Fund was \$291.5 million; the estimated annual contribution for 2014 is \$12.7 million.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2013 Comprehensive Annual Financial Report attached as Appendix B.

Labor Relations

As of March 2015, the City had 34 separate departments and offices with approximately 12,900 regular and temporary employees. Twenty-six different unions and 49 bargaining units represent approximately 74% of the City's regular employees. The agreements with the Seattle Police Management Association, Local 289 and Local 79 (machinists), and the Local 77 Construction Maintenance Equipment Operators all expired at the end of 2013. Contracts with the Seattle Police Officers' Guild, the Seattle Fire Fighters Union, the Seattle Fire Chiefs' Association, and the Coalition of City Unions (representing most other City employees) expired at the end of 2014. The City also has a collective bargaining agreement with IBEW Local 77 (electrical workers) that expires January 23, 2017. The City is currently in negotiations for all of the contracts that have expired. There is no expected date by which agreements will be reached, and unions continue to operate under the expired contracts.

Emergency Management and Preparedness

The City's Office of Emergency Management ("OEM") is responsible for managing and coordinating the City's resources and responsibilities in dealing with emergencies. The OEM prepares for emergencies, trains City staff in emergency response, provides education to the community about emergency preparedness, plans for emergency recovery, and works to mitigate known hazards. It has identified and assessed many types of hazards that may impact the City, including geophysical hazards (*e.g.*, earthquakes, landslides, tsunamis, seismic seiches, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (*e.g.*, terrorism, breaches in cybersecurity, and civil disorder), transportation incidents, fires, hazardous materials, and unusual weather conditions (*e.g.*, floods, snow, water shortages, and wind storms). However, the City cannot anticipate all potential hazards and their effects, including any potential impact on the economy of the City or the region.

Considerations Related to Alaskan Way Viaduct and Seawall Replacement Program

The Alaskan Way Viaduct and Seawall Replacement Program consists of multiple projects to remove and replace the State Route 99 Alaskan Way Viaduct, replace an existing seawall, and carry out the redevelopment of the City's central waterfront area. The various projects comprising the AWVSR Program are separate public projects by separate lead public agencies being implemented in a coordinated manner pursuant to a series of written agreements.

Many elements of the AWVSR Program are presently underway. The State's project to replace the Alaskan Way viaduct with a bored tunnel (the "SR99 Bored Tunnel Project" or the "State's Project") and the City's Seawall Project are by far the largest projects in the AWVSR Program. There is also coordination between the AWVSR Program waterfront redevelopment elements (e.g., the City's "Waterfront Seattle" project) and redevelopment projects undertaken by other public agencies in the central waterfront area, such as the Pike Place Market PDA's MarketFront Project.

Status of State's Project. The State's Project has been delayed by approximately two years due to the malfunctioning of a deep bore tunneling machine (the "TBM"), and is currently scheduled for completion in 2017. The State's Project is being undertaken pursuant to a contract between the Washington State Department of Transportation ("WSDOT") and a joint venture named Seattle Tunnel Partners. The City is not a party to that contract. Responsibility for direct cost overruns relating to the repair of the TBM, or any other reason, will be governed by that contract; the City has no direct contractual liability.

Additionally, the City has a series of agreements with WSDOT relating to the coordination of projects within the AWVSR Program. There are particular agreements governing each party's responsibilities for issues such as the protection, repair, and relocation of the City's utility infrastructure impacted by or constructed as part of the State's Project. In general, the City is responsible for relocating utility infrastructure that conflicts with the State's Project and the State is responsible for avoiding damage and repairing or replacing damaged utility infrastructure as defined in the agreements. Any increase in these indirect costs resulting from the TBM's malfunction or delays are governed by these agreements.

Finally, the State statute that authorized the State's Project (RCW 47.01.402) contains the following language: "(6)(b) The state's contribution shall not exceed two billion four hundred million dollars. If costs exceed two billion four hundred million dollars, no more than four hundred million [dollars] of the additional costs shall be financed with toll revenue. Any costs in excess of two billion eight hundred million dollars shall be borne by property owners in the Seattle area who benefit from replacement of the existing viaduct with the deep bore tunnel." This language does not require the City to cover the excess costs. It is unclear how this provision would be enforced. It does not clearly define the property owners responsible for the excess costs, nor does it define a mechanism by which the property owners would bear the excess costs. The State does not have authority under the State Constitution or other existing State law to directly impose or collect a property tax or other assessment on property owners in the Seattle area. Therefore, the City cannot predict what, if any, enforcement mechanism the State could employ to implement this provision or whether any such mechanism would be upheld if challenged.

Status of City's Seawall Project. The City's Seawall Project is currently scheduled for completion in 2016. While the City's Seawall Project is located in close proximity to the State's Project and requires schedule and work sequencing and coordination, the State's Project delays have not resulted in disruptions to the schedule and sequencing of the City's Seawall Project to date. However, whether additional delays in the State's Project might result in future schedule disruptions or increased Seawall Project costs cannot be predicted at this time, but they are not anticipated.

INITIATIVE AND REFERENDUM

State-Wide Measures

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require that legislation passed by the State Legislature be referred to the voters. Any law approved in this manner by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the

members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The State Constitution may not be amended by initiative.

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

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

Local Measures

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

LEGAL AND TAX INFORMATION

No Litigation Affecting 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 the power and authority of the City to levy and collect the taxes pledged to the Bonds. There is no litigation pending or threatened which would materially affect the City's ability to meet debt service requirements on the Bonds.

Other Litigation

Because of the nature of its activities, the City is subject to certain pending legal actions which arise in the ordinary course of business of running a municipality, including various lawsuits and claims involving claims for money damages. (See Appendix B—The City's 2013 Comprehensive Annual Financial Report—Note 16, Contingencies.) Based on its past experience and the information currently known, the City has concluded that its ability to pay principal of and interest on the Bonds on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the City and the timing of any anticipated payments of judgments that might result from suits and claims.

Approval of Counsel

Legal matters incident to the authorization, issuance, and sale of the Bonds by the City are subject to the approving legal opinions of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. Forms of the opinions of Bond Counsel with respect to each Series of the Bonds are attached hereto as Appendix A. The opinions of Bond Counsel are 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 opinions to reflect any facts or circumstances that may thereafter come to its attention or any changes in law that may thereafter occur. An 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 upon the occurrence of an event of default under the Bond Legislation 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 Legislation 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.

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

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Washington State law permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding under the Bankruptcy Code against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

The opinions to be delivered by Foster Pepper PLLC, 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. Copies of the proposed forms of opinions of Bond Counsel are set forth in Appendix A.

Tax Exemption—Tax-Exempt Bonds

Exclusion from Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Code that must be satisfied subsequent to the issue date of the Tax-Exempt Bonds, interest on the Tax-Exempt Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. The City is required to comply with certain requirements of the Code after the date of issuance of the Tax-Exempt Bonds in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of proceeds of the Tax-Exempt Bonds and the facilities financed or refinanced with proceeds of the Tax-Exempt Bonds, limitations on investing gross proceeds of the Tax-Exempt Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Tax-Exempt Bonds. The City has covenanted in the Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the Tax-Exempt Bonds could become taxable retroactive to the date of issuance of the Tax-Exempt Bonds. Bond Counsel has not undertaken and does not undertake to monitor the City's compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Tax-Exempt Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Tax-Exempt Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75% of the excess of the corporation's adjusted current earnings (including any tax-exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of \$40,000, which exemption will be reduced (but not below zero) by 25% of the amount by which the corporation's alternative minimum taxable income exceeds \$150,000, is then subject to a 20% minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed \$5,000,000, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed \$7,500,000.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Tax-Exempt Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25% of the gross receipts of such S corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Tax-Exempt Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Tax-Exempt Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the “IRS”) has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Tax-Exempt Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Tax-Exempt Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Tax-Exempt Bonds could adversely affect the market value and liquidity of the Tax-Exempt Bonds until the audit is concluded, regardless of its ultimate outcome.

Certain Other Federal Tax Consequences of Ownership of the Tax-Exempt Bonds

Tax-Exempt Bonds Not “Qualified Tax-Exempt Obligations” for Financial Institutions. Section 265 of the Code provides that 100% of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as “qualified tax-exempt obligations,” only 20% of any interest expense deduction allocable to those obligations will be disallowed.

The City is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than \$10,000,000 of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year and has not designated the Tax-Exempt Bonds as “qualified tax-exempt obligations” for purposes of the 80% financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Tax-Exempt Bonds is deductible for federal income tax purposes.

Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Tax-Exempt Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15% of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Tax-Exempt Bonds into account in determining gross income.

Other Possible Federal Tax Consequences. Receipt of interest on the Tax-Exempt Bonds may have other federal tax consequences as to which prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisors.

Potential Future Federal Tax Law Changes. Current and future legislative proposals, if enacted into law, may directly or indirectly cause interest on the Tax-Exempt Bonds to be subject in whole or in part to federal income taxation, prevent the Beneficial Owners of the Tax-Exempt Bonds from realizing the full benefits of the current federal tax status of interest on the Tax-Exempt Bonds, or affect, perhaps significantly, the market value or marketability of the Tax-Exempt Bonds. Prospective purchasers of the Tax-Exempt Bonds should consult with their own tax advisors regarding the potential impact of any pending or proposed legislation or regulations.

Tax Matters—LTGO Taxable Bonds

This advice was written to support the promotion or marketing of the LTGO Taxable Bonds. This advice is not intended or written to be used, and may not be used, by any person or entity for the purpose of avoiding any penalties that may be imposed on any person or entity under the U.S. Internal Revenue Code of 1986, as amended

(the “Code”). Prospective purchasers of the LTGO Taxable Bonds should seek advice based on their particular circumstances from an independent tax advisor.

The following discussion generally describes certain aspects of the principal U.S. federal tax treatment of U.S. persons that are Beneficial Owners (“Owners”) of LTGO Taxable Bonds who have purchased LTGO Taxable Bonds in the initial offering and who hold the LTGO Taxable Bonds as capital assets within the meaning of Section 1221 of the Code. For purposes of this discussion, a “U.S. person” means an individual who, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source of income, or (iv) a trust, if either: (A) a United States court is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust or (B) a trust has a valid election in effect to be treated as a United States person under the applicable treasury regulations.

This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect). This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances, such as an Owner who may purchase LTGO Taxable Bonds in the secondary market, or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, non-U.S. persons, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, or dealers in securities. **Accordingly, before deciding whether to purchase any LTGO Taxable Bonds, prospective purchasers should consult their own tax advisors regarding the United States federal income tax consequences, as well as tax consequences under the laws of any state, local or foreign taxing jurisdiction or under any applicable tax treaty, of purchasing, holding, owing and disposing of the LTGO Taxable Bonds.**

In General. Interest on the LTGO Taxable Bonds is not excludable from the gross income of the Owners for federal income tax purposes, and Owners of the LTGO Taxable Bonds will not be allowed any federal tax credits as a result of ownership of or receipt of interest payments on the LTGO Taxable Bonds.

Payments of Interest. Interest paid on the LTGO Taxable Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest payment; Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

Defeasance of LTGO Taxable Bonds. If the City defeased any LTGO Taxable Bonds, such LTGO Taxable Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the owner of an LTGO Taxable Bond would recognize a gain or loss on the LTGO Taxable Bond at the time of defeasance.

Backup Withholding. An Owner may, under certain circumstances, be subject to “backup withholding” (currently the rate of this withholding tax is 28%, but may change in the future) with respect to interest on the LTGO Taxable Bonds. This withholding generally applies if the Owner of an LTGO Taxable Bond (a) fails to furnish the Bond Registrar or other payor with its taxpayer identification number; (b) furnishes the Bond Registrar or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends, or other “reportable payments” as defined in the Code; or (d) under certain circumstances, fails to provide the Bond Registrar or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the Owner is not subject to backup withholding. Any amount withheld may be creditable against the Owner’s U.S. federal income tax liability and be refundable to the extent it exceeds the Owner’s U.S. federal income tax liability. The amount of “reportable payments” for each calendar year and the amount of tax withheld, if any, with respect to payments on the LTGO Taxable Bonds will be reported to the Owners and to the Internal Revenue Service.

ERISA Considerations. The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-

qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans should consult their own tax advisors with respect to the consequences of any investment in the LTGO Taxable Bonds.

Continuing Disclosure Undertaking

Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events. To meet the requirements of paragraph (b)(5) of United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”), as applicable to a participating underwriter for the Bonds, the City will undertake in the Bond Legislation (the “Undertaking”) for the benefit of holders of the Bonds, as follows.

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

- (i) Annual financial information and operating data of the type included in this Official Statement as generally described below under “Type of Annual Information Undertaken to be Provided”; and
- (ii) Timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:
 - (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults, if material;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) substitution of credit or liquidity providers, or their failure to perform;
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), other material notices or determinations with respect to the tax status of the Tax-Exempt Bonds, or other material events affecting the tax status of the Tax-Exempt Bonds;
 - (g) modifications to rights of holders of the Bonds, if material;
 - (h) Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;
 - (i) defeasances;
 - (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
 - (k) rating changes;
 - (l) bankruptcy, insolvency, receivership, or similar event of the City, as such “Bankruptcy Events” are defined in the Rule;
 - (m) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

The City also will provide or cause to be provided to the MSRB timely notice of a failure by the City to provide required annual financial information on or before the date specified below.

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

- (i) annual financial statements of the City, prepared in accordance with generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by State law, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the City they will be provided;
- (ii) a statement of outstanding general obligation debt of the City;
- (iii) the assessed value of the property within the City subject to *ad valorem* taxation; and
- (iv) *ad valorem* tax levy rates and amounts and percentage of taxes collected.

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 with the City's fiscal year ended December 31, 2014. 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 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.

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

Termination of Undertaking. The City's obligations under the Undertaking will terminate upon the legal defeasance, prior repayment, or payment in full of all of the then 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.

Other Continuing Disclosure Undertakings of the City. The City has entered into undertakings to provide annual information and the notice of the occurrence of certain events with respect to all bonds issued by the City subject to Rule 15c2-12 and believes that in the last five years, it has not failed to comply in any material respect with such undertakings. Nonetheless, in connection with the City's Local Improvement District No. 6750 Bonds, 2006, certain supplemental information regarding the collection of special assessments was not timely filed. The City has since compiled this supplemental information and filed it with the MSRB.

OTHER BOND INFORMATION

Ratings on the Bonds

The LTGO Bonds have been rated "Aa1," "AAA," and "AA+" and the UTGO Bonds have been rated "Aaa," "AAA," and "AAA" by Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings, respectively. The ratings 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.

Underwriting

The LTGO Tax-Exempt Bonds are being purchased by _____ at a price of \$_____ and will be reoffered at a price of \$_____. The UTGO Bonds are being purchased by _____ at a price of \$_____ and will be reoffered at a price of \$_____. The LTGO Taxable Bonds are being purchased by _____ at a price of \$_____ and will be reoffered at a price of \$_____.

The underwriter for each Series of the Bonds (together, the “Underwriter”) may offer and sell such Series of 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 pages i, ii, and iii hereof, and such initial offering prices may be changed from time to time by the Underwriter. After the initial public offering, the public offering prices may be varied from time to time.

Conflicts of Interest

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

Official Statement

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

The City of Seattle

By: _____

Glen Lee
Director of Finance

APPENDIX A
FORMS OF LEGAL OPINIONS

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[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington
\$_____ Limited Tax General Obligation Improvement and Refunding Bonds, 2015A (the “2015A Bonds”); and
\$_____ Limited Tax General Obligation Improvement Bonds, 2015B (Taxable) (the “2015B Bonds”)

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced 2015A Bonds and 2015B Bonds (together, the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion and of which attorneys within the firm involved in the issuance of the Bonds have no independent knowledge, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued by the City pursuant to the laws of the State of Washington, Ordinance 124637 and Ordinance 121651 (as amended by Ordinance 122286 and as amended and restated by Ordinance 124343) and Resolution _____ (the “Bond Legislation”) for general City purposes to provide the funds (i) to pay for part of the costs of various projects authorized by the Bond Legislation, (ii) to refund certain outstanding bonds of the City, and (iii) to pay the costs of issuance and sale of the Bonds, all as set forth in the Bond Legislation.

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

Under the Internal Revenue Code of 1986, as amended (the “Code”), the City is required to comply with certain requirements after the date of issuance of the 2015A Bonds in order to maintain the exclusion of the interest on the 2015A Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of 2015A Bond proceeds and the facilities financed or refinanced with 2015A Bond proceeds, limitations on investing gross proceeds of the 2015A Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the 2015A Bonds. The City has covenanted in the 2015A Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the 2015A Bonds could become taxable retroactive to the date of issuance of the 2015A Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

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

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington;
2. The City has duly authorized and approved the Bond Legislation, the Bonds have been duly authorized and executed by the City and the Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Legislation and other ordinances and resolutions of the City relating thereto;
3. The Bonds constitute valid general obligations of the City payable from tax revenue of the City and such other money as is lawfully available and pledged by the City to be levied within the constitutional and statutory limitations provided by law without the assent of the voters, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles if equitable remedies are sought; and
4. The City, in the Bond Legislation, has declared its intention that interest on the 2015B Bonds not be excludable from gross income for federal income tax purposes.
5. Assuming compliance by the City after the date of issuance of the 2015A Bonds with applicable requirements of the Code, the interest on the 2015A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the 2015A Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the 2015A Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the 2015A Bonds received by certain S corporations may be subject to tax, and interest on the 2015A Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the 2015A Bonds.

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

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

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

Respectfully submitted,

[FORM OF BOND COUNSEL OPINION]

The City of Seattle, Washington

Re: The City of Seattle, Washington
\$_____ Unlimited Tax General Obligation Improvement Bonds, 2015

We have served as bond counsel to The City of Seattle, Washington (the “City”), in connection with the issuance of the above referenced bonds (the “Bonds”), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion and of which attorneys within the firm involved in the issuance of the Bonds have no independent knowledge, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us.

The Bonds are issued by the City pursuant to Ordinance 124125 and Resolution _____ (together, the “Bond Legislation”) for capital purposes only, to pay the costs of the design, construction, renovation, improvement, and replacement of the Alaskan Way Seawall and related infrastructure, which costs shall not include the replacement of equipment, pursuant to an election authorizing the Bonds and under and in accordance with the Constitution and laws of the State of Washington. Reference is made to the Bonds and the Bond Legislation for the definitions of capitalized terms used and not otherwise defined herein.

Under the Internal Revenue Code of 1986, as amended (the “Code”), the City is required to comply with certain requirements after the date of issuance of the Bonds in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Bond proceeds and the facilities financed or refinanced with Bond proceeds, limitations on investing gross proceeds of the Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Bonds. The City has covenanted in the Bond Legislation to comply with those requirements, but if the City fails to comply with those requirements, interest on the Bonds could become taxable retroactive to the date of issuance of the Bonds. We have not undertaken and do not undertake to monitor the City's compliance with such requirements.

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

1. The City is a duly organized and legally existing first class city under the laws of the State of Washington;
2. The City has duly authorized and approved the Bond Legislation, the Bonds have been duly authorized and executed by the City and the Bonds are issued in full compliance with the provisions of the Constitution and laws of the State of Washington, the Bond Legislation and other ordinances and resolutions of the City relating thereto;

3. The Bonds constitute valid general obligations of the City payable from annual property taxes to be levied without limitation as to rate or amount on all of the taxable property within the City, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles if equitable remedies are sought; and

4. Assuming compliance by the City after the date of issuance of the Bonds with applicable requirements of the Code, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Bonds received by certain S corporations may be subject to tax, and interest on the Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Bonds.

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

We express no opinion herein concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Bonds or otherwise used in connection with the Bonds.

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

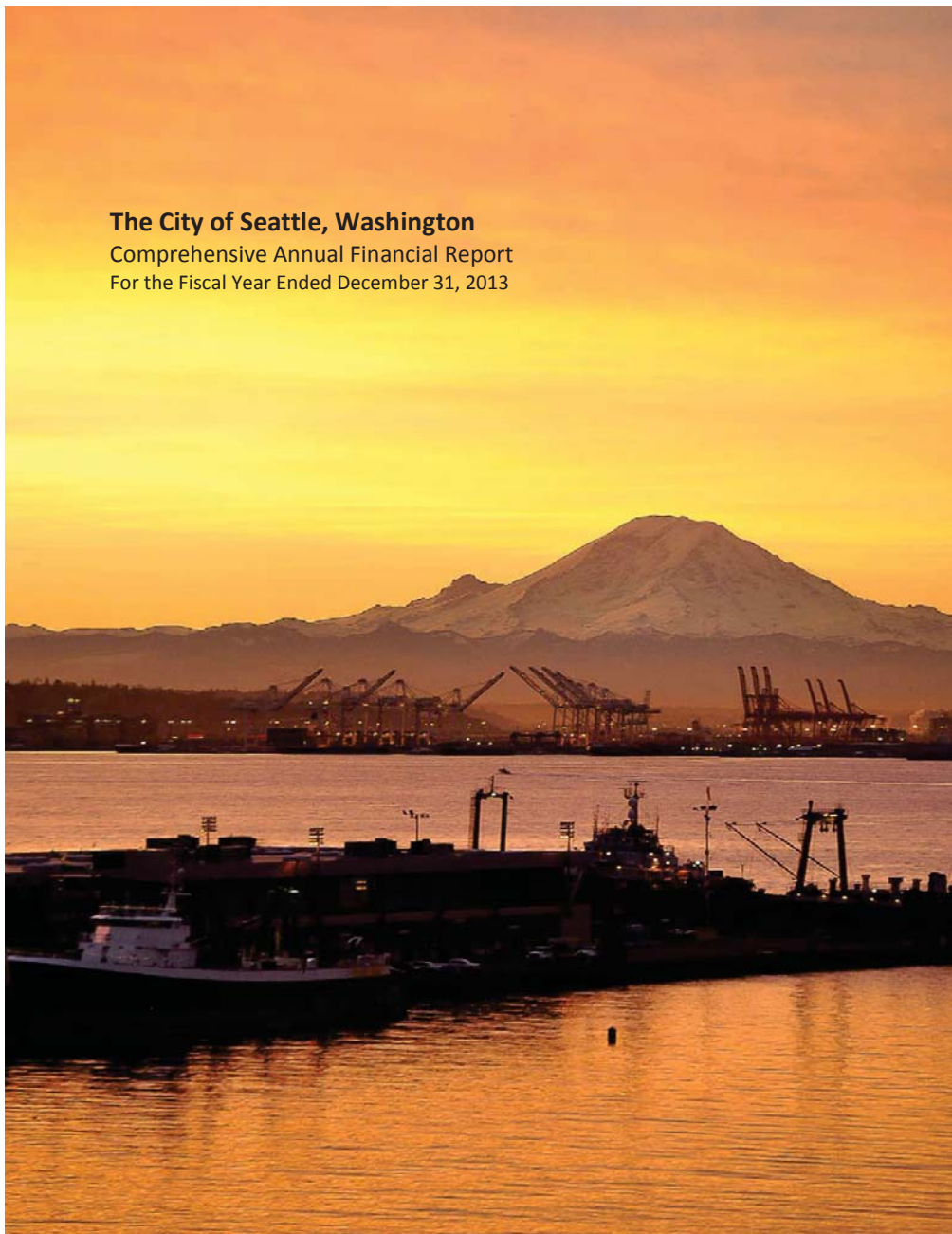
Respectfully submitted,

APPENDIX B

THE CITY'S 2013 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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The City of Seattle, Washington
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2013



Comprehensive Annual Financial Report

For the Fiscal Year Ended
December 31, 2013



The City of Seattle

Department of Finance and Administrative Services

Introduction

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Comprehensive Annual Financial Report

For the Year Ended December 31, 2013

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The City of Seattle

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CITY OF SEATTLE ELECTED OFFICIALS

As of January 1, 2014

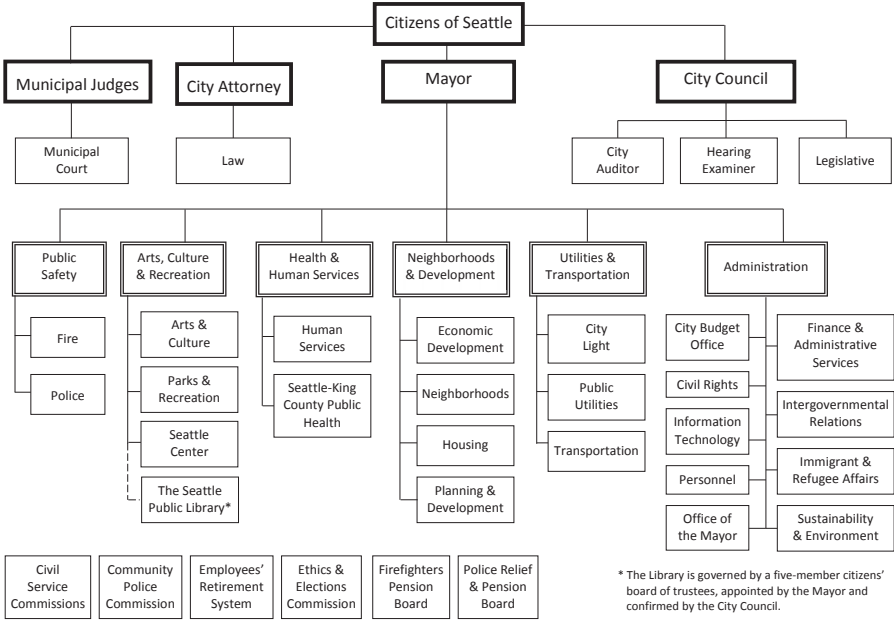


Ed Murray
Mayor



Peter Holmes
City Attorney

CITY ORGANIZATION CHART



XI

CITY COUNCIL



Sally Bagshaw



Tim Burgess
Council President



Sally Clark



Kshama Sawant



Jean Godden



Bruce Harrell



Nick Licata



Mike O'Brien



Tom Rasmussen

XII



City of Seattle

Edward B. Murray, Mayor

Finance and Administrative Services

Fred Podesta, Director

Glen M. Lee, City Finance Director

June 26, 2014

The Honorable Mayor and
Members of the City Council:

I am pleased to submit to you the 2013 Comprehensive Annual Financial Report (CAFR) of the City of Seattle, Washington. The Department of Finance and Administrative Services prepared this report to present the financial position of the City of Seattle as of December 31, 2013. In addition, the CAFR describes the results of its operations, the cash flows of its proprietary fund types, and changes in plan net position of its pension and private-purpose trust funds for the year then ended. The financial statements and supporting schedules have been prepared in accordance with generally accepted accounting principles and meet the requirements of the State Auditor and the City Charter.

Washington State law requires an annual audit of the City of Seattle's (the City's) financial statements by the independently elected State Auditor. The State Auditor conducts his examination in accordance with generally accepted auditing standards and provides an independent assessment that helps assure fair presentation of the City's financial position, results of operations, the cash flows of its proprietary fund types, and changes in plan net position of its pension and private-purpose trust funds. In addition to the opinion on the City's financial statements, included in this report, the State Auditor also issues separate reports on internal control and compliance with laws and regulations that meet the requirements of the Single Audit Act and related OMB Circular A-133. These reports are available in the City's separately issued Single Audit Report.

The accuracy of the City's financial statements and the completeness and fairness of their presentation is the responsibility of the City's management staff. The City maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived.

Management's discussion and analysis (MD&A) immediately follows the State Auditor's report. It provides a summary and assessment of the City's most important financial developments to accompany the financial statements. This letter of transmittal complements the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Seattle was incorporated on December 2, 1869. The City operates under a City Charter adopted on March 12, 1946 and last amended by the voters on November 5, 2013, providing for a nonpartisan Mayor-Council form of government. The City Council is currently composed of nine members, with all nine positions elected at large. The City Charter was amended in 2013 to modify the

composition of the City Council and in 2015 will have positions 1 through 7 elected by districts and positions 8 and 9 elected from the City at large. The City provides the full range of municipal services authorized by its charter and operates four rate-funded utilities.

The City of Seattle is a primary government for financial reporting purposes. Its governing body is elected by the citizens in a general, popular election. The CAFR includes financial summaries for all organizations and activities for which elected City officials exercise financial accountability. Certain organizations created by or related to the City, for which the City is not financially accountable, have been excluded from this report. A joint venture, component units, and contingent liabilities, which exist from relationships with organizations created by the City, are included in this report. The notes to the financial statements further discuss the City as a financial reporting entity.

The City provides a full range of services. The City builds and repairs roads and maintains electric, water, solid waste, sewer and drainage services. It provides police and fire protection as well as judicial services. It administers land use policy, and takes an active role in commercial and industrial development and environmental protection. The City designs and maintains many parks and golf courses, coordinates recreation activities, maintains libraries, fosters neighborhood livability, and works to preserve a satisfactory living environment for both the community and individuals.

BUDGETS AND BUDGETARY ACCOUNTING

The City Council approves the City's operating budget and two separate but related fiscal plans: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The budget allocates available resources on an annual basis between the City's programs and ordains financial transactions that support the allocations and related financing decisions. Appropriations in the budget are valid for a single fiscal year except for appropriations that support capital projects, grants, or endowments. The budget also ordains changes to employee positions by department.

The CIP plan is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by funding source. It is revised and extended annually. The City Council adopts the CIP as a planning document and appropriates the multi-year expenditures identified in the CIP through the adoption of the annual budget or subsequent supplemental budgets. The CIP is consistent with the City's Comprehensive Plan and includes information required by the State's Growth Management Act.

The CDBG planning process allocates the annual grant awarded by the federal government to City departments and non-City organizations. Although this federally funded program has unique timetables and requirements, the City coordinates it with the annual budget and CIP processes to improve preparation and budget allocation decisions and streamline budget execution.

The Adopted Budget makes appropriations for operating and capital expenses at the budget control level within the departments. Grant-funded activities are controlled as prescribed by law and federal or state regulations.

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Seattle, Washington 98124-4669

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<http://www.seattle.gov/FAS>

NATIONAL AND LOCAL ECONOMY

U.S. Economy

2013 was a year of modest economic growth as the U.S. economy continued its slow recovery from the Great Recession of 2008-09. Although the recovery has been sluggish when compared to most other recoveries, it has been typical of recoveries from recessions caused by financial crises, which tend to be weak and protracted. Leading the recovery has been business investment in equipment and software, a rise in exports which has boosted the manufacturing sector, and a modest upturn in consumption. Housing has finally turned around, and is now a modest contributor to growth instead of a drag on it.

The economy entered 2013 with significant fiscal headwinds from federal government policies that took effect on January 1, 2013. These included the expiration of the two percent payroll tax cut, the expiration of the Bush income tax cuts for high income taxpayers, and an increase in the capital gains tax rate. In addition, sequester driven spending cuts went into effect in March 2013. The combined impact of this fiscal tightening is estimated at 1% to 1.5% of GDP.

The economy was also hampered by an unexpected mid-year increase in interest rates that slowed the nascent housing recovery, and a 17 day shutdown of the federal government in October. Despite these headwinds, the economy managed a 1.9 percent increase in gross domestic product (GDP) in 2013 and added 2.3 million jobs during the year. As of December 2013, the economy had created 7.7 million jobs during the recovery, replacing 89% of the jobs lost during the recession.

Looking to the future, economists expect growth to pick up in 2014 aided in part by a strengthening housing recovery and a significant drop in fiscal drag from 2013 levels, and to continue improving in 2015 and 2016. Risks to this relatively optimistic forecast come largely from outside of the U.S. They include a slowing of growth and possible financial crisis in China, continued weakness in the Eurozone, and an escalation of the confrontation with Russia over the Ukraine.

Seattle Metro Area Economy

The Seattle metro area has rebounded from the recession at a much quicker pace than the nation as a whole. Through December 2013, Seattle metro area (King and Snohomish Counties) employment was up 10.1 percent from its post-recession low in February 2010, compared to a 6.0 percent gain in U.S. employment over the same period. Areas of strength during the recovery have included aerospace, software publishing, professional, scientific, and technical services, health services, and mail order and internet retail.

Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2011 and has declined by 2,000 jobs since then. Despite this modest drop in employment, in 2013 the Boeing Company, the region's largest employer, delivered a record 648 jets and booked orders for 1,355 new planes. At the end of 2013 Boeing had a record backlog of 5,080 planes on order. This represents 7.8 years of production at 2013 levels.

During the early stages of the recovery, the city of Seattle was one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused largely on multi-family housing. At the end of 2013, there were over 13,000 new housing units under construction in Seattle, the highest level in at least 25 years. The construction boom generated a 28.7 percent increase in sales tax revenue from construction activity in 2012 and a 9.3 percent gain in 2013. A key driver of the recent growth in Seattle, including the growth in construction activity, has been Amazon, which has been hiring aggressively for several years. Amazon now occupies 3.2 million square feet of office space in Seattle's South Lake Union neighborhood.

With the recent upturn in aerospace employment now behind us, regional employment growth is predicted to slow going forward, with 2013 expected to be the peak year for employment growth (at 2.8%) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.8 percent per year over the next five years. Personal income growth is forecast to range between five and five-and-a-half percent, which is approximately three percent per year faster than the rate of inflation.

INITIATIVES

The 2014 Adopted Budget totals \$4.4 billion, including the \$1 billion General Fund, representing increases of 1.9 percent and 3.4 percent respectively relative to the preliminary 2014 Budget enacted by Council in November of 2012. The 2014 Adopted Budget marks the first budget since 2009 that does not include major programmatic reductions in the City's General Fund. Rather, the 2014 Adopted Budget makes a series of modest investments to address the many needs that have emerged since 2009.

The 2014 Adopted Budget sets aside General Fund resources in both of the City's reserve funds; the Rainy Day Fund and the Emergency Subfund. The Budget contributes \$4.3 million to the Rainy Day Fund, bringing its total to a record \$34.7 million. The Budget also maintains its major reserve fund (the Emergency Subfund) at the legal limit of \$48 million.

When compared to the 2013 Budget, the 2014 Adopted Budget increases spending in Public Safety, Human Services, and Transportation, as well as in several other program areas. Collectively, the investments made in the 2014 Adopted Budget will expand the City's work force by 186.92 full-time equivalents (FTE), bringing the City's total work force to 11,356.33 FTE.

For Public Safety, the 2014 Adopted Budget adds 15 new police officers, as well as permanently funding the police officer positions added in the 2013 Adopted Budget. By yearend 2014, the Seattle Police Department will have 42 more police officer positions funded than in 2012. The 2014 Adopted Budget also adds \$3.5 million in spending to improve law enforcement, City park ranger staffing, and social service programs in the City's downtown core.

The 2014 Adopted Budget included increased spending on Human Service Programs by \$5.6 million or 9 percent over the amount endorsed by the City Council in 2012 for the 2014 period. These additional resources primarily support homelessness, domestic violence, healthcare, and senior services. The 2014 Adopted Budget also provides resources to backfill for lost federal and state funding.

The 2014 Adopted Budget authorizes over \$405 million in spending on transportation programs and capital projects, of which \$40.5 is from the City's General Fund. The General Fund contribution is an increase of over 25 percent of the General Fund spending for transportation in 2013. In 2014, additional resources will be spent on road and bridge maintenance, traffic circulation improvements, transit services, corridors for bicycle travel, and improvements to the 23rd Avenue transportation corridor.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Seattle for its comprehensive annual financial report for the fiscal year ended December 31, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports.

I would like to express my appreciation to the entire staff of Citywide Accounting Services, other members of the Department of Finance and Administrative Services, and other City departments who contributed to the preparation of this report. Finally, I thank you for your interest and continuing support in planning and conducting the City's financial operations in a responsible manner.

Sincerely,

A handwritten signature in blue ink, appearing to read "Glen M. Lee". The signature is fluid and cursive, with a prominent initial "G" and "L".

Glen M. Lee, City Finance Director
Department of Finance and Administrative Services



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Seattle Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

City of Seattle 2013 Comprehensive Annual Financial Report

Department of Finance and Administrative Services

Fred Podesta, Director

Glen Lee, City Finance Director

Citywide Accounting and Payroll Services Division

Janice Marsters, Director

Brandon Johns, Citywide Accounting Manager

Jacqui Anderson
Fon Chang
Grace Chou
Chau Du

Cam Huynh
Scott Leong
Conrad Magbalot
Hannah Mitchell-Shapiro

Mena Nguyen
Steve Spada
Marie Tschirgi
Jake Yoon

Elsie Ling, Payroll Services Manager

Lillian Marie Alexander
Imelda Apolonio
Mary DeMile

RoseMarie Evans
Angel Hennings
Robert Latorre

Rosalinda Lopez
Shirley Smith
Michiko Togashi

Treasury Services Division

Teri Allen, Director Treasury Operations
Greg Johanson, City Cash Manager
Kellie Craine, Investment Director

Debt Management Services

Michael VanDyck, Citywide Debt Manager

Risk Management

Bruce Hori, Director

Financial Section



**Washington State Auditor
Troy Kelley**

INDEPENDENT AUDITOR'S REPORT

June 26, 2014

Mayor and City Council
City of Seattle
Seattle, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are major funds that collectively represent 99 percent, 100 percent, and 98 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement system, which represents 63 percent, 73 percent, and 29 percent, respectively, of the assets and deferred outflows, net position, and

revenues of the aggregate discretely presented component units and remaining fund information.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Light, Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Water, Drainage and Wastewater, and Solid Waste funds and the Seattle City Employees' Retirement System were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component units and remaining fund information of the City of Seattle, King County, Washington, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The partial prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated June 28, 2013, based on our audit and the reports of other auditors, we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component units and remaining fund information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be

read in conjunction with the City's financial statements for the year ended December 31, 2012, from which such partial information was derived.

Matters of Emphasis

As described in Note 1, during the year ended December 31, 2013, the City has implemented the Governmental Accounting Standards Board Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34, Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53, Statement No. 65, Items Previously Reported as Assets and Liabilities and Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 29, budgetary comparison information on pages 151 through 154 and pension trust fund information on pages 155 through 157 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as combining and individual fund and other supplementary information on pages 163 through 244 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introduction and Statistics Section is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 26, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 City's internal control over financial reporting and compliance.

Sincerely,



TROY KELLEY
STATE AUDITOR

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Seattle (City) presents this Management's Discussion and Analysis (MD&A) of its financial activities for the fiscal year ended December 31, 2013. This discussion and analysis focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending.

The City encourages readers to consider the information presented here in conjunction with additional information provided in its letter of transmittal.

FINANCIAL HIGHLIGHTS

- At the end of fiscal year 2013 the City's net position totaled \$5.218 billion. Net investment in capital assets, net of depreciation and related debt, account for 84.1 percent of this amount (\$4.389 billion). The remaining net position of \$828.9 million may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's net position increased by \$400.5 million (8.3 percent) during the fiscal year. The governmental net position increased by \$222.6 million (7.1 percent) over the amount reported in 2012. The business-type net position increased \$177.9 million (10.7 percent) in 2013.
- For 2013 the City's governmental funds reported a combined ending fund balance of \$707.2 million, an increase of \$68.9 million in comparison to 2012. \$98.1 million of this fund balance represents an unassigned fund balance available for all purpose spending; \$12.9 million is assigned for specific purposes by City's management, and \$132.9 million is committed by City Council. Approximately 64.9 percent of the total fund balances is externally restricted for specific purposes, and the remainder constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.
- The City's governmental funds generated revenues totaling \$1.645 billion in the fiscal year ended December 31, 2013, an increase of approximately \$79.9 million (5.1 percent) from the prior year's balance of \$1.565 billion. Expenditures in governmental funds amounted to \$1.703 billion, an increase of approximately \$120.9 million (7.6 percent) compared to \$1.582 billion expended in 2012. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$57.7 million. The City's General Fund reported an excess of revenues over expenditures totaling \$242.6 million, while the other major and nonmajor governmental funds reported a deficiency of revenues totaling \$300.3 million.
- At the end of the fiscal year 2013 the City had \$4.259 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.190 billion in 2012. This represents an increase of approximately \$68.4 million (1.6 percent). During the year, general obligation bonded debt for limited tax (LTGO) and unlimited tax (UTGO) bonds were issued to finance various capital improvement projects and partial refunding of the 2004 LTGO bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City of Seattle's basic financial statements which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad overview of the City's finances in a manner similar to that of private-sector business.

The **Statement of Net Position** presents information on all City assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the City's financial health.

The **Statement of Activities** presents changes in net position during the current reporting period. All changes to net position are reported as of the date of the underlying event, rather than when cash is received or disbursed. Thus, some reported revenues and expenses result in cash flows in future periods. The Statement of Activities focuses on both the gross and the net cost of the various activities of the City. The report summarizes and simplifies analysis of the revenues and expenses of the various City activities and the degree to which activities are subsidized by general revenues.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that recover all or a significant portion of their

costs through user fees and charges (business-type activities). The governmental activities of the City include general government activities, judicial activities, public safety, physical environment, transportation, economic environment, health and human services, and culture and recreation. The business-type activities of the City include an electric utility, a water utility, a waste disposal utility, a sewer and drainage utility, operations of regulatory and long-range planning and enforcement of policies and codes that include construction and land use, and parking facilities.

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on near-term inflows and outflows of spendable resources, as well as fund balances at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service, capital projects, and permanent funds). Information for the three major governmental funds is presented separately in the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the nonmajor funds is presented in the aggregate. The City's major governmental funds are the General Fund, Transportation Fund, and Low-Income Housing Fund. Information for each of the nonmajor governmental funds is provided in the combining statements in this report.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds.

- **Enterprise funds** report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Seattle City Light Fund, Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund, which are considered to be major enterprise funds. Information for nonmajor enterprise funds is presented in the aggregate. Information for each of the nonmajor enterprise funds is provided in the combining statements in this report.
- **Internal service funds** report activities that provide supplies and services for various City programs and activities. The City uses internal service funds to account for its finance and administrative services and information technology services. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. The internal service funds are combined into a single aggregated presentation in the proprietary funds financial statements. Information for each of the internal service funds is provided in the combining statements in this report.

Proprietary funds statements follow the governmental funds statements in this report.

Fiduciary funds account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support City programs. The accounting used for fiduciary funds is similar to that used for proprietary funds. The City's fiduciary funds include the Employees' Retirement Fund, the Firemen's Pension Fund, the Police Relief and Pension Fund, the S. L. Denny Private-Purpose Trust Fund, and various agency funds.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Management's Discussion and Analysis

Required Supplementary Information

This report also contains other required supplementary information (RSI) on budgetary comparisons for major governmental funds and pension plan funding.

Combining Statements

The combining statements referred to earlier in connection with the nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information.

Statistical Information

The statistical section provides financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and the required supplementary information with the goal of providing the user with a better understanding of the City's economic condition.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. Table A-1 is a condensed version of the statement of net position for the City of Seattle. At the close of the current fiscal year the City's total net position was \$5.218 billion.

Statement of Net Position

Table A-1 CONDENSED STATEMENT OF NET POSITION
(In Thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|--------------|---------------|
| | 2013 | Restated 2012 | 2013 | Restated 2012 | 2013 | Restated 2012 |
| ASSETS | | | | | | |
| Current and Other Assets | \$ 982,465 | \$ 888,826 | \$ 1,373,407 | \$ 1,393,330 | \$ 2,355,872 | \$ 2,282,156 |
| Capital Assets and Construction in Progress, Net of Accumulated Depreciation | 3,724,381 | 3,540,034 | 4,683,738 | 4,431,982 | 8,408,119 | 7,972,016 |
| Total Assets | 4,706,846 | 4,428,860 | 6,057,145 | 5,825,312 | 10,763,991 | 10,254,172 |
| DEFERRED OUTFLOWS OF RESOURCES | 436,014 | 410,759 | 52,371 | 57,972 | 488,385 | 468,731 |
| LIABILITIES | | | | | | |
| Current Liabilities | 300,907 | 278,013 | 388,086 | 370,012 | 688,993 | 648,025 |
| Noncurrent Liabilities | 1,017,855 | 983,126 | 3,755,471 | 3,725,624 | 4,773,326 | 4,708,750 |
| Total Liabilities | 1,318,762 | 1,261,139 | 4,143,557 | 4,095,636 | 5,462,319 | 5,356,775 |
| DEFERRED INFLOWS OF RESOURCES | 446,877 | 423,881 | 125,336 | 124,903 | 572,213 | 548,784 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 2,880,124 | 2,783,738 | 1,508,831 | 1,391,130 | 4,388,955 | 4,174,868 |
| Restricted | 460,885 | 406,454 | 57,404 | 56,210 | 518,289 | 462,664 |
| Unrestricted | 36,212 | (35,593) | 274,388 | 215,405 | 310,600 | 179,812 |
| Total Net Position | \$ 3,377,221 | \$ 3,154,599 | \$ 1,840,623 | \$ 1,662,745 | \$ 5,217,844 | \$ 4,817,344 |

The largest portion of the City's net position (84.1 percent) reflects an investment of \$4.389 billion in capital assets, such as land, buildings, and equipment, less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other funding sources, as capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$518.3 million (9.9 percent), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$310.6 million (6.0 percent), may be used to meet the government's obligation to citizens and creditors.

The City of Seattle

The net position for the business-type activities increased between 2012 and 2013 from \$1.663 billion to \$1.841 billion. The increase in net position is attributed primarily to the performance of the City Light Utility, which accounted for 63.4 percent, or \$112.7 million of the total \$177.9 million change in net position for business-type activities.

Table A-2 CHANGES IN NET POSITION RESULTING FROM CHANGES IN REVENUES AND EXPENSES
(In Thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|--------------|---------------|
| | 2013 | Restated 2012 | 2013 | Restated 2012 | 2013 | Restated 2012 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 325,964 | \$ 274,798 | \$ 1,619,118 | \$ 1,512,436 | \$ 1,945,082 | \$ 1,787,234 |
| Operating Grants and Contributions | 135,407 | 130,377 | 7,055 | 6,749 | 142,462 | 137,126 |
| Capital Grants and Contributions | 42,468 | 48,092 | 63,760 | 48,438 | 106,228 | 96,530 |
| General Revenues | | | | | | |
| Property Taxes | 423,927 | 412,872 | - | - | 423,927 | 412,872 |
| Sales Taxes | 181,171 | 169,681 | - | - | 181,171 | 169,681 |
| Business Taxes | 408,913 | 358,931 | - | - | 408,913 | 358,931 |
| Other Taxes | 76,360 | 101,784 | - | - | 76,360 | 101,784 |
| Other | 15,349 | 7,960 | 5,876 | 12,408 | 21,225 | 20,368 |
| Total Revenues | 1,609,559 | 1,504,495 | 1,695,809 | 1,580,031 | 3,305,368 | 3,084,526 |
| Expenses | | | | | | |
| Governmental Activities | | | | | | |
| General Government | 161,041 | 164,040 | - | - | 161,041 | 164,040 |
| Judicial | 33,517 | 26,121 | - | - | 33,517 | 26,121 |
| Public Safety | 515,129 | 475,747 | - | - | 515,129 | 475,747 |
| Physical Environment | 10,740 | 6,357 | - | - | 10,740 | 6,357 |
| Transportation | 165,742 | 133,511 | - | - | 165,742 | 133,511 |
| Economic Environment | 125,191 | 125,917 | - | - | 125,191 | 125,917 |
| Health and Human Services | 71,256 | 65,266 | - | - | 71,256 | 65,266 |
| Culture and Recreation | 267,043 | 239,003 | - | - | 267,043 | 239,003 |
| Interest on Long-Term Debt | 26,417 | 39,998 | - | - | 26,417 | 39,998 |
| Business-Type Activities | | | | | | |
| Light | - | - | 780,930 | 731,459 | 780,930 | 731,459 |
| Water | - | - | 215,600 | 203,610 | 215,600 | 203,610 |
| Drainage and Wastewater | - | - | 290,147 | 272,423 | 290,147 | 272,423 |
| Solid Waste | - | - | 156,653 | 150,115 | 156,653 | 150,115 |
| Planning and Development | - | - | 53,080 | 46,542 | 53,080 | 46,542 |
| Downtown Parking Garage | - | - | 8,159 | 7,701 | 8,159 | 7,701 |
| Fiber Leasing | - | - | 54 | - | 54 | - |
| Total Expenses | 1,376,076 | 1,275,960 | 1,504,623 | 1,411,850 | 2,880,699 | 2,687,810 |
| Excess Before Special Item and Transfers | 233,483 | 228,535 | 191,186 | 168,181 | 424,669 | 396,716 |
| Special Item - Environmental Remediation Transfers | (10,861) | (10,095) | (24,169) | (37,066) | (24,169) | (37,066) |
| Changes in Net Position | 222,622 | 218,440 | 177,878 | 141,210 | 400,500 | 359,650 |
| Net Position - Beginning of Year | 3,154,599 | 2,936,159 | 1,662,745 | 1,521,535 | 4,817,344 | 4,457,694 |
| Net Position - End of Year | \$ 3,377,221 | \$ 3,154,599 | \$ 1,840,623 | \$ 1,662,745 | \$ 5,217,844 | \$ 4,817,344 |

Analysis of Changes in Net Position

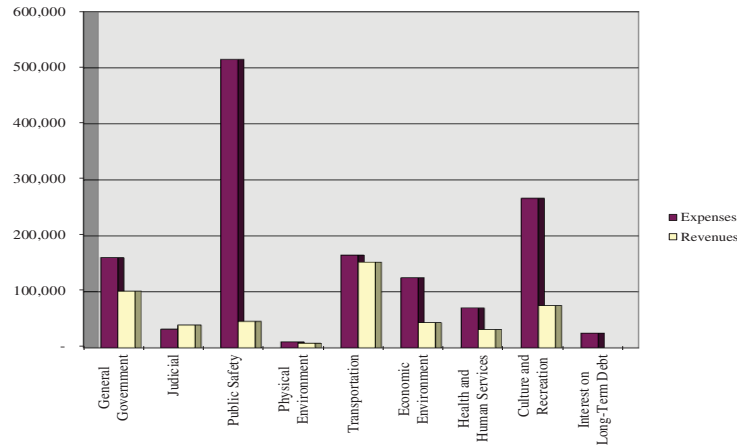
In 2013 the City's total net position increased by \$400.5 million (8.3 percent). The increase is explained in the following discussion of governmental and business-type activities.

Management’s Discussion and Analysis

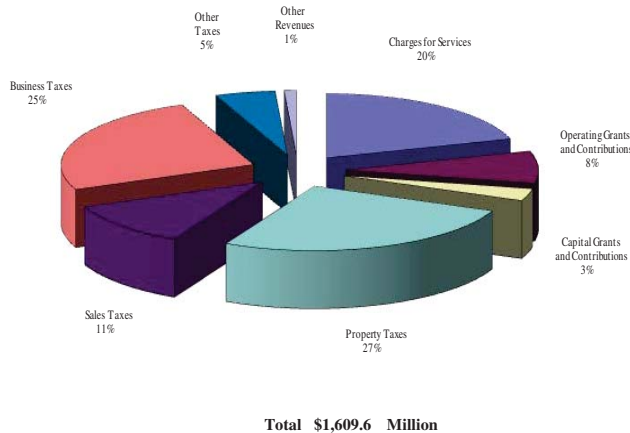
The City of Seattle

Governmental Activities

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



Governmental Activities. The charts on the previous page present the City’s governmental expenses and revenues by function and its revenue by source.

Net program expenses for all functions within the City’s governmental activities totaled \$1.376 billion for 2013, a 7.8 percent increase over 2012’s costs of \$1.276 billion. Net expense after programs revenues for 2013 was 64.4 percent, relatively unchanged from 2012’s coverage level of 64.6 percent, highlighting that the change in program expenses was accompanied by a similar change in program revenues.

The following table lists functions/programs ranked by the size of their 2013 expenses, and highlights the growth in costs between the 2012 and 2013 financial statements.

| 2013 Rank | Citywide Function/Program | Amount (In Millions) | Percent of Change | Amount of Change (In Millions) |
|-----------|---------------------------|----------------------|-------------------|--------------------------------|
| 1 | Public Safety | \$ 514.0 | 8.3 % | \$ 39.3 |
| 2 | Culture and Recreation | 267.0 | 11.7 | 28.0 |
| 3 | General Government | 178.4 | (3.1) | (5.5) |
| 4 | Transportation | 165.7 | 24.1 | 32.3 |
| 5 | Economic Environment | 125.1 | (0.6) | (0.7) |
| 6 | Health and Human Services | 71.3 | 9.2 | 28.0 |

The City’s overall capitalization of 2013’s expenses from the governmental funds was down 3.0 percent, from \$211.1 million to \$204.8 million. This reflects the net costs of depreciation \$107.7 million, and the additional operating assets and equipment, and changes in work in progress totaling \$312.5 million.

The Department of Transportation contributed 73.0 percent of the governmental fund’s total capitalized expenses for 2013. The overall amount capitalized for Transportation was down 12.4 percent, falling from \$170.4 million in 2012, to \$149.2 million in 2013. This is one of the primary factors contributing to the 24.1 percent cost increase for the City’s transportation function.

Seattle’s Police and Fire Departments program costs account for 91.0 percent of public safety expenses, and experienced a year over year increase in program operations of nearly \$34.1 million. In 2013 the Seattle Fire Department capitalized expenses of \$5.7 million, a significant increase from the \$15 thousand in equipment capitalized the year before. After several years of continued capitalization growth, the Seattle Police Department’s 2013 activity resulted in the overall value of their capitalized assets decreasing \$1.0 million. These two public safety departments added a net value of \$4.7 million in assets to the City’s net position in 2013.

The costs of the City’s culture and recreation function are mainly comprised of three operating departments: the Department of Parks and Recreation, the Seattle Center, and the Seattle Public Library. The 2013 increase in operating costs for these departments was \$26.7 million. The amount of capitalized expenses for the Department of Parks and Recreation was \$40.9 million, up 47.6 percent from 2012, and was the second largest contributor to the increase in capital assets. Several departments in 2013 only incurred additional expenses for the depreciation of assets currently on the City’s books. The Seattle Center and Seattle Public Library depreciated and expensed \$12.6 million of value in the culture and recreation function.

The executive offices and the Department of Information Technology depreciated an additional \$2.1 million of value for the general government function. The Finance and Administrative Services Department continued to maintain a constant level of capitalization, contributing \$26.7 million of capital in 2013, and \$27.4 million in 2012.

Direct program revenues collected supporting the City’s governmental functions were \$503.8 million, 36.6 percent of the total cost, with the remaining \$872.0 million covered by the City’s general resources.

Management's Discussion and Analysis

General revenues such as the property, business, and sales taxes are not shown by function because they are used to support citywide program activities. For 2013 general revenues collected by the City provided an additional \$1.087 billion of resources, a 3.6 percent increase over 2012's collections. The following table lists the general revenues ranked by the size of their 2013 collections, and highlights the change in general revenues between the 2012 and 2013 financial statements.

| 2013 Rank | General Tax Revenues | Amount (In Millions) | Percent of Change | Amount of Change (In Millions) |
|-----------|-------------------------------|----------------------|-------------------|--------------------------------|
| 1 | Property Taxes | \$ 423.9 | 0.8 % | \$ 3.2 |
| 2 | Business and Occupation Taxes | 408.9 | 6.1 | 23.6 |
| 3 | Sales Taxes | 181.1 | 6.8 | 11.5 |
| 4 | Excise Taxes | 61.5 | 12.6 | 6.9 |
| 5 | Other Taxes | 11.2 | (41.0) | (7.8) |

Property tax is levied primarily on real estate owned by individuals and businesses. While stable in nature, state law limits growth in the amount of tax that a jurisdiction can collect but does allow for additional voter-approved levies. Strong growth in the assessed value of property in the city of Seattle continued to maintain the level of property tax collections for 2013. Initiative 747 and related state laws will continue contributing to muted property tax growth as a result of the cap on property tax growth of 1.0 percent plus new construction.

The business and occupation (B&O) tax is levied by the City on the gross receipts of most business activities occurring in Seattle. The City also levies a B&O tax on the gross income derived from sales of utility services within Seattle. Of the \$408.9 million, 45.5 percent of the collection is generated by taxes assessed on private business activities, with an additional 8.3 percent from commercial parking taxes and 1.9 percent from admission taxes. The City's utilities paid \$123.6 million in taxes, of which Seattle City Light paid 34.4 percent, and Seattle Public Utilities paid 65.6 percent. Additional utility taxes totaling \$57.3 million were generated from gas, garbage, cable, telephone, and steam power service suppliers.

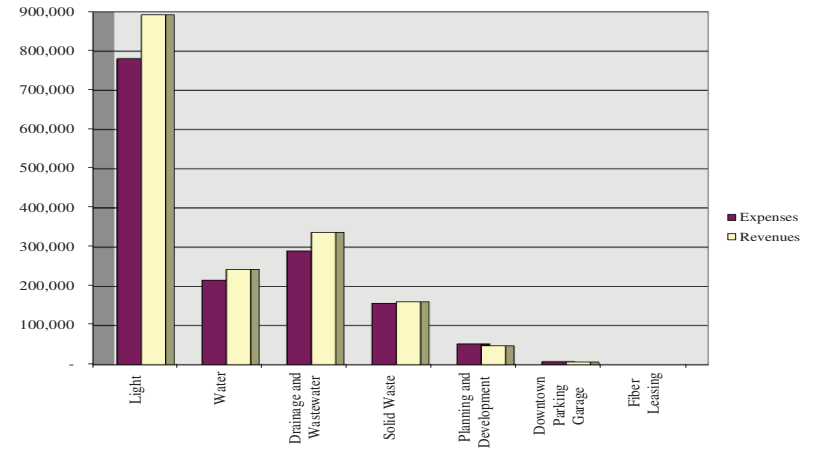
The retail sales and use tax is imposed on the sale of most goods and certain services in Seattle. The tax is collected and remitted to the state. The state provides the City with its share on a monthly basis. The City's local share of the sales tax accounts for \$165.9 million, 91.6 percent. The additional sales tax distributions from the state are resources for criminal justice and brokered natural gas activities, which in 2013 generated a \$15.2 million collection.

Real Estate Excise Tax (REET) revenues, taxes collected on real estate transactions, are the largest single component of excise tax and supports many of the City's general government capital investments. The City's local real estate market maintained its strength in 2013 fueled by a very strong commercial sector, and REET revenues remained relatively unchanged with collections totaling \$48.4 million in 2013. The 12.6 percent increase in revenues between 2012 and 2013's is due to the Seattle Transportation Benefit District's fee collections of \$7.4 million reported as excise taxes.

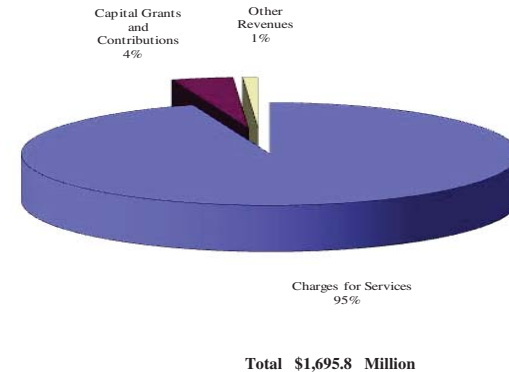
The City of Seattle

Business-Type Activities

EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES
(In Thousands)



REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Management's Discussion and Analysis

Business-Type Activities. At year end the City's net position for business-type activities was \$1.830 billion, a 10.5 percent increase totaling \$173.4 million. Of this amount \$4.5 million reflects the consolidation of internal service fund activities related to enterprise funds. Key factors for the change were as follows:

The City Light Utility realized an \$112.7 million increase in net position for 2013. A \$41.9 million increase in total operating revenues was mainly the result of the 4.4 percent across-the-board rate increase effective January 1, 2013 and the 1.2 percent Bonneville Power Administration pass-through rate adjustment effective in October 2013. An increase in operating expenses of \$49.0 million was due to higher power wholesale prices and higher operating costs related to distribution, customer service, conservation, administration, taxes, and depreciation. Capital contributions and grants were higher by \$17.9 million due to higher in-kind contributions for various construction projects.

The Water Utility experienced an increase of \$28.2 million in net position for 2013. Operating revenues increased \$22.1 million, reflecting increases in direct service revenues, wholesale/commercial revenues, and ancillary service revenue. Operating expenses increased \$12.8 million in 2013. Factors affecting this change included additional City utility taxes, depreciation and amortization, general, administrative, and field operations.

The Drainage and Wastewater Utility net position increased \$24.6 million in 2013. Operating revenues increased by \$29.8 million primarily due to rate increases in 2013 for both wastewater and drainage revenues. The increase was offset by a rise in operating expenses of \$16.4 million. The increase in operating expenses was attributed to several factors including an increase in King County's treatment rate, City business and occupation taxes.

The Solid Waste Utility realized a net increase of \$3.3 million in net position in 2013. Operating revenues increased by \$2.8 million mainly due to a rate increase in 2013. Operating expenses for 2013 increased \$4.8 million. This increase was related to contractual solid waste collection costs and taxes paid to the City.

The Planning and Development Fund net position increased \$5.7 million in 2013 to end the year at \$12.6 million. Operating revenues increased by \$7.1 million while the operating expenses increased by \$6.5 million. The revenue increase mirrored the continued strengthening of building construction activities, while the increase in operating expenses was the result of staffing increases and technology improvements. Operating contributions and grants increased by \$0.5 million. Transfers in from other City funds increased to \$10.8 million.

The Downtown Parking Garage Fund realized a decrease of \$1.2 million in net position. It continues to have insufficient revenues to fully cover its expenses including depreciation, which is not specifically included in its revenue structure. As the fund has served its public purpose, Facilities Operations Division is evaluating several options for the fund. For 2013 the fund's ending net position is a \$26.5 million deficit.

The Fiber Leasing Fund was established in 2012 through Ordinance 123758. The purpose of the fund is to lease excess fiber and fiber infrastructure capacity owned by the City and consenting Fiber Partners. Revenues and expenditures for 2013 were immaterial.

The City of Seattle

FINANCIAL ANALYSIS OF CITY FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Table A-3 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GOVERNMENTAL FUNDS

(In Thousands)

| | General Fund | | Major Funds | | Low-Income Housing Fund | |
|--|--------------|------------|-------------|-----------|-------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | | | |
| Taxes | \$ 866,464 | \$ 846,011 | \$ 75,816 | \$ 72,391 | \$ 17,952 | \$ 18,039 |
| Licenses and Permits | 22,005 | 20,672 | 5,130 | 4,566 | - | - |
| Grants, Shared Revenues, and Contributions | 48,183 | 43,669 | 51,755 | 51,939 | 2,088 | 5,316 |
| Charges for Services | 50,587 | 51,388 | 102,475 | 78,176 | 810 | 395 |
| Fines and Forfeits | 41,043 | 34,243 | 8 | 27 | - | - |
| Parking Fees and Space Rent | 38,547 | 35,369 | 70 | 82 | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 31,346 | 29,909 | 122 | 271 | 11,072 | 5,955 |
| Total Revenues | 1,098,175 | 1,061,261 | 235,576 | 207,452 | 31,922 | 29,705 |
| Expenditures | 855,584 | 772,904 | 321,779 | 309,828 | 30,631 | 36,473 |
| Other Financing Sources and Uses | | | | | | |
| Long-Term Debt Issued and Refunding Payments, Net | - | - | - | 6,000 | - | - |
| Sales of Capital Assets | 22,748 | 754 | 54 | 120 | - | - |
| Transfers In (Out) | (231,371) | (218,894) | 108,964 | 85,873 | - | 46 |
| Total Other Financing Sources and Uses | (208,623) | (218,140) | 109,018 | 91,993 | - | 46 |
| Fund Balances | | | | | | |
| Nonspendable | 375 | 555 | 1,345 | 218 | - | - |
| Restricted | 99,659 | 82,520 | 27,330 | 24,313 | 79,264 | 75,344 |
| Committed | 83,155 | 79,508 | 44,988 | 26,517 | 1,893 | 4,522 |
| Assigned | 5,325 | 6,417 | - | - | - | - |
| Unassigned | 120,446 | 105,992 | - | - | - | - |
| Total Fund Balances | \$ 308,960 | \$ 274,992 | \$ 73,663 | \$ 51,048 | \$ 81,157 | \$ 79,866 |

Management's Discussion and Analysis

The City of Seattle

Table A-3 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GOVERNMENTAL FUNDS (continued)

(In Thousands)

| | Nonmajor Funds | | | |
|--|-----------------------|-----------|--------------------|-----------|
| | Special Revenue Funds | | Debt Service Funds | |
| | 2013 | 2012 | 2013 | 2012 |
| Revenues | | | | |
| Taxes | \$ 82,985 | \$ 59,544 | \$ 15,930 | \$ 16,908 |
| Licenses and Permits | - | - | - | - |
| Grants, Shared Revenues, and Contributions | 69,637 | 67,374 | 1,020 | 1,044 |
| Charges for Services | 46,975 | 52,632 | - | - |
| Fines and Forfeits | 56 | 70 | - | - |
| Parking Fees and Space Rent | 23,523 | 21,350 | 323 | 306 |
| Program Income, Interest, and Miscellaneous Revenues | 2,005 | 4,372 | 571 | 572 |
| Total Revenues | 225,181 | 205,342 | 17,844 | 18,830 |
| Expenditures | 341,555 | 320,820 | 79,854 | 75,151 |
| Other Financing Sources and Uses | | | | |
| Long-Term Debt Issued and Refunding Payments, Net | - | - | 4,928 | - |
| Sales of Capital Assets | 102 | 56 | - | - |
| Transfers In (Out) | 132,750 | 136,413 | 62,045 | 56,488 |
| Total Other Financing Sources and Uses | 132,852 | 136,469 | 66,973 | 56,488 |
| Fund Balances | | | | |
| Nonspendable | 564 | 350 | - | - |
| Restricted | 85,725 | 57,769 | 15,629 | 10,666 |
| Committed | 2,948 | 9,209 | - | - |
| Assigned | 7,661 | 12,583 | - | - |
| Unassigned | (12,972) | (12,463) | - | - |
| Total Fund Balances | \$ 83,926 | \$ 67,448 | \$ 15,629 | \$ 10,666 |

| | Nonmajor Funds | | | | Total Governmental Funds | |
|--|------------------------|------------|-----------------|----------|--------------------------|--------------|
| | Capital Projects Funds | | Permanent Funds | | 2013 | 2012 |
| | 2013 | 2012 | 2013 | 2012 | | |
| Revenues | | | | | | |
| Taxes | \$ 24,352 | \$ 31,715 | \$ - | \$ - | \$ 1,083,499 | \$ 1,044,608 |
| Licenses and Permits | - | - | - | - | 27,135 | 25,238 |
| Grants, Shared Revenues, and Contributions | 12,101 | 8,433 | - | - | 184,784 | 177,775 |
| Charges for Services | - | 4 | - | - | 200,847 | 182,595 |
| Fines and Forfeits | - | - | - | - | 41,107 | 34,340 |
| Parking Fees and Space Rent | - | - | - | - | 62,463 | 57,107 |
| Program Income, Interest, and Miscellaneous Revenues | 351 | 2,549 | (5) | 21 | 45,462 | 43,649 |
| Total Revenues | 36,804 | 42,701 | (5) | 21 | 1,645,297 | 1,565,312 |
| Expenditures | 73,576 | 66,863 | 23 | 19 | 1,703,002 | 1,582,058 |
| Other Financing Sources and Uses | | | | | | |
| Long-Term Debt Issued and Refunding Payments, Net | 105,006 | 31,651 | - | - | 109,934 | 37,651 |
| Sales of Capital Assets | - | 1,352 | - | - | 22,904 | 2,282 |
| Transfers In (Out) | (78,592) | (67,876) | (10) | (10) | (6,214) | (7,960) |
| Total Other Financing Sources and Uses | 26,414 | (34,873) | (10) | (10) | 126,624 | 31,973 |
| Fund Balances | | | | | | |
| Nonspendable | - | - | 2,050 | 2,050 | 4,334 | 3,173 |
| Restricted | 151,134 | 153,680 | 90 | 112 | 458,831 | 404,404 |
| Committed | - | - | - | - | 132,984 | 119,756 |
| Assigned | - | - | - | - | 12,986 | 19,000 |
| Unassigned | (9,340) | (1,528) | (16) | - | 98,118 | 92,001 |
| Total Fund Balances | \$ 141,794 | \$ 152,152 | \$ 2,124 | \$ 2,162 | \$ 707,253 | \$ 638,334 |

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available for spending. This information is useful in assessing the City's financing requirements. In particular, unassigned fund balance measures the City's net resources available for all purpose spending at the end of the fiscal year. Governmental funds reported by the City include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

As of the end of the current fiscal year the City's governmental funds reported a combined ending fund balance of \$707.2 million, an increase of \$68.9 million in comparison to 2012. Approximately \$98.1 million of this amount represents an unassigned fund balance available for all purpose spending; \$12.9 million is assigned for specific purposes by City's management, and \$132.9 million is committed by City Council. Approximately 64.9 percent of the total fund balances is externally restricted for specific purposes, and the remainder constitutes nonspendable items such as petty cash, inventories, and prepaid amounts.

Revenues for governmental funds overall totaled approximately \$1.645 billion in the fiscal year ended December 31, 2013, an increase of approximately \$79.9 million or 5.1 percent from the prior year's balance of \$1.565 billion. Expenditures in governmental funds amounted to \$1.703 billion, an increase of approximately \$120.9 million or 7.6 percent compared to \$1.582 billion spent in 2012. In the aggregate, expenditures for governmental funds exceeded revenues by approximately \$57.7 million.

The **General Fund** is the chief operating fund of the City. The Library Fund, previously reported as a special revenue fund, was determined to no longer meet the definition of a special revenue fund, as defined by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Library Fund is now reported as part of the General Fund for the GAAP reporting. For comparability, all amounts presented for fiscal year 2012 and 2013 in this discussion and analysis reflect this change unless noted otherwise. Table A-4 provides a summary of activities for the general subfunds at year-end 2013. At the end of 2013 the total fund balance of the General Fund was \$308.9 million, an increase of \$33.9 million in 2013 compared to 2012.

Total revenues for the General Fund amounted to \$1.098 billion, an increase of \$36.9 million or 3.5 percent higher than 2012. The increase is mostly attributable to higher tax revenues, which increased by \$38.9 million or 3.7 percent, between 2012 and 2013.

General Fund expenditures increased 10.7 percent in 2013 from \$772.9 million to \$855.5 million. Public safety accounts for 58.7 percent of the General Fund's total expenditures in 2013. Public safety's two largest expenditures were for police and fire protection. For 2013 the Police Department incurred \$295.1 million and the Fire Department incurred \$178.7 million of expenditures.

The **Transportation Fund**, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, sea walls, bike trails, street lights, and other road infrastructure. At the end of the fiscal year the fund balance increased by \$22.6 million. The \$235.4 million of revenues collected include excess property tax levy, a commercial parking tax, employee hours tax, grants and contributions, and charges for services. Transportation's expenditures totaled \$321.8 million for 2013, up \$12.0 million or 3.9 percent from 2012. The Transportation Fund's other financing sources contributed \$109.8 million of additional resources in 2013.

The **Low-Income Housing Fund**, a special revenue fund and one of the major governmental funds of the City, manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for seven-year housing levies approved by voters, most recently in 2009. The 2013 fund balance of \$81.2 million reflects a decrease of \$1.3 million from 2012. Revenues from 2012 to 2013 increased by \$2.2 million or 7.4 percent. The fund's expenditures decreased by \$5.8 million or 16.0 percent year over year. The decrease in expenditures is attributed to the cyclical nature of the fund. Multifamily construction projects can span several years from acquisition to final construction. Further driving the variations is the cyclical nature of downtown construction and their associated costs.

In 2013 the other **special revenue funds** (SRF) reported a \$16.5 million increase in fund balance. SRF expenditures increased \$20.7 million to \$341.5 million for 2013, although this was mirrored by a rise in program revenues of \$19.8 million to \$225.1 million. Overall the deficiency of revenues over expenditures slightly increases from \$115.5 million in 2012, to \$116.4 million in 2013. The inability of revenues to cover expenditures is supplemented by other financing sources and uses which contributed \$132.8 million of resources in 2013 and was the driving factor behind the increase in fund balance.

Management's Discussion and Analysis

The fund balance in the **capital projects funds** decreased \$10.4 million or 6.8 percent from \$152.2 million to \$141.8 million at the end of 2013. The decrease is due mainly to the City's effort to accelerate capital spending from the multipurpose long-term general obligation bond funds. The fund balance in the capital projects funds is all restricted for the City's capital improvement programs. The 2008 to 2012 Multipurpose Long-Term General Obligation Bond funds expended approximately 59.3 percent or \$48.5 million of their combined fund balance, while the 2013 Multipurpose and Alaska Way Seawall Construction funds added \$48.4 million of fund balance in their first year of financial reporting.

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Table A-4 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY

| | GENERAL FUND SUBFUNDS | | | | |
|--|-----------------------|---------------------|-------------------|-----------------|----------------------------------|
| | General | Judgment/ Claims | Municipal Jail | Arts Account | Cable Television Franchise |
| <i>(In Thousands)</i> | | | | | |
| Revenues | | | | | |
| Taxes | \$ 818,057 | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | 14,114 | - | - | - | 7,891 |
| Grants, Shared Revenues, and Contributions | 40,354 | - | - | - | - |
| Charges for Services | 41,477 | 7,632 | - | - | - |
| Fines and Forfeits | 39,471 | - | - | - | 17 |
| Parking Fees and Space Rent | 37,649 | - | - | 73 | - |
| Program Income, Interest, and Miscellaneous Revenues | 2,006 | 101 | (1) | - | (19) |
| Total Revenues | 993,128 | 7,733 | (1) | 73 | 7,889 |
| Expenditures | 707,437 | 10,378 | - | 5,186 | 8,447 |
| Other Financing Sources and Uses | | | | | |
| Sales of Capital Assets | - | - | - | - | 900 |
| Transfers In (Out) | (283,965) | (65) | (1,000) | 4,803 | (190) |
| Total Other Financing Sources and Uses | (283,965) | (65) | (1,000) | 4,803 | 710 |
| Fund Balances | | | | | |
| Nonspendable | 46 | - | - | - | - |
| Restricted | 380 | - | - | - | 867 |
| Committed | 6,977 | 14,640 | - | 578 | 3,954 |
| Assigned | 2,451 | - | 1,671 | - | - |
| Unassigned | 47,989 | - | - | - | - |
| Total Fund Balances | \$ 57,843 | \$ 14,640 | \$ 1,671 | \$ 578 | \$ 4,821 |

| | Cumulative Reserve | Neighborhood Matching | Bluefield Habitat Maintenance | Development Rights | Emergency |
|--|-----------------------|--------------------------|-------------------------------------|-----------------------|-----------|
| | Revenues | | | | |
| Taxes | \$ 48,407 | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | - | - | - | - |
| Grants, Shared Revenues, and Contributions | 2,686 | - | - | - | - |
| Charges for Services | 1,232 | - | - | - | - |
| Fines and Forfeits | - | - | - | - | - |
| Parking Fees and Space Rent | 340 | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 934 | - | (1) | - | - |
| Total Revenues | 53,599 | - | (1) | - | - |
| Expenditures | 36,142 | 2,605 | - | - | - |
| Other Financing Sources and Uses | | | | | |
| Sales of Capital Assets | 21,848 | - | - | - | - |
| Transfers In (Out) | (11,140) | 2,891 | - | - | (68) |
| Total Other Financing Sources and Uses | 10,708 | 2,891 | - | - | (68) |
| Fund Balances | | | | | |
| Nonspendable | 2 | - | - | - | - |
| Restricted | 61,793 | - | - | - | - |
| Committed | 15,909 | 4,511 | 205 | 22 | - |
| Assigned | - | - | - | - | - |
| Unassigned | 30,397 | - | - | - | 42,060 |
| Total Fund Balances | \$ 108,101 | \$ 4,511 | \$ 205 | \$ 22 | \$ 42,060 |

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Table A-4 REVENUE, EXPENDITURE, AND FUND BALANCE SUMMARY
GENERAL FUND SUBFUNDS (continued)
(In Thousands)

| | Transit Benefit | Special Employment Program | Industrial Insurance | Unemployment Compensation | Health Care |
|--|--------------------|----------------------------------|-------------------------|------------------------------|----------------|
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | - | - | - | - |
| Grants, Shared Revenues, and Contributions | - | - | - | - | - |
| Charges for Services | - | 38 | - | - | - |
| Fines and Forfeits | - | - | - | - | - |
| Parking Fees and Space Rent | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | - | - | - | - | 23,223 |
| Total Revenues | - | 38 | - | - | 23,223 |
| Expenditures | - | 35 | 932 | 659 | 14,767 |
| Other Financing Sources and Uses | | | | | |
| Sales of Capital Assets | - | - | - | - | - |
| Transfers In (Out) | - | - | - | - | - |
| Total Other Financing Sources and Uses | - | - | - | - | - |
| Fund Balances | | | | | |
| Nonspendable | - | - | 307 | - | - |
| Restricted | - | - | - | - | 24,771 |
| Committed | - | 122 | 4,556 | 1,814 | 28,996 |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | \$ - | \$ 122 | \$ 4,863 | \$ 1,814 | \$ 53,767 |

| | Group Term Life Insurance | Library ^a | Total General Fund | |
|--|---------------------------------|----------------------|--------------------|------------|
| | | | 2013 | 2012 |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 866,464 | \$ 846,011 |
| Licenses and Permits | - | - | 22,005 | 20,672 |
| Grants, Shared Revenues, and Contributions | - | 5,143 | 48,183 | 43,669 |
| Charges for Services | - | 208 | 50,587 | 51,388 |
| Fines and Forfeits | - | 1,555 | 41,043 | 34,243 |
| Parking Fees and Space Rent | - | 485 | 38,547 | 35,369 |
| Program Income, Interest, and Miscellaneous Revenues | 5,068 | 35 | 31,346 | 29,909 |
| Total Revenues | 5,068 | 7,426 | 1,098,175 | 1,061,261 |
| Expenditures | 5,068 | 63,928 | 855,584 | 772,904 |
| Other Financing Sources and Uses | | | | |
| Sales of Capital Assets | - | - | 22,748 | 754 |
| Transfers In (Out) | - | 57,363 | (231,371) | (218,894) |
| Total Other Financing Sources and Uses | - | 57,363 | (208,623) | (218,140) |
| Fund Balances | | | | |
| Nonspendable | - | 20 | 375 | 555 |
| Restricted | - | 11,848 | 99,659 | 82,520 |
| Committed | 425 | 446 | 83,155 | 79,508 |
| Assigned | - | 1,203 | 5,325 | 6,417 |
| Unassigned | - | - | 120,446 | 105,992 |
| Total Fund Balances | \$ 425 | \$ 13,517 | \$ 308,960 | \$ 274,992 |

^a As result of GASB Statement No. 54, the Library Fund no longer meets the definition for a special revenue fund and is reported as part of the General Fund for the GAAP reporting.

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Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

City Light Utility. The Utility realized a change in net position of \$112.7 million in 2013 compared to \$104.0 million in 2012, an increase of \$8.7 million (8.4 percent). Higher retail power sales, RSA unearned revenue transferred-in, power related revenues, and capital contributions added to the positive change in net position. These were partially offset by higher expenses for generation, customer service, administrative and general, taxes, depreciation, and interest, and lower investment earnings.

Net cash provided by operating activities decreased by \$13.8 million to \$229.7 million in 2013, compared to \$243.5 million in 2012. In combination with other cash activities, net operating cash increased by \$37.5 million to \$193.8 million in 2013. Restricted assets decreased by \$48.7 million to \$227.0 million in 2013, compared to \$275.7 million in 2012. This decrease was the result of reductions to the rate stabilization and construction accounts, offset by increases to the bond reserve and debt service accounts.

Capital assets, net of accumulated depreciation and amortization, were \$2.541 billion and \$2.352 billion in 2013 and 2012, a net increase of \$188.9 million. The majority of the Utilities' capital asset additions were in the hydroelectric production, transmission and distribution systems. The net increase in capital assets was partially offset by a \$52.7 million increase in accumulated depreciation and amortization.

Total liabilities were \$2.209 billion in 2013 and \$2.106 billion in 2012, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payables were \$1.870 billion in 2013 and \$1.792 billion in 2012. In July 2013, the Utility issued a total of \$190.8 million of revenue and refunding revenue bonds. Interest expense related to these bonds was \$89.0 million in 2013 and \$85.1 million in 2012.

City Light's total net position was \$1.154 billion in 2013 and \$1.042 billion in 2012.

Water Utility. The Utility realized an operating income of \$59.0 million in 2013 compared to \$49.8 million in 2012. Operating revenues increased by \$22.1 million and operating expenses increased by \$12.8 million between 2013 and 2012. The Utility realized a net income of \$28.1 million in 2013 compared to net income of \$20.7 million in 2012. The net income in 2013 was primarily due to increases in all services, offset by related operating expenses.

Net cash provided by operating activities increased to \$116.8 million in 2013 from \$103.2 million in 2012, an increase of \$13.6 million. Total operating and restricted cash and investments were \$94.6 million in 2013 compared to \$85.4 million in 2012, an increase of \$9.2 million. This increase in cash and investments was primarily due to increased customer receipts partially offset by additional operating payments, debt service payments, and capital investments.

Utility plant, net of accumulated depreciation, and other capital assets for the year ended December 31, 2013, amounted to \$1.197 billion, a decrease of \$8.1 million in 2013. Capital outlays of \$37.8 million were offset by depreciation expenses of \$49.9 million.

The Water Utility had \$887.0 million in outstanding revenue bonds in 2013 compared to \$919.6 million at year end 2012. The decrease was due to principal payments.

The Water Utility's total net position was \$361.5 million in 2013 and \$333.3 million in 2012.

Drainage and Wastewater Utility. The Utility realized an operating income of \$58.6 million in 2013 compared to \$45.3 million in 2012. Operating revenues increased by \$29.8 million and operating expenses increased by \$16.4 million between 2013 and 2012. The Utility realized a net income of \$24.6 million in 2013 and \$0.8 million in 2012. The increase in net income is the result of increased revenues and expenses caused by rate increases.

Net cash provided by operating activities increased to \$79.2 million compared to \$72.6 million in 2012. Total operating and restricted cash and investments were \$122.4 million in 2013 compared to \$160.7 million in 2012. The \$38.3 million to capital outlays and debt service principal and interest payments.

Utility plant, net of accumulated depreciation, and other capital assets increased to \$765.5 million in 2013 from \$699.1 million in 2012, an increase of \$66.4 million. Capital outlays of \$87.2 million were offset by depreciation expense of \$21.3 million.

The Drainage and Wastewater Utility had \$525.3 million outstanding revenue and refunding bond liabilities in 2013, as compared to \$540.5 million in 2012. Total liabilities, including revenue bonds, were \$705.5 million in 2013 and \$714.5 million in 2012.

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Total net position for the Drainage and Wastewater Utility was \$295.6 million in 2013 and \$271.0 million in 2012.

Solid Waste Utility. The Utility realized an operating income of \$7.5 million in 2013 compared to \$9.4 million in 2012. Operating revenues increased by \$2.8 million and operating expenses increased by \$4.8 million between 2013 and 2012. The Utility realized a net income of \$3.3 million in 2013 compared to \$7.7 million in 2012. The net income in 2013 was primarily due to a rate increase effective January 2013 offset by increased interest expense.

Net cash provided by operating activities increased to \$19.6 million in 2013 compared to \$13.9 million in 2012. Total operating and restricted cash and investments were \$33.3 million in 2013 and \$32.3 million in 2012. The \$1.0 million increase in operating and restricted cash and investments is primarily due to capital outlays and debt service payments offsetting cash provided by operating activities.

The Solid Waste Utility had \$115.9 million outstanding revenue bond liabilities in 2013 compared to \$119.2 million in 2012. The decline was due to \$3.3 million of principal payments paid in 2013.

Total net position for the Solid Waste Utility was \$32.3 million in 2013 and \$29.0 million in 2012.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the Firemen's Pension Fund, the Police Relief and Pension Fund, the S.L. Denny Private Purpose Trust, and various agency funds. The net position of the combined fiduciary funds at the end of 2013 is \$2.233 billion; SCERS represents 99.3 percent of this amount.

SCERS assets held in trust for the payment of future benefits do not exceed the estimate of actuarially accrued liabilities as of December 31, 2013. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$263.2 million (13.2 percent) during 2013. For year ending 2013 the member and employer contributions totaled \$137.4 million; income from investment activity totaled \$289.8 million. Total investment activity expense and benefit payment for 2013 increased by \$1.3 million and \$7.3 million, respectively. In 2013 the net increase in the number of retirees receiving benefits was 2.9 percent.

At December 31, 2013, the net positions of assets held in trust in the Firemen's Pension Fund and the Police Relief and Pension Fund for the payment of future benefits were \$12.7 million and \$3.2 million, respectively.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the General Fund budgetary highlights, the Library Fund, which has its own legally adopted annual budget, is excluded from this discussion.

City Council passed the 2013 Adopted Budget (Ordinance 124058) authorizing a \$4.066 billion budget for the City's annual operations. The General Subfund accounted for 23.3 percent or \$948.6 million of the total budget. When considering additional budgets for general support transferred and other subfund expenditures reporting within the General Fund's presentation, 2013's total appropriation budget for the General Fund is \$1.347 billion, 33.1 percent of the City's total budget.

The General Fund's 2013 revised appropriation budget differed from the original budget due to supplemental appropriations approved by the City Council during the year and carryforward budgets from the prior year. The revised budget for the General Fund was \$1.429 billion, a 6.2 percent increase over Council's adopted budget.

The most significant budget activities are described below:

- At year-end 2013 actual expenditures and transfers of \$1.275 billion were \$154.9 million less than budgeted. Of this amount \$119.8 million of the budget will be carried over into 2014 to cover outstanding encumbrances, grants, and capital spending.
- The overall change in the General Fund's carryforward budget from 2013 to 2014 decreased 3.3 percent, from \$123.8 million to \$119.8 million. The majority of the 2013's carryforward budget is within the General Subfund, 23.4 percent, the Real Estate Excise Tax (REET I and REET II) Cumulative Reserve Subfunds at 31.1 percent, and the Unrestricted Cumulative Reserve Subfund accounts for 28.5 percent of the total balance.
- The total appropriation budget for the REET I and REET II Cumulative Reserve Subfunds, which includes expenditures and transfers, was \$73.1 million. Approximately 48.9 percent, \$35.8 million of the budget was expended in 2013. The carryforward budget balance for the REET I and REET II Cumulative Reserve Subfunds funds is \$37.2 million and will be used capital appropriations in 2014.

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- City Council authorized an additional \$82.6 million of supplemental appropriations for 2013. \$44.0 million were revisions for the general subfunds; 70.0 percent of these budget revisions applied directly to the Seattle Police Department, 6.0 percent for the Seattle Fire Department, 7.0 percent to Finance General, and 3.0 percent to the executive offices.
- In 2013 the total revised budget for grant projects within the General Fund totaled \$62.3 million. The adopted budget provided \$7.2 million in additional grant resources and \$40.3 million of budget was carryforward from 2012. \$14.7 million of additional grant funding was authorized through supplemental ordinances by the City Council. This includes \$7.3 million for the Seattle Police Department to fund 16 additional projects and \$2.4 million for the Seattle Fire Department to fund 6 additional grant projects.
- The costs of the City's general government functions reported within the General Fund were 5.9 percent higher than reported in 2012, increasing \$19.7 million to \$354.0 million for 2013. Of this total budget 93.8 percent is appropriated for current expenditures. The 2013 combined budget increased 4.6 percent and actual expenditures increased 7.4 percent from 2012. Approximately 91.1 percent of \$387.5 million in budget resources for current expenditures was consumed in 2013.
- The General Fund's budget for the public safety function increased 4.9 percent in 2013. The costs or current expenditures and capital outlay totaled \$502.8 million, consuming 95.7 percent of the total resources budgeted for 2013, of which 97.9 percent is for current operations and 2.1 percent on capital outlay. The 7.8 percent year over year increase in actual expenditures totaling \$36.4 million outpaced the budgeted increase of \$22.3 million. This reflects the accelerated spending and completion of long-term projects with carryforward budget balances, like the 2013 completion of the Fire Department's Chief Seattle Fire Boat. Detailed information on the City's two major public safety departments follows:
 - The Police Department's 2013 final budget was \$310.1 million, a 7.3 percent increase from the 2012 budget level. The Department expended 95.2 percent of its budget during the year, with actual expenditures increasing 9.5 percent, from \$269.6 million in 2012 to \$295.1 million in 2013. Patrol operations were budgeted at \$120.9 million for all five city precincts, a 6.2 percent increase over 2012's budget. Patrol operations for 2013 consumed 99.9 percent of the budgeted resources and accounted for 42.0 percent of the entire Department's annual operating costs. Of the remaining budget, \$11.3 million will carryforward into 2014 for grant purposes.
 - The Fire Department's 2013 final budget was \$184.1 million, remaining relatively unchanged from the 2012 budget level of \$183.8 million. The Department expended 97.1 percent of its budget during the year, with actual expenditures increasing 4.9 percent, from \$170.1 million in 2012 to \$178.4 million in 2013. Fire Operations for 2013 consumed 99.9 percent of the \$141.7 million in budgeted resources and accounted for 76.9 percent of the entire Department's annual operating costs. Of the remaining budget, \$5.7 million will carryforward into 2014 for grant purposes.
- For 2013 the General Fund reports actual revenues of \$1.261 billion, 3.4 percent, or \$41.1 million larger than 2012's total balance, and within 0.8 percent of the \$1.251 billion budgeted. A driving factor for the year over year increase in revenues is from the City's tax collection. 2013's total tax revenues of \$866.5 million were \$18.9 million over budget, and \$20.4 million or 2.4 percent higher than reported in 2012. Revenue reported for grants and contributions was \$43.0 million, only 64.4 percent of the budgeted \$66.8 million, which is expected due to grant awards that span multiple years where remaining budgets are carried over to the following year.

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CAPITAL ASSETS

The following schedule shows the City's investment in capital assets.

Table A-5 CAPITAL ASSETS AT YEAR END, NET OF DEPRECIATION
(In Thousands)

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | Restated | | | | Restated | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 542,837 | \$ 537,723 | \$ 159,031 | \$ 155,063 | \$ 701,868 | \$ 692,786 |
| Plant in Service, Excluding Land | - | - | 4,066,335 | 3,908,086 | 4,066,335 | 3,908,086 |
| Buildings and Improvements | 1,587,242 | 1,559,633 | 30,066 | 32,070 | 1,617,308 | 1,591,703 |
| Machinery and Equipment | 125,766 | 115,960 | 1,471 | 1,604 | 127,237 | 117,564 |
| Infrastructure | 1,068,908 | 1,004,595 | - | - | 1,068,908 | 1,004,595 |
| Construction in Progress | 384,137 | 307,994 | 345,097 | 258,587 | 729,234 | 566,581 |
| Other Capital Assets | 15,491 | 14,129 | 81,738 | 76,572 | 97,229 | 90,701 |
| Total Capital Assets | \$ 3,724,381 | \$ 3,540,034 | \$ 4,683,738 | \$ 4,431,982 | \$ 8,408,119 | \$ 7,972,016 |

Capital assets, net of depreciation, for governmental activities increased by \$184.3 million in 2013. The main increase is attributable to the following:

- The Department of Transportation capitalized \$117.4 million for various infrastructure assets (roads, bridges, sidewalks, signs, illuminations, and others). Construction in progress decreased \$64.8 million over last year.
- The Department of Parks and Recreation spent \$7.1 million in the improvement of Building 11 at Magnuson Park and capitalized \$15.6 million for various community parks improvements and renovations.

Capital assets, net of depreciation, for business-type activities increased by \$247.8 million in 2013. Major increases included the following:

- City Light capital assets, net of accumulated depreciation, increased by \$184.8 million in 2013. This increase was primarily comprised of \$119.5 million for distribution plant assets.
- Drainage and Wastewater Utility net capital assets increased by \$66.3 million compared to last year. Major capital asset placed in service was for the completion of storm-water detention pond and the construction of swales in the Cascade Neighborhood.
- Solid Waste Utility net capital assets increased by \$4.3 million for the year ended December 31, 2013 due to the completion of the new South Transfer Station and IT infrastructure upgrades.
- Water Utility net capital assets decreased by \$8.2 million compared to last year. Major decreases included are new assets placed in service, \$37.9 million, accumulated depreciation, \$45.1 million, and retirement of capital assets, \$1.0 million.

More detailed financial information about the City's capital asset activities is presented in Note 6 to the financial statements.

DEBT ADMINISTRATION

At the end of the fiscal year 2013 the City had \$4.259 billion in outstanding bonded debt that included general obligation and revenue bonds, compared to \$4.190 billion in 2012. This represents an increase of approximately \$68.4 million (1.6 percent). The special assessments bonds that the City issued in 2006, without lending its full faith and credit but obligated in some manner for the design and construction of the South Lake Union Streetcar, unchanged. In 2013 LTGO and UTGO bonds were issued to finance various capital improvement projects including Seawall, Fire Facilities, North Precinct, Golf, Rainier Beach Community Center, Magnuson Park Building and various IT projects. Additionally, the part of the taxable 2013 LTGO bonds proceeds was used for the partial refunding of the 2004 LTGO bonds.

The City also issued revenue bonds: \$190.8 million for the Light Fund to finance certain capital improvements and conservation programs. The City's bond ratings remained similar to the ratings for the previous year. The City's UTGO bonds are rated Aaa by Moody's Investors Service (Moody's), AAA by Fitch Ratings (Fitch), and AAA by Standard &

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Poor's (S&P), which are the highest possible ratings. The City's LTGO bonds are rated Aa1 by Moody's, AA+ by Fitch, and AAA by S&P. In addition, the City's utilities have very high ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited general obligation debt is capped at 7.5 percent of assessed value by state law. The 2013 assessed value of taxable properties based on the latest report for the City is \$128.8 billion. At the end of 2013 the net outstanding general obligation debt of the City that includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.035 billion, well below the limit of \$9.661 billion, rendering the City's legal debt margin of \$8.651 billion. Within the 7.5 percent limitation, state law restricts outstanding LTGO bonds to 1.5 percent of assessed value. At year-end 2013 the LTGO net outstanding debt was \$887.0 million.

The City is self-insured for workers compensation and for most health care costs. The City carries general liability insurance with a self-insured retention. For these claims, including those incurred but not reported, the City recognized a total liability of \$102.0 million (\$76.0 million for governmental activities and \$26.0 million for business-type activities) at the end of the year. In addition, City utilities and Department of Parks and Recreation recognized a combined \$121.7 million in estimated environmental liabilities. Other obligations were accrued for compensation absences for sick leave and other notes and contracts. The other notes and contracts included draws from the State's Public Works Trust Loan (PWTL) Program which are serviced with revenues from two participating City departments, one with a governmental-type fund and one whose PWTL activities are reported in two of its business-type funds.

More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

ECONOMIC FACTORS

U.S. Economy. 2013 was a year of modest economic growth as the U.S. economy continued its slow recovery from the Great Recession of 2008-2009. Although the recovery has been sluggish when compared to most other recoveries, it has been typical of recoveries from recessions caused by financial crises, which tend to be weak and protracted. Leading the recovery has been business investment in equipment and software, a rise in exports which has boosted the manufacturing sector, and a modest upturn in consumption. Housing has finally turned around, and is now a modest contributor to growth instead of a drag on it.

The economy entered 2013 with significant fiscal headwinds from federal government policies that took effect on January 1, 2013. These included the expiration of the two percent payroll tax cut, the expiration of the Bush income tax cuts for high income taxpayers, and an increase in the capital gains tax rate. In addition sequester driven spending cuts went into effect in March 2013. The combined impact of this fiscal tightening is estimated at 1.0 percent to 1.5 percent of gross domestic product (GDP).

The economy was also hampered by an unexpected mid-year increase in interest rates that slowed the nascent housing recovery and a 17-day shutdown of the federal government in October. Despite these headwinds, the economy managed a 1.9 percent increase in GDP in 2013 and added 2.3 million jobs during the year. As of December 2013 the economy had created 7.7 million jobs during the recovery, replacing 89.0 percent of the jobs lost during the recession.

Looking to the future, economists expect growth to pick up in 2014, aided in part by a strengthening housing recovery and a significant drop in fiscal drag from 2013 levels, and to continue improving in 2015 and 2016. Risks to this relatively optimistic forecast come largely from outside of the U.S. They include a slowing of growth and possible financial crisis in China, continued weakness in the Eurozone, and an escalation of the confrontation with Russia over the Ukraine.

Seattle Metro Area Economy. The Seattle metro area has rebounded from the recession at a much quicker pace than the nation as a whole. Through December 2013, Seattle metro area (King and Snohomish Counties) employment was up 10.1 percent from its post-recession low in February 2010, compared to a 6.0 percent gain in U.S. employment over the same period. Areas of strength during the recovery have included aerospace, software publishing, professional, scientific, and technical services, health services, and mail order and internet retail.

Aerospace provided a big lift to the local economy during the early stages of the recovery, adding 14,000 jobs in 2011 and 2012. However, aerospace employment peaked in November 2011 and has declined by 2,000 jobs since then. Despite this modest drop in employment, in 2013 the Boeing Company, the region's largest employer, delivered a record 648 jets and booked orders for 1,355 new planes. At the end of 2013 Boeing had a record backlog of 5,080 planes on order. This represents 7.8 years of production at 2013 levels.

During the early stages of the recovery, the city of Seattle was one of the fastest growing areas in the Puget Sound Region, in part because of a surge in construction focused largely in multi-family housing. At the end of 2013, there were over 13,000 new housing units under construction in Seattle, the highest level in at least 25 years. The construction boom generated a 28.7 percent increase in sales tax revenue from construction activity in 2012 and a 9.3 percent gain in 2013. A key driver of the recent growth in Seattle, including the growth in construction activity, has been Amazon, which has been

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hiring aggressively for several years. Amazon now occupies 3.2 million square feet of office space in Seattle's South Lake Union neighborhood.

With the recent upturn in aerospace employment now behind us, regional employment growth is predicted to slow going forward, with 2013 expected to be the peak year for employment growth (at 2.8 percent) during the current cycle. The Puget Sound Economic Forecaster predicts that employment growth will average a modest 1.8 percent per year over the next five years. Personal income growth is forecast to range between five and five-and-a-half percent, which is approximately three percent per year faster than the rate of inflation.

General Subfund. In 2013, general government revenues and other financing sources into the General Subfund totaled approximately \$1.138 billion, of which \$22.7 million is a one-time sale of capital assets. General Subfund revenues and other financing sources are projected to be \$1.005 billion in 2014 and \$1.027 billion in 2015.

In 2013 total Seattle tax revenue increased by 2.8 percent from 2012 levels. Retail sales tax revenue increased by 6.6 percent in 2013, led by construction, business and professional services, and accommodation and food services. The B&O tax experienced a more modest revenue increase of 4.3 percent, a figure which masks the healthy 6.7 percent growth of the B&O tax base in 2013. Countering the growth of the tax base was a steep decline in revenue associated with economic activity that had occurred in prior years, largely in the form of audit payments, refunds, and late payments. The City expects revenue growth in 2014 and 2015 of 5.2 percent and 4.3 percent for the sales tax and 6.5 percent and 5.2 percent for the B&O tax.

Financial Contact

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Finance and Administrative Services, Citywide Accounting and Payroll Services Division, P.O. Box 94669, Seattle, WA 98124-4669 (Telephone 206-386-9124).

**Government-wide
Financial Statements**

Government-wide Financial Statements

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Page 1 of 3
STATEMENT OF NET POSITION
December 31, 2013
(In Thousands)

| | Primary Government | | Comparative Totals | | Component Units |
|--|-------------------------|--------------------------|----------------------|----------------------|------------------|
| | Governmental Activities | Business-Type Activities | 2013 | Restated 2012 | |
| | | | | | |
| ASSETS | | | | | |
| <i>Current Assets</i> | | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 676,312 | \$ 345,663 | \$ 1,021,975 | \$ 862,661 | \$ 4,142 |
| Restricted Cash and Equity in Pooled Investments | 17,166 | 10 | 17,176 | 19,203 | - |
| Investments | - | - | - | - | 61,162 |
| Receivables, Net of Allowances | 96,013 | 223,433 | 319,446 | 299,065 | - |
| Internal Balances | 21,829 | (21,829) | - | - | - |
| Due from Other Governments | 117,167 | 7,688 | 124,855 | 130,836 | - |
| Inventories | 3,030 | 38,139 | 41,169 | 36,962 | - |
| Prepaid and Other Current Assets | 2,213 | 616 | 2,829 | 2,057 | - |
| Total Current Assets | 933,730 | 593,720 | 1,527,450 | 1,350,784 | 65,304 |
| <i>Noncurrent Assets</i> | | | | | |
| Restricted Cash and Equity in Pooled Investments | 29,417 | 353,103 | 382,520 | 485,213 | - |
| Contracts and Notes | 3,080 | 1,731 | 4,811 | 5,285 | - |
| Conservation Costs, Net | - | 246,312 | 246,312 | 237,463 | - |
| Landfill Closure and Postclosure Costs, Net | - | 14,741 | 14,741 | 16,081 | - |
| Environmental Costs and Recoveries | - | 34,098 | 34,098 | 42,930 | - |
| Net Pension Asset | 16,238 | - | 16,238 | 16,599 | - |
| Regulatory Asset | - | 19,741 | 19,741 | 23,068 | - |
| Other Charges and Noncurrent Assets | - | 109,961 | 109,961 | 104,733 | - |
| Capital Assets, Net of Accumulated Depreciation | | | | | |
| Land and Land Rights | 542,837 | 159,031 | 701,868 | 692,786 | - |
| Plant in Service, Excluding Land | - | 4,066,335 | 4,066,335 | 3,908,086 | - |
| Buildings and Improvements | 1,587,242 | 30,066 | 1,617,308 | 1,591,703 | - |
| Machinery and Equipment | 125,766 | 1,471 | 127,237 | 117,564 | 3 |
| Infrastructure | 1,068,908 | - | 1,068,908 | 1,004,595 | - |
| Construction in Progress | 384,137 | 345,097 | 729,234 | 566,581 | - |
| Other Capital Assets | 15,491 | 81,738 | 97,229 | 90,701 | - |
| Total Noncurrent Assets | 3,773,116 | 5,463,425 | 9,236,541 | 8,903,388 | 3 |
| Total Assets | 4,706,846 | 6,057,145 | 10,763,991 | 10,254,172 | 65,307 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | 436,014 | 52,371 | 488,385 | 468,731 | - |
| Total Assets and Deferred Outflows of Resources | \$ 5,142,860 | \$ 6,109,516 | \$ 11,252,376 | \$ 10,722,903 | \$ 65,307 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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Page 2 of 3
STATEMENT OF NET POSITION
December 31, 2013
(In Thousands)

| | Primary Government | | Comparative Totals | | Component Units |
|---|-------------------------|--------------------------|--------------------|------------------|-----------------|
| | Governmental Activities | Business-Type Activities | 2013 | Restated 2012 | |
| | | | | | |
| LIABILITIES | | | | | |
| <i>Current Liabilities</i> | | | | | |
| Accounts Payable | \$ 117,904 | \$ 79,131 | \$ 197,035 | \$ 178,849 | \$ 1,988 |
| Salaries, Benefits, and Taxes Payable | 29,119 | 13,799 | 42,918 | 34,574 | - |
| Contracts Payable | 11,066 | - | 11,066 | 10,814 | - |
| Due to Other Governments | 7,382 | 11,693 | 19,075 | 18,688 | - |
| Interest Payable | 9,433 | 59,656 | 69,089 | 70,397 | - |
| Taxes Payable | 32 | 12,231 | 12,263 | 11,521 | - |
| Deposits Payable | 482 | - | 482 | 651 | - |
| Unearned Revenues | 8,530 | 22,367 | 30,897 | 31,198 | - |
| Current Portion of Long-Term Debt | | | | | |
| Bonds Payable | 72,170 | 154,392 | 226,562 | 208,137 | - |
| Compensated Absences Payable | 19,575 | 3,197 | 22,772 | 23,524 | - |
| Notes and Contracts Payable | 2,053 | 2,241 | 4,294 | 4,348 | - |
| Claims Payable | 21,059 | 23,633 | 44,692 | 44,864 | - |
| Habitat Conservation Program Liability | - | 805 | 805 | 1,164 | - |
| Landfill Closure and Postclosure Liability | - | 987 | 987 | 1,398 | - |
| Other Current Liabilities | 2,102 | 3,954 | 6,056 | 7,898 | - |
| Total Current Liabilities | 300,907 | 388,086 | 688,993 | 648,025 | 1,988 |
| <i>Noncurrent Liabilities</i> | | | | | |
| Bonds Payable, Net of | | | | | |
| Unamortized Premiums, Discounts, and Other | 790,809 | 3,510,432 | 4,301,241 | 4,256,697 | - |
| Bond Interest Payable | - | - | - | 593 | - |
| Special Assessment Bonds with Governmental Commitment | 13,005 | - | 13,005 | 13,005 | - |
| Compensated Absences Payable | 69,211 | 28,363 | 97,574 | 90,979 | - |
| Claims Payable | 54,917 | 123,194 | 178,111 | 173,682 | - |
| Notes and Contracts Payable | 15,514 | 33,364 | 48,878 | 49,163 | - |
| Landfill Closure and Postclosure Liability | - | 15,974 | 15,974 | 17,219 | - |
| Vendor Deposits Payable | 213 | 601 | 814 | 224 | - |
| Habitat Conservation Program Liability | - | 5,425 | 5,425 | 5,747 | - |
| Unearned Revenues | - | 20,687 | 20,687 | 16,469 | - |
| Arbitrage Rebate Liability | 12 | - | 12 | 17 | - |
| Unfunded Other Post Employment Benefits | 74,172 | 14,771 | 88,943 | 76,120 | - |
| Other Noncurrent Liabilities | 2 | 2,660 | 2,662 | 8,835 | - |
| Total Noncurrent Liabilities | 1,017,855 | 3,755,471 | 4,773,326 | 4,708,750 | - |
| Total Liabilities | 1,318,762 | 4,143,557 | 5,462,319 | 5,356,775 | 1,988 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | 446,877 | 125,336 | 572,213 | 548,784 | - |

The accompanying notes are an integral part of these financial statements.

Government-wide Financial Statements

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Page 3 of 3
STATEMENT OF NET POSITION
December 31, 2013
(In Thousands)

| | Primary Government | | Comparative Totals | | Component Units |
|--|-------------------------|--------------------------|--------------------|---------------|-----------------|
| | Governmental Activities | Business-Type Activities | 2013 | Restated 2012 | |
| | | | | | |
| NET POSITION | | | | | |
| Net Investment in Capital Assets | \$ 2,880,124 | \$ 1,508,831 | \$ 4,388,955 | \$ 4,174,868 | \$ 3 |
| Restricted for | | | | | |
| Debt Service | 15,629 | - | 15,629 | 10,666 | - |
| Capital Projects | 212,930 | - | 212,930 | 202,898 | 69 |
| Rate Stabilization Account | - | 25,000 | 25,000 | 25,000 | - |
| Education and Development Services | 39,388 | - | 39,388 | 28,540 | 16,182 |
| Special Deposits | - | (441) | (441) | 723 | - |
| Conservation and Environmental Costs | - | 7,157 | 7,157 | 6,560 | - |
| Bonneville Power Administration Projects | - | 443 | 443 | 448 | - |
| External Infrastructure Costs | - | 7,131 | 7,131 | 7,182 | - |
| Muckleshoot Settlement | - | 166 | 166 | 240 | - |
| Other Charges | - | 17,948 | 17,948 | 16,057 | - |
| Health Care Reserve | 24,772 | - | 24,772 | 19,951 | - |
| Transportation Programs | 27,330 | - | 27,330 | 24,313 | - |
| Low-Income Housing Programs | 79,264 | - | 79,264 | 75,344 | - |
| Other Purposes | 59,431 | - | 59,431 | 42,692 | - |
| Nonexpendable | 2,141 | - | 2,141 | 2,050 | 27,429 |
| Unrestricted | 36,212 | 274,388 | 310,600 | 179,812 | 19,636 |
| Total Net Position | 3,377,221 | 1,840,623 | 5,217,844 | 4,817,344 | 63,319 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 5,142,860 | \$ 6,109,516 | \$ 11,252,376 | \$ 10,722,903 | \$ 65,307 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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Page 1 of 2
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
(In Thousands)

| | Program Expenses | | Program Revenues | | |
|----------------------------------|------------------|-------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Indirect Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| FUNCTIONS/PROGRAMS | | | | | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ 178,434 | \$ (17,393) | \$ 85,923 | \$ 15,206 | \$ - |
| Judicial | 33,517 | - | 40,545 | 160 | - |
| Public Safety | 514,002 | 1,127 | 19,245 | 27,413 | 638 |
| Physical Environment | 10,740 | - | 47 | 8,187 | - |
| Transportation | 161,433 | 4,309 | 100,830 | 13,209 | 39,009 |
| Economic Environment | 125,191 | - | 12,250 | 31,674 | 1,355 |
| Health and Human Services | 71,256 | - | 8 | 32,683 | - |
| Culture and Recreation | 267,043 | - | 67,116 | 6,875 | 1,466 |
| Interest on Long-Term Debt | 26,417 | - | - | - | - |
| Total Governmental Activities | 1,388,033 | (11,957) | 325,964 | 135,407 | 42,468 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Light | 776,636 | 4,294 | 839,767 | 3,184 | 49,696 |
| Water | 213,400 | 2,200 | 235,114 | 803 | 7,518 |
| Drainage and Wastewater | 288,097 | 2,050 | 329,386 | 1,975 | 6,546 |
| Solid Waste | 155,902 | 751 | 159,741 | 592 | - |
| Planning and Development | 50,418 | 2,662 | 48,016 | 501 | - |
| Downtown Parking Garage | 8,159 | - | 7,019 | - | - |
| Fiber Leasing | 54 | - | 75 | - | - |
| Total Business-Type Activities | 1,492,666 | 11,957 | 1,619,118 | 7,055 | 63,760 |
| Total Government-Wide Activities | \$ 2,880,699 | \$ - | \$ 1,945,082 | \$ 142,462 | \$ 106,228 |
| COMPONENT UNITS | \$ 9,332 | \$ - | \$ 204 | \$ 6,254 | \$ - |

The accompanying notes are an integral part of these financial statements.

Government-wide Financial Statements

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STATEMENT OF ACTIVITIES

Page 2 of 2

For the Year Ended December 31, 2013

(In Thousands)

| Net Revenue (Expense) and Changes in Net Position | | | | | |
|--|--------------------------|--------------|---------------|-----------------|-----------|
| Primary Government | | | | | |
| Comparative Totals | | | | | |
| Governmental Activities | Business-Type Activities | 2013 | Restated 2012 | Component Units | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ (59,912) | \$ - | \$ (59,912) | \$ (68,975) | |
| Judicial | 7,188 | - | 7,188 | 7,785 | |
| Public Safety | (467,833) | - | (467,833) | (429,864) | |
| Physical Environment | (2,506) | - | (2,506) | (1,718) | |
| Transportation | (12,694) | - | (12,694) | 656 | |
| Economic Environment | (79,912) | - | (79,912) | (81,835) | |
| Health and Human Services | (38,565) | - | (38,565) | (34,049) | |
| Culture and Recreation | (191,586) | - | (191,586) | (174,696) | |
| Interest on Long-Term Debt | (26,417) | - | (26,417) | (39,998) | |
| Total Governmental Activities | (872,237) | - | (872,237) | (822,694) | |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Light | - | 111,717 | 111,717 | 100,627 | |
| Water | - | 27,835 | 27,835 | 18,481 | |
| Drainage and Wastewater | - | 47,760 | 47,760 | 35,334 | |
| Solid Waste | - | 3,680 | 3,680 | 7,566 | |
| Planning and Development | - | (4,563) | (4,563) | (5,122) | |
| Downtown Parking Garage | - | (1,140) | (1,140) | (1,112) | |
| Fiber Leasing | - | 21 | 21 | - | |
| Total Business-Type Activities | - | 185,310 | 185,310 | 155,774 | |
| Total Government-Wide Activities | (872,237) | 185,310 | (686,927) | (666,920) | |
| COMPONENT UNITS | | | | \$ | (2,874) |
| General Revenues | | | | | |
| Property Taxes | 423,927 | - | 423,927 | 412,872 | - |
| Sales Taxes | 181,171 | - | 181,171 | 169,681 | - |
| Business Taxes | 408,913 | - | 408,913 | 358,931 | - |
| Excise Taxes | 61,524 | - | 61,524 | 54,637 | - |
| Other Taxes | 11,240 | - | 11,240 | 44,352 | - |
| Penalties and Interest on Delinquent Taxes | 3,596 | - | 3,596 | 2,795 | - |
| Unrestricted Investment Earnings (Loss) | (1,665) | 4,204 | 2,541 | 18,247 | 7,900 |
| Gain on Sale of Capital Assets | 17,012 | 1,672 | 18,684 | 2,121 | - |
| Special Item - Environmental Remediation | - | (24,169) | (24,169) | (37,066) | - |
| Transfers | (10,861) | 10,861 | - | - | - |
| Total General Revenues (Loss), Special Item, and Transfers | 1,094,859 | (7,432) | 1,087,427 | 1,026,570 | 7,900 |
| Changes in Net Position | 222,622 | 177,878 | 400,500 | 359,650 | 5,026 |
| Net Position - Beginning of Year | 3,154,599 | 1,662,745 | 4,817,344 | 4,477,135 | 58,293 |
| Prior-Year Adjustments | - | - | - | (19,441) | - |
| Net Position - Beginning of Year as Restated | 3,154,599 | 1,662,745 | 4,817,344 | 4,457,694 | 58,293 |
| Net Position - End of Year | \$ 3,377,221 | \$ 1,840,623 | \$ 5,217,844 | \$ 4,817,344 | \$ 63,319 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

Fund Financial Statements

MAJOR GOVERNMENTAL FUNDS

The **General Fund** is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives the majority of its revenues from property, sales, business, and utility taxes.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011. The Library Fund no longer met the definition for a special revenue fund and has been included in the General Fund financial statements.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, distribution, or use of motor vehicle fuel; property taxes, commercial parking taxes, and motor vehicle excise taxes designated for street purposes; and grants.

The **Low-Income Housing Fund** manages activities undertaken by the City to preserve, rehabilitate, or replace low-income housing. It also accounts for a seven-year housing levy approved by the voters in 2009 to provide, produce, and/or preserve affordable housing in Seattle and to assist low-income tenants in Seattle. Operating costs in the administration of the levy are accounted for in the Office of Housing Fund, a nonmajor special revenue fund.

Descriptions for the nonmajor governmental funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

The City of Seattle

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Page 1 of 4

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2013 (In Thousands)

| | General | Transportation | Low-Income Housing |
|---|-------------------|-------------------|-----------------------|
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 237,739 | \$ 32,937 | \$ 81,423 |
| Receivables, Net of Allowances | | | |
| Taxes | 60,526 | 3,191 | 454 |
| Accounts | 5,698 | 2,267 | 104 |
| Contracts and Notes | 238 | - | - |
| Special Assessments | - | - | - |
| Interest and Dividends | (635) | 192 | 51 |
| Unbilled and Others | 39 | 210 | - |
| Due from Other Funds | 17,365 | 30,310 | 190 |
| Interfund Loans | - | - | - |
| Due from Other Governments | 55,719 | 45,233 | 205 |
| Inventories | - | - | - |
| Prepaid and Other Current Assets | 320 | 1,343 | - |
| Deposits With Vendor | 2 | - | - |
| Advances to Other Funds | 5,545 | - | - |
| Charges and Other Assets | - | - | - |
| Total Assets | <u>382,556</u> | <u>115,683</u> | <u>82,427</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>7,771</u> | <u>-</u> | <u>383,980</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 390,327</u> | <u>\$ 115,683</u> | <u>\$ 466,407</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 40,767 | \$ 25,805 | \$ 746 |
| Contracts Payable | 184 | 8,556 | - |
| Due to Other Funds | 4,080 | 1,904 | 107 |
| Due to Other Governments | 2,313 | - | - |
| Salaries, Benefits, and Taxes Payable | 18,831 | 2,618 | - |
| Interest Payable | 4 | 22 | - |
| Deposits Payable | (85) | 271 | 76 |
| Revenue Collected/Billed in Advance - Current | 1,468 | 2,159 | - |
| Other Current Liabilities | 1,796 | - | - |
| Advances from Other Funds | - | - | - |
| Total Liabilities | <u>69,358</u> | <u>41,335</u> | <u>929</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>12,009</u> | <u>685</u> | <u>384,321</u> |

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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Page 2 of 4
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(In Thousands)

| | Other Governmental | Comparative Totals | |
|--|-----------------------|---------------------|---------------------|
| | | 2013 | Restated 2012 |
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 297,184 | \$ 649,283 | \$ 568,457 |
| Receivables, Net of Allowances | | | |
| Taxes | 2,144 | 66,315 | 67,043 |
| Accounts | 5,407 | 13,476 | 13,946 |
| Contracts and Notes | - | 238 | - |
| Special Assessments | 13,546 | 13,546 | 13,303 |
| Interest and Dividends | 204 | (188) | 382 |
| Unbilled and Others | 1,253 | 1,502 | 3,569 |
| Due from Other Funds | 6,096 | 53,961 | 35,950 |
| Interfund Loans | - | - | 850 |
| Due from Other Governments | 15,456 | 116,613 | 120,670 |
| Inventories | 535 | 535 | 553 |
| Prepaid and Other Current Assets | - | 1,663 | 741 |
| Deposits With Vendor | - | 2 | 2 |
| Advances to Other Funds | - | 5,545 | 4,881 |
| Charges and Other Assets | - | - | 4 |
| Total Assets | 341,825 | 922,491 | 830,351 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | 43,216 | 434,967 | 409,197 |
| Total Assets and Deferred Outflows of Resources | \$ 385,041 | \$ 1,357,458 | \$ 1,239,548 |
| LIABILITIES | | | |
| Accounts Payable | \$ 29,831 | \$ 97,149 | \$ 85,001 |
| Contracts Payable | 2,326 | 11,066 | 8,315 |
| Due to Other Funds | 35,948 | 42,039 | 28,484 |
| Due to Other Governments | 5,064 | 7,377 | 8,208 |
| Salaries, Benefits, and Taxes Payable | 4,849 | 26,298 | 20,962 |
| Interest Payable | 8 | 34 | 778 |
| Deposits Payable | 220 | 482 | 651 |
| Revenue Collected/Billed in Advance - Current | 4,904 | 8,531 | 11,219 |
| Other Current Liabilities | 261 | 2,057 | 3,274 |
| Advances from Other Funds | 195 | 195 | 2,550 |
| Total Liabilities | 83,606 | 195,228 | 169,442 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| | 57,962 | 454,977 | 431,772 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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Page 3 of 4
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013
(In Thousands)

| | General | Transportation | Low-Income Housing |
|--|-------------------|-------------------|-----------------------|
| | | | |
| Nonspendable | \$ 375 | \$ 1,345 | \$ - |
| Restricted | 99,659 | 27,330 | 79,264 |
| Committed | 83,155 | 44,988 | 1,893 |
| Assigned | 5,325 | - | - |
| Unassigned | 120,446 | - | - |
| Total Fund Balance | 308,960 | 73,663 | 81,157 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 390,327 | \$ 115,683 | \$ 466,407 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

B-3 BALANCE SHEET
Page 4 of 4 **GOVERNMENTAL FUNDS**
December 31, 2013
(In Thousands)

| | Other Governmental | Comparative Totals | |
|---|-----------------------|--------------------|------------------|
| | | 2013 | Restated 2012 |
| FUND BALANCES | | | |
| Nonspendable | \$ 2,614 | \$ 4,334 | \$ 3,173 |
| Restricted | 252,578 | 458,831 | 404,404 |
| Committed | 2,948 | 132,984 | 119,756 |
| Assigned | 7,661 | 12,986 | 19,000 |
| Unassigned | (22,328) | 98,118 | 92,001 |
| Total Fund Balance | 243,473 | 707,253 | 638,334 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 385,041 | | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 3,037,868 | 2,877,051 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | 3,406 | (4,072) |
| Internal service funds are used by management to charge the costs of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. Adjustments to reflect the consolidation of internal service fund (ISF) activities related to enterprise funds and prior-year adjustment (B-6) are added back to ISF total net position, and the latter amounts are included in governmental activities. | | 479,993 | 450,090 |
| Net pension asset net of pension obligations | | 16,239 | 16,599 |
| Deferred inflows and outflows of resources | | 8,985 | 9,425 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | |
| Claims Payable - Current | (21,972) | (22,038) | |
| Accrued Interest Payable | (6,227) | (7,106) | |
| Current Portion of Long-Term Debt | (57,081) | (49,223) | |
| Compensated Absences Payable | (18,951) | (19,987) | |
| General Obligation Bonds Payable | (511,835) | (477,939) | |
| Less Bond Discount and Premium | (41,290) | (43,138) | |
| Special Assessment Bonds | (13,005) | (13,005) | |
| Notes and Other Long-Term Liabilities | (17,567) | (19,007) | |
| Compensated Absences - Long-Term | (63,658) | (58,206) | |
| Claims Payable - Long-Term | (35,063) | (36,487) | |
| Workers' Compensation | (18,427) | (16,127) | |
| Arbitrage | (12) | (17) | |
| Unfunded Other Post Employment Benefits | (71,435) | (62,048) | |
| MOHAI Liabilities | - | (8,500) | |
| Net Adjustments | 2,669,968 | 2,516,265 | |
| Net Position of Governmental Activities | \$ 3,377,221 | \$ 3,154,599 | |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
Page 1 of 2 **IN FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | General | Transportation | Low-Income Housing |
|--|------------|----------------|-----------------------|
| REVENUES | | | |
| Taxes | \$ 866,464 | \$ 75,816 | \$ 17,952 |
| Licenses and Permits | 22,005 | 5,130 | - |
| Grants, Shared Revenues, and Contributions | 48,183 | 51,755 | 2,088 |
| Charges for Services | 50,587 | 102,475 | 810 |
| Fines and Forfeits | 41,043 | 8 | - |
| Parking Fees and Space Rent | 38,547 | 70 | - |
| Program Income, Interest, and Miscellaneous Revenues | 31,346 | 122 | 11,072 |
| Total Revenues | 1,098,175 | 235,376 | 31,922 |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 178,403 | - | - |
| Judicial | 27,642 | - | - |
| Public Safety | 492,509 | - | - |
| Physical Environment | 11,318 | - | - |
| Transportation | 11,321 | 85,296 | - |
| Economic Environment | 19,157 | - | 30,631 |
| Health and Human Services | 63 | - | - |
| Culture and Recreation | 69,559 | - | - |
| Capital Outlay | | | |
| General Government | 5,043 | - | - |
| Public Safety | 10,275 | - | - |
| Transportation | - | 234,188 | - |
| Economic Environment | - | - | - |
| Culture and Recreation | 30,290 | - | - |
| Debt Service | | | |
| Principal | 4 | 2,112 | - |
| Interest | - | 183 | - |
| Bond Issuance Cost | - | - | - |
| Other | - | - | - |
| Total Expenditures | 855,584 | 321,779 | 30,631 |
| Excess (Deficiency) of Revenues over Expenditures | 242,591 | (86,403) | 1,291 |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | - | - | - |
| Refunding Debt Issued | - | - | - |
| Premium on Bonds Issued | - | - | - |
| Payment to Refunded Bond Escrow Agent | - | - | - |
| Sales of Capital Assets | 22,748 | 54 | - |
| Transfers In | 16,762 | 133,703 | - |
| Transfers Out | (248,133) | (24,739) | - |
| Total Other Financing Sources (Uses) | (208,623) | 109,018 | - |
| Net Change in Fund Balance | 33,968 | 22,615 | 1,291 |
| Fund Balances - Beginning of Year | 274,992 | 51,048 | 79,866 |
| Fund Balances - End of Year | \$ 308,960 | \$ 73,663 | \$ 81,157 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

**B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Other Governmental | Comparative Totals | |
|--|-----------------------|--------------------|--------------|
| | | 2013 | 2012 |
| REVENUES | | | |
| Taxes | \$ 123,267 | \$ 1,083,499 | \$ 1,044,608 |
| Licenses and Permits | - | 27,135 | 25,238 |
| Grants, Shared Revenues, and Contributions | 82,758 | 184,784 | 177,775 |
| Charges for Services | 46,975 | 200,847 | 182,595 |
| Fines and Forfeits | 56 | 41,107 | 34,340 |
| Parking Fees and Space Rent | 23,846 | 62,463 | 57,107 |
| Program Income, Interest, and Miscellaneous Revenues | 2,922 | 45,462 | 43,649 |
| Total Revenues | 279,824 | 1,645,297 | 1,565,312 |
| EXPENDITURES | | | |
| Current | | | |
| General Government | 13,426 | 191,829 | 180,187 |
| Judicial | - | 27,642 | 26,654 |
| Public Safety | 1,502 | 494,011 | 461,235 |
| Physical Environment | 617 | 11,935 | 7,748 |
| Transportation | 1,059 | 97,676 | 92,212 |
| Economic Environment | 78,856 | 128,644 | 128,711 |
| Health and Human Services | 73,088 | 73,151 | 67,103 |
| Culture and Recreation | 162,135 | 231,694 | 216,508 |
| Capital Outlay | | | |
| General Government | 17,177 | 22,220 | 10,684 |
| Public Safety | 10,825 | 21,100 | 27,743 |
| Transportation | - | 234,188 | 228,272 |
| Economic Environment | - | - | 69 |
| Culture and Recreation | 55,400 | 85,690 | 55,507 |
| Debt Service | | | |
| Principal | 54,078 | 56,194 | 53,523 |
| Interest | 26,023 | 26,206 | 25,339 |
| Bond Issuance Cost | 822 | 822 | 258 |
| Other | - | - | 305 |
| Total Expenditures | 495,008 | 1,703,002 | 1,582,058 |
| Excess (Deficiency) of Revenues over Expenditures | (215,184) | (57,705) | (16,746) |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | 101,115 | 101,115 | 108,085 |
| Refunding Debt Issued | 43,945 | 43,945 | - |
| Premium on Bonds Issued | 9,377 | 9,377 | 21,140 |
| Payment to Refunded Bond Escrow Agent | (44,503) | (44,503) | (91,574) |
| Sales of Capital Assets | 102 | 22,904 | 2,282 |
| Transfers In | 225,307 | 375,772 | 334,611 |
| Transfers Out | (109,114) | (381,986) | (342,571) |
| Total Other Financing Sources (Uses) | 226,229 | 126,624 | 31,973 |
| Net Change in Fund Balance | 11,045 | 68,919 | 15,227 |
| Fund Balances - Beginning of Year | 232,428 | 638,334 | 623,107 |
| Fund Balances - End of Year | \$ 243,473 | \$ 707,253 | \$ 638,334 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

**B-5 RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
(In Thousands)**

| | Comparative Totals | |
|---|--------------------|------------------|
| | 2013 | Restated 2012 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Net change in fund balance - total governmental funds | \$ 68,919 | \$ 15,227 |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense: | | |
| Depreciation expense for the year | (107,705) | (103,733) |
| Capital outlay reported as expenditures | 312,501 | 322,916 |
| Retirement and sale of capital assets | (5,891) | (4,628) |
| Capital assets received as donations | 310 | 78 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 7,800 | (7,635) |
| The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance cost, premium, discount, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the result of the differences in the treatment of long-term debt and related items: | | |
| Proceeds of general obligation bonds | (101,115) | (26,835) |
| Premium on general obligation bonds | (9,377) | (21,140) |
| Proceeds from bond refunding | (43,945) | (75,250) |
| Principal payments bonds/notes | 56,194 | 53,523 |
| Bond interest | 10,244 | (2,914) |
| Remittance to refunding escrow using refunding proceeds | 44,504 | 91,574 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds: | | |
| Compensated absences | (4,417) | 608 |
| Injury and damage claims | 1,832 | 13,047 |
| Workers' compensation | (2,750) | (1,000) |
| Arbitrage | 5 | 27 |
| Unfunded OPEB liabilities | (9,387) | (4,378) |
| Net pension asset | (360) | (31,078) |
| Environmental liability | (568) | (326) |
| MOHAL liability | 8,500 | - |
| Internal service funds are used by management to charge the cost of Fleets and Facilities, Information Technology, and Engineering Services to individual funds. Adjustments reflect the consolidation of internal service funds activities to governmental funds: | | |
| Operating loss (income) allocated to enterprise funds | (4,491) | (4,595) |
| Net revenue of internal service funds activities reported with governmental activities | 1,819 | 4,952 |
| Change in Net Position of Governmental Activities | \$ 222,622 | \$ 218,440 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 408,000 customers in the Seattle and certain surrounding communities. City Light also supplies electrical energy to other City agencies at rates prescribed by City ordinances.

The **Water Fund** accounts for the operations of the City-owned water utility. It maintains three separate sources of water supply, namely the Tolt and Cedar River watersheds, and Seattle wellfields; approximately 182 miles of supply mains, and distribution storage capacity of 339 million gallons in reservoirs, tanks, and standpipes. The distribution system serves a population of about 1.4 million people.

The **Drainage and Wastewater Fund** accounts for the operations of the City-owned sewer and drainage utility facilities and pumping stations. Those facilities and stations are necessary to collect the sewage of the City and discharge it into King County's treatment and disposal systems. The utility maintains about 1,893 miles of sewers and drainage mainlines, 75 percent of which are separate sanitary sewers and storm mainlines. In addition, the City manages 66 pumping stations.

The **Solid Waste Fund** accounts for the operations of two City-owned transfer stations and for the administration of contracts with private companies for the collection of residential refuse and commercial garbage. Private individuals and City-administered residential and commercial collectors bring solid waste to the transfer stations. Solid wastes collected at the transfer stations are compacted, loaded in containers, and hauled to the Argo cargo loading station. The containers at the Argo station are loaded on railcars and transported to a landfill in Arlington, Oregon, for final disposal.

Descriptions for the nonmajor enterprise funds and the internal service funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2013

(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------------|---------------------|---------------------|
| | L i g h t | | W a t e r | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 193,769 | \$ 156,305 | \$ 28,901 | \$ 12,461 |
| Restricted Cash and Equity in Pooled Investments | - | - | 10 | 10 |
| Receivables, Net of Allowances | 61,511 | 62,481 | 13,899 | 15,049 |
| Accounts | - | 224 | 895 | 1,126 |
| Interest and Dividends | 78,837 | 71,015 | 13,965 | 11,500 |
| Unbilled | - | - | 120 | 115 |
| Energy Contracts, Notes, and Other Contracts | 26 | 865 | 704 | 238 |
| Due from Other Funds | 2,464 | 2,860 | 1,510 | 742 |
| Due from Other Governments | 32,020 | 29,085 | 5,072 | 4,169 |
| Materials and Supplies Inventory | 492 | 675 | 72 | 133 |
| Prepayments and Other Current Assets | - | - | - | - |
| Total Current Assets | 369,119 | 323,510 | 65,148 | 45,543 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 227,038 | 275,697 | 65,689 | 72,929 |
| Notes and Contracts Receivable | - | - | 521 | 645 |
| Conservation Costs, Net | 214,280 | 201,081 | 32,032 | 36,382 |
| Landfill Closure and Postclosure Costs, Net | - | - | - | - |
| Environmental Costs and Recoveries | 37,116 | 27,766 | - | - |
| External Infrastructure Costs | - | - | - | - |
| Regulatory Asset | - | - | 12,211 | 13,801 |
| Other Charges | 49,625 | 50,099 | 5,627 | 3,117 |
| Capital Assets | - | - | - | - |
| Land and Land Rights | 68,188 | 65,123 | 43,269 | 42,911 |
| Plant in Service, Excluding Land | 3,795,314 | 3,593,397 | 1,773,792 | 1,741,105 |
| Less Accumulated Depreciation | (1,563,905) | (1,511,169) | (646,741) | (603,283) |
| Buildings and Improvements | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Machinery and Equipment | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Construction in Progress | 164,051 | 132,370 | 25,343 | 23,359 |
| Other Property, Net | 77,322 | 72,474 | 1,184 | 933 |
| Total Noncurrent Assets | 3,069,029 | 2,906,838 | 1,312,927 | 1,331,899 |
| Total Assets | 3,438,148 | 3,230,348 | 1,378,075 | 1,377,442 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | 26,012 | 29,966 | 20,165 | 21,416 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 3,464,160</u> | <u>\$ 3,260,314</u> | <u>\$ 1,398,240</u> | <u>\$ 1,398,858</u> |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-------------------|-------------------|-------------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 74,503 | \$ 60,208 | \$ 20,863 | \$ 21,224 |
| Restricted Cash and Equity in Pooled Investments | - | - | - | - |
| Receivables, Net of Allowances | 21,171 | 17,434 | 13,068 | 12,255 |
| Accounts | 448 | 122 | 21 | 15 |
| Interest and Dividends | 18,043 | 16,728 | 411 | 321 |
| Unbilled | 49 | 47 | - | - |
| Energy Contracts, Notes, and Other Contracts | 1,015 | 680 | 287 | 250 |
| Due from Other Funds | 2,267 | 4,853 | 932 | 924 |
| Due from Other Governments | 939 | 828 | 108 | 148 |
| Materials and Supplies Inventory | 35 | 45 | 18 | 134 |
| Prepayments and Other Current Assets | - | - | - | - |
| Total Current Assets | 118,470 | 100,945 | 35,708 | 35,271 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 47,873 | 100,443 | 12,456 | 11,055 |
| Notes and Contracts Receivable | 1,210 | 1,260 | - | - |
| Conservation Costs, Net | - | - | - | - |
| Landfill Closure and Postclosure Costs, Net | - | - | 14,741 | 16,081 |
| Environmental Costs and Recoveries | 4,850 | 23,189 | - | - |
| External Infrastructure Costs | 19,617 | 20,223 | - | - |
| Regulatory Asset | 3,543 | 3,702 | 3,987 | 5,565 |
| Other Charges | 34,026 | 30,215 | 1,066 | 1,074 |
| Capital Assets | 19,475 | 19,583 | 15,218 | 14,565 |
| Land and Land Rights | 902,671 | 861,228 | 149,171 | 145,168 |
| Plant in Service, Excluding Land | - | - | - | - |
| Less Accumulated Depreciation | (286,172) | (265,807) | (57,795) | (52,553) |
| Buildings and Improvements | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Machinery and Equipment | - | - | - | - |
| Less Accumulated Depreciation | - | - | - | - |
| Construction in Progress | 128,552 | 83,224 | 24,554 | 19,634 |
| Other Property, Net | 970 | 903 | 2,262 | 2,262 |
| Total Noncurrent Assets | 876,615 | 878,163 | 165,660 | 162,851 |
| Total Assets | 995,085 | 979,108 | 201,368 | 198,122 |
| DEFERRED OUTFLOWS OF RESOURCES | 6,054 | 6,428 | 139 | 163 |
| Total Assets and Deferred Outflows of Resources | \$ 1,001,139 | \$ 985,536 | \$ 201,507 | \$ 198,285 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|---------------------|---------------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 27,628 | \$ 19,226 | \$ 345,664 | \$ 269,424 |
| Restricted Cash and Equity in Pooled Investments | - | - | 10 | 10 |
| Receivables, Net of Allowances | 976 | 657 | 110,625 | 107,876 |
| Accounts | 17 | 9 | 1,381 | 1,496 |
| Interest and Dividends | - | - | 111,256 | 99,564 |
| Unbilled | - | - | 169 | 162 |
| Energy Contracts, Notes, and Other Contracts | 1,067 | 812 | 3,099 | 2,845 |
| Due from Other Funds | 517 | 432 | 7,690 | 9,811 |
| Due from Other Governments | - | - | 38,139 | 34,230 |
| Materials and Supplies Inventory | - | 3 | 617 | 990 |
| Prepayments and Other Current Assets | - | - | - | - |
| Total Current Assets | 30,205 | 21,139 | 618,650 | 526,408 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 47 | 8 | 353,103 | 460,132 |
| Notes and Contracts Receivable | - | - | 1,731 | 1,905 |
| Conservation Costs, Net | - | - | 246,312 | 237,463 |
| Landfill Closure and Postclosure Costs, Net | - | - | 14,741 | 16,081 |
| Environmental Costs and Recoveries | - | - | 41,966 | 50,955 |
| External Infrastructure Costs | - | - | 19,617 | 20,223 |
| Regulatory Asset | - | - | 19,741 | 23,068 |
| Other Charges | - | - | 90,344 | 84,505 |
| Capital Assets | 12,881 | 12,881 | 159,031 | 155,063 |
| Land and Land Rights | - | - | 6,620,948 | 6,340,898 |
| Plant in Service, Excluding Land | - | - | - | - |
| Less Accumulated Depreciation | - | - | (2,554,613) | (2,432,812) |
| Buildings and Improvements | 60,132 | 60,131 | 60,132 | 60,131 |
| Less Accumulated Depreciation | (30,066) | (28,061) | (30,066) | (28,061) |
| Machinery and Equipment | 14,821 | 14,980 | 14,821 | 14,980 |
| Less Accumulated Depreciation | (13,350) | (13,376) | (13,350) | (13,376) |
| Construction in Progress | 2,597 | - | 345,097 | 258,587 |
| Other Property, Net | - | - | 81,738 | 76,572 |
| Total Noncurrent Assets | 47,062 | 46,563 | 5,471,293 | 5,326,314 |
| Total Assets | 77,267 | 67,702 | 6,089,943 | 5,852,722 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | 52,370 | 57,973 |
| Total Assets and Deferred Outflows of Resources | \$ 77,267 | \$ 67,702 | \$ 6,142,313 | \$ 5,910,695 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|--|---|------------------|
| | 2013 | Restated 2012 |
| ASSETS | | |
| <i>Current Assets</i> | | |
| Operating Cash and Equity in Pooled Investments | \$ 27,029 | \$ 24,779 |
| Restricted Cash and Equity in Pooled Investments | 17,166 | 19,193 |
| Receivables, Net of Allowances | | |
| Accounts | 216 | 99 |
| Interest and Dividends | 47 | 34 |
| Unbilled | 251 | 4 |
| Energy Contracts, Notes, and Other Contracts | - | - |
| Due from Other Funds | 5,997 | 6,986 |
| Due from Other Governments | 554 | 355 |
| Materials and Supplies Inventory | 2,495 | 2,179 |
| Prepayments and Other Current Assets | 547 | 324 |
| Total Current Assets | 54,302 | 53,953 |
| <i>Noncurrent Assets</i> | | |
| Restricted Cash and Equity in Pooled Investments | 29,417 | 25,081 |
| Notes and Contracts Receivable | - | - |
| Conservation Costs, Net | - | - |
| Landfill Closure and Postclosure Costs, Net | - | - |
| Environmental Costs and Recoveries | - | - |
| External Infrastructure Costs | - | - |
| Regulatory Asset | - | - |
| Other Charges | - | - |
| Capital Assets | | |
| Land and Land Rights | 95,996 | 95,996 |
| Plant in Service, Excluding Land | - | - |
| Less Accumulated Depreciation | - | - |
| Buildings and Improvements | 700,310 | 662,945 |
| Less Accumulated Depreciation | (195,212) | (179,433) |
| Machinery and Equipment | 208,675 | 203,592 |
| Less Accumulated Depreciation | (125,456) | (120,263) |
| Construction in Progress | 2,202 | 147 |
| Other Property, Net | - | - |
| Total Noncurrent Assets | 715,932 | 688,065 |
| Total Assets | 770,234 | 742,018 |
| DEFERRED OUTFLOWS OF RESOURCES | 161 | 28 |
| Total Assets and Deferred Outflows of Resources | \$ 770,395 | \$ 742,046 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------------|-----------|------------------|
| | L i g h t | | W a t e r | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 59,622 | \$ 58,266 | \$ 6,681 | \$ 5,705 |
| Salaries, Benefits, and Payroll Taxes Payable | 7,457 | 6,300 | 2,100 | 1,741 |
| Compensated Absences Payable | 2,003 | 1,882 | 427 | 405 |
| Due to Other Funds | 9,721 | 7,791 | 4,093 | 4,000 |
| Due to Other Governments | - | - | 69 | - |
| Interest Payable | 32,096 | 29,516 | 16,779 | 17,446 |
| Taxes Payable | 10,519 | 10,198 | 705 | 611 |
| General Obligation Bonds Due Within One Year | - | - | - | - |
| Revenue Bonds Due Within One Year | 99,670 | 91,840 | 33,545 | 32,630 |
| Claims Payable | 17,083 | 16,294 | 1,203 | 1,313 |
| Notes and Contracts Payable | - | - | 1,125 | 1,188 |
| Habitat Conservation Program Liability | - | - | 805 | 1,164 |
| Landfill Closure and Postclosure Liability | - | - | - | - |
| Unearned Revenues | 12,921 | 9,465 | 1,567 | 2,107 |
| Other Current Liabilities | 3,513 | 2,520 | - | 102 |
| Total Current Liabilities | 254,605 | 234,072 | 69,099 | 68,412 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | - | - | - | - |
| Compensated Absences Payable | 15,509 | 15,055 | 4,428 | 4,317 |
| Claims Payable | 54,868 | 53,542 | 3,673 | 3,811 |
| Public Works Trust Loan | - | - | 16,121 | 15,881 |
| Landfill Closure and Postclosure Liability | - | - | - | - |
| Vendor and Other Deposits Payable | - | - | 18 | 18 |
| Habitat Conservation Program Liability | - | - | 5,425 | 5,747 |
| Unearned Revenues | 6,275 | 6,000 | 337 | 358 |
| Unfunded Other Post Employment Benefits | 7,582 | 6,079 | 2,552 | 2,086 |
| Other Noncurrent Liabilities | 124 | 119 | 76 | 25 |
| General Obligation Bonds, Due Serially | - | - | - | - |
| Less Bonds Due Within One Year | - | - | - | - |
| Bond Discount and Premium, Net | - | - | - | - |
| Bond Interest Payable | - | - | - | - |
| Revenue Bonds | 1,863,325 | 1,778,600 | 887,010 | 919,640 |
| Less Bonds Due Within One Year | (99,670) | (91,840) | (33,545) | (32,630) |
| Bond Discount and Premium, Net | 106,653 | 104,717 | 62,092 | 65,416 |
| Total Noncurrent Liabilities | 1,954,666 | 1,872,272 | 948,187 | 984,669 |
| Total Liabilities | 2,209,271 | 2,106,344 | 1,017,286 | 1,053,081 |
| DEFERRED INFLOWS OF RESOURCES | 100,672 | 112,470 | 19,418 | 12,433 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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Page 6 of 12
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|----------------|----------------|----------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 11,945 | \$ 11,125 | \$ 8,906 | \$ 8,338 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,188 | 1,703 | 731 | 610 |
| Compensated Absences Payable | 398 | 377 | 146 | 138 |
| Due to Other Funds | 5,536 | 4,858 | 1,661 | 922 |
| Due to Other Governments | 11,624 | 10,443 | - | - |
| Interest Payable | 6,935 | 7,113 | 2,337 | 2,403 |
| Taxes Payable | 334 | 289 | 592 | 289 |
| General Obligation Bonds Due Within One Year | - | - | - | - |
| Revenue Bonds Due Within One Year | 15,825 | 15,215 | 3,495 | 3,330 |
| Claims Payable | 3,727 | 4,138 | 1,566 | 2,069 |
| Notes and Contracts Payable | 1,116 | 1,085 | - | - |
| Habitat Conservation Program Liability | - | - | - | - |
| Landfill Closure and Postclosure Liability | - | - | 987 | 1,398 |
| Unearned Revenues | 3,570 | 2,647 | 4,309 | 5,758 |
| Other Current Liabilities | 440 | 453 | - | - |
| Total Current Liabilities | 63,638 | 59,446 | 24,730 | 25,255 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | - | - | - | - |
| Compensated Absences Payable | 4,126 | 4,023 | 1,509 | 1,472 |
| Claims Payable | 70,158 | 67,719 | 723 | 744 |
| Public Works Trust Loan | 17,243 | 16,609 | - | - |
| Landfill Closure and Postclosure Liability | - | - | 15,974 | 17,219 |
| Vendor and Other Deposits Payable | 536 | 33 | - | - |
| Habitat Conservation Program Liability | - | - | - | - |
| Unearned Revenues | - | - | - | - |
| Unfunded Other Post Employment Benefits | 2,379 | 1,944 | 870 | 711 |
| Other Noncurrent Liabilities | 104 | 209 | 2,356 | 2,297 |
| General Obligation Bonds, Due Serially | - | - | - | - |
| Less Bonds Due Within One Year | - | - | - | - |
| Bond Discount and Premium, Net | - | - | - | - |
| Bond Interest Payable | - | - | - | - |
| Revenue Bonds | 525,280 | 540,495 | 115,875 | 119,205 |
| Less Bonds Due Within One Year | (15,825) | (15,215) | (3,495) | (3,330) |
| Bond Discount and Premium, Net | 37,866 | 39,262 | 5,425 | 5,681 |
| Total Noncurrent Liabilities | 641,867 | 655,079 | 139,237 | 143,999 |
| Total Liabilities | 705,505 | 714,525 | 163,967 | 169,254 |
| DEFERRED INFLOWS OF RESOURCES | - | - | 5,247 | - |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------|--------------------|------------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 2,823 | \$ 1,950 | \$ 89,977 | \$ 85,384 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,323 | 1,055 | 13,799 | 11,409 |
| Compensated Absences Payable | 224 | 203 | 3,198 | 3,005 |
| Due to Other Funds | 379 | 296 | 21,390 | 17,867 |
| Due to Other Governments | - | - | 11,693 | 10,443 |
| Interest Payable | 1,509 | 2,100 | 59,656 | 58,578 |
| Taxes Payable | 81 | 88 | 12,231 | 11,475 |
| General Obligation Bonds Due Within One Year | 1,857 | 1,262 | 1,857 | 1,262 |
| Revenue Bonds Due Within One Year | - | - | 152,535 | 143,015 |
| Claims Payable | 54 | 53 | 23,633 | 23,867 |
| Notes and Contracts Payable | - | - | 2,241 | 2,273 |
| Habitat Conservation Program Liability | - | - | 805 | 1,164 |
| Landfill Closure and Postclosure Liability | - | - | 987 | 1,398 |
| Unearned Revenues | - | - | 22,367 | 19,977 |
| Other Current Liabilities | - | - | 3,953 | 3,075 |
| Total Current Liabilities | 8,250 | 7,007 | 420,322 | 394,192 |
| <i>Noncurrent Liabilities</i> | | | | |
| Advances from Other Funds/Interfund Notes Payable | 5,050 | 3,181 | 5,050 | 3,181 |
| Compensated Absences Payable | 2,792 | 2,553 | 28,364 | 27,420 |
| Claims Payable | 128 | 118 | 129,550 | 125,934 |
| Public Works Trust Loan | - | - | 33,364 | 32,490 |
| Landfill Closure and Postclosure Liability | - | - | 15,974 | 17,219 |
| Vendor and Other Deposits Payable | 47 | 8 | 601 | 59 |
| Habitat Conservation Program Liability | - | - | 5,425 | 5,747 |
| Unearned Revenues | 14,075 | 10,110 | 20,687 | 16,468 |
| Unfunded Other Post Employment Benefits | 1,388 | 1,092 | 14,771 | 11,912 |
| Other Noncurrent Liabilities | - | - | 2,660 | 2,650 |
| General Obligation Bonds, Due Serially | 58,327 | 59,589 | 58,327 | 59,589 |
| Less Bonds Due Within One Year | (1,857) | (1,262) | (1,857) | (1,262) |
| Bond Discount and Premium, Net | 2,970 | 3,209 | 2,970 | 3,209 |
| Bond Interest Payable | - | 593 | - | 593 |
| Revenue Bonds | - | - | 3,391,490 | 3,357,940 |
| Less Bonds Due Within One Year | - | - | (152,535) | (143,015) |
| Bond Discount and Premium, Net | - | - | 212,036 | 215,076 |
| Total Noncurrent Liabilities | 82,920 | 79,191 | 3,766,877 | 3,735,210 |
| Total Liabilities | 91,170 | 86,198 | 4,187,199 | 4,129,402 |
| DEFERRED INFLOWS OF RESOURCES | - | - | 125,337 | 124,903 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|---|---|------------------|
| | 2013 | Restated 2012 |
| LIABILITIES | | |
| <i>Current Liabilities</i> | | |
| Accounts Payable | \$ 9,108 | \$ 8,345 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,821 | 2,202 |
| Compensated Absences Payable | 624 | 533 |
| Due to Other Funds | 446 | 513 |
| Due to Other Governments | 6 | 37 |
| Interest Payable | 3,172 | 3,935 |
| Taxes Payable | 32 | 46 |
| General Obligation Bonds Due Within One Year | 15,089 | 14,637 |
| Revenue Bonds Due Within One Year | - | - |
| Claims Payable | 598 | 578 |
| Notes and Contracts Payable | - | - |
| Habitat Conservation Program Liability | - | - |
| Landfill Closure and Postclosure Liability | - | - |
| Unearned Revenues | - | - |
| Other Current Liabilities | 45 | 1,549 |
| Total Current Liabilities | 31,941 | 32,375 |
| <i>Noncurrent Liabilities</i> | | |
| Advances from Other Funds/Interfund Notes Payable | - | - |
| Compensated Absences Payable | 5,553 | 5,352 |
| Claims Payable | 1,427 | 1,281 |
| Public Works Trust Loan | - | - |
| Landfill Closure and Postclosure Liability | - | - |
| Vendor and Other Deposits Payable | 213 | 165 |
| Habitat Conservation Program Liability | - | - |
| Unearned Revenues | - | - |
| Unfunded Other Post Employment Benefits | 2,737 | 2,160 |
| Other Noncurrent Liabilities | 2 | 185 |
| General Obligation Bonds, Due Serially | 240,143 | 245,788 |
| Less Bonds Due Within One Year | (15,089) | (14,637) |
| Bond Discount and Premium, Net | 12,629 | 12,932 |
| Bond Interest Payable | - | - |
| Revenue Bonds | - | - |
| Less Bonds Due Within One Year | - | - |
| Bond Discount and Premium, Net | - | - |
| Total Noncurrent Liabilities | 247,615 | 253,226 |
| Total Liabilities | 279,556 | 285,601 |
| DEFERRED INFLOWS OF RESOURCES | - | - |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------------|--------------|------------------|
| | L i g h t | | W a t e r | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 906,092 | \$ 832,772 | \$ 327,187 | \$ 317,267 |
| Restricted for | | | | |
| Rate Stabilization Account | 25,000 | 25,000 | - | - |
| Special Deposits and Other | (441) | 723 | - | - |
| Conservation and Environmental Costs | - | - | 7,157 | 6,560 |
| Bonneville Power Administration Projects | - | - | 443 | 448 |
| External Infrastructure Costs | - | - | - | - |
| Muckleshoot Settlement | - | - | 166 | 240 |
| Other Charges | - | - | 4,408 | 4,028 |
| Unrestricted | 223,566 | 183,005 | 22,175 | 4,801 |
| Total Net Position | 1,154,217 | 1,041,500 | 361,536 | 333,344 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 3,464,160 | \$ 3,260,314 | \$ 1,398,240 | \$ 1,398,858 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|-------------|------------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 271,756 | \$ 242,182 | \$ 18,080 | \$ 15,153 |
| Restricted for | | | | |
| Rate Stabilization Account | - | - | - | - |
| Special Deposits and Other | - | - | - | - |
| Conservation and Environmental Costs | - | - | - | - |
| Bonneville Power Administration Projects | - | - | - | - |
| External Infrastructure Costs | 7,131 | 7,182 | - | - |
| Muckleshoot Settlement | - | - | - | - |
| Other Charges | 13,393 | 11,775 | 147 | 254 |
| Unrestricted | 3,354 | 9,872 | 14,066 | 13,624 |
| Total Net Position | 295,634 | 271,011 | 32,293 | 29,031 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 1,001,139 | \$ 985,536 | \$ 201,507 | \$ 198,285 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------------|--------------------|------------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ (14,283) | \$ (16,244) | \$ 1,508,832 | \$ 1,391,130 |
| Restricted for | | | | |
| Rate Stabilization Account | - | - | 25,000 | 25,000 |
| Special Deposits and Other | - | - | (441) | 723 |
| Conservation and Environmental Costs | - | - | 7,157 | 6,560 |
| Bonneville Power Administration Projects | - | - | 443 | 448 |
| External Infrastructure Costs | - | - | 7,131 | 7,182 |
| Muckleshoot Settlement | - | - | 166 | 240 |
| Other Charges | - | - | 17,948 | 16,057 |
| Unrestricted | 380 | (2,252) | 263,541 | 209,050 |
| Total Net Position | (13,903) | (18,496) | 1,829,777 | 1,656,390 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 77,267 | \$ 67,702 | \$ 6,142,313 | \$ 5,910,695 |
| Total Net Position as above | | | \$ 1,829,777 | \$ 1,656,390 |
| Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | | | 10,846 | 6,355 |
| Net Position of Business-Type Activities | | | \$ 1,840,623 | \$ 1,662,745 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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Page 12 of 12

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|---|---|------------------|
| | 2013 | Restated 2012 |
| NET POSITION | | |
| Net Investment in Capital Assets | \$ 435,506 | \$ 404,494 |
| Restricted for: | | |
| Rate Stabilization Account | - | - |
| Special Deposits and Other | - | - |
| Conservation and Environmental Costs | - | - |
| Bonneville Power Administration Projects | - | - |
| External Infrastructure Costs | - | - |
| Muckleshoot Settlement | - | - |
| Other Charges | - | - |
| Unrestricted | 55,333 | 51,951 |
| Total Net Position | 490,839 | 456,445 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 770,395 | \$ 742,046 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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Page 1 of 4

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|------------|------------------|
| | L i g h t | | W a t e r | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 842,230 | \$ 800,273 | \$ 235,594 | \$ 213,474 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | 203,126 | 204,133 | - | - |
| Short-Term Wholesale Power Purchases | 19,759 | 11,764 | - | - |
| Generation | 39,957 | 32,289 | - | - |
| Transmission | 48,213 | 46,979 | - | - |
| Distribution | 59,568 | 60,855 | - | - |
| Conservation and Other Power Expenses | 47,872 | 38,851 | - | - |
| Pre-Capital Planning and Development | - | - | 1,085 | 1,038 |
| Utility Systems Management | - | - | 13,889 | 13,739 |
| Field Operations | - | - | 30,007 | 24,332 |
| Project Delivery | - | - | 4,563 | 4,865 |
| Customer Services | 39,177 | 31,296 | 7,609 | 7,383 |
| Wastewater Treatment | - | - | - | - |
| Solid Waste Collection | - | - | - | - |
| Operations and Maintenance | - | - | - | - |
| General and Administrative | 71,751 | 66,114 | 31,658 | 29,623 |
| City Business and Occupation Taxes | 42,806 | 40,928 | 28,776 | 25,938 |
| Other Taxes | 36,515 | 33,957 | 9,036 | 8,064 |
| Amortization of Landfill and Postclosure Costs | - | - | - | - |
| Depreciation and Other Amortization | 102,262 | 94,810 | 49,909 | 48,706 |
| Total Operating Expenses | 711,006 | 661,976 | 176,532 | 163,688 |
| Operating Income (Loss) | 131,224 | 138,297 | 59,062 | 49,786 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 805 | 5,217 | 1,536 | 2,842 |
| Interest Expense | (85,176) | (81,567) | (43,396) | (44,650) |
| Amortization of Bonds Premiums and Discounts, Net | 11,339 | 10,201 | 3,324 | 2,719 |
| Amortization of Refunding Loss | (4,246) | (4,709) | (1,251) | (1,273) |
| Bond Issuance Costs | (1,225) | (2,715) | - | - |
| Gain (Loss) on Sale of Capital Assets | 2,201 | 182 | (309) | 273 |
| Contributions and Grants | 3,184 | 2,838 | 803 | 544 |
| Others, Net | 4,915 | 4,465 | 905 | 2,042 |
| Total Nonoperating Revenues (Expenses) | (68,203) | (66,088) | (38,388) | (37,503) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | 63,021 | 72,209 | 20,674 | 12,283 |
| Capital Contributions and Grants | 49,696 | 31,803 | 7,518 | 8,383 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Environmental Remediation | - | - | - | - |
| Change in Net Position | 112,717 | 104,012 | 28,192 | 20,666 |
| Net Position - Beginning of Year | 1,041,500 | 946,781 | 333,344 | 312,678 |
| Prior-Year Adjustment | - | (9,293) | - | - |
| Net Position - Beginning of Year as Restated | 1,041,500 | 937,488 | 333,344 | 312,678 |
| Net Position - End of Year | \$ 1,154,217 | \$ 1,041,500 | \$ 361,536 | \$ 333,344 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

**B-7 STATEMENT OF REVENUES, EXPENSES, AND
Page 2 of 4 CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------|-------------|---------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 333,760 | \$ 304,002 | \$ 159,742 | \$ 156,927 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | - | - | - | - |
| Short-Term Wholesale Power Purchases | - | - | - | - |
| Generation | - | - | - | - |
| Transmission | - | - | - | - |
| Distribution | - | - | - | - |
| Conservation and Other Power Expenses | - | - | - | - |
| Pre-Capital Planning and Development | 2,335 | 2,101 | 86 | 94 |
| Utility Systems Management | 10,546 | 17,304 | 2,256 | 3,082 |
| Field Operations | 27,177 | 19,588 | 7,644 | 7,533 |
| Project Delivery | 10,020 | 12,363 | 691 | 819 |
| Customer Services | 4,109 | 6,056 | 5,649 | 5,726 |
| Wastewater Treatment | 139,434 | 125,744 | - | - |
| Solid Waste Collection | - | - | 95,325 | 91,786 |
| Operations and Maintenance | - | - | - | - |
| General and Administrative | 17,046 | 14,692 | 12,190 | 11,192 |
| City Business and Occupation Taxes | 38,852 | 35,375 | 16,839 | 15,538 |
| Other Taxes | 4,340 | 4,172 | 2,934 | 2,666 |
| Amortization of Landfill and Postclosure Costs | - | - | 1,340 | 1,358 |
| Depreciation and Other Amortization | 21,254 | 21,289 | 7,318 | 7,703 |
| Total Operating Expenses | 275,113 | 258,684 | 152,272 | 147,497 |
| Operating Income (Loss) | 58,647 | 45,318 | 7,470 | 9,430 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | 2,010 | 3,270 | (72) | 296 |
| Interest Expense | (21,361) | (21,704) | (5,226) | (2,891) |
| Amortization of Bonds Premiums and Discounts, Net | 1,396 | 897 | 256 | 256 |
| Amortization of Refunding Loss | (374) | (324) | (23) | (23) |
| Bond Issuance Costs | - | - | - | - |
| Gain (Loss) on Sale of Capital Assets | (168) | 41 | (52) | 133 |
| Contributions and Grants | 1,975 | 2,062 | 592 | 754 |
| Others, Net | 121 | 6 | 317 | (282) |
| Total Nonoperating Revenues (Expenses) | (16,401) | (15,752) | (4,208) | (1,757) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | 42,246 | 29,566 | 3,262 | 7,673 |
| Capital Contributions and Grants | 6,546 | 8,252 | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Environmental Remediation | (24,169) | (37,066) | - | - |
| Change in Net Position | 24,623 | 752 | 3,262 | 7,673 |
| Net Position - Beginning of Year | 271,011 | 270,259 | 29,031 | 21,358 |
| Prior-Year Adjustment | - | - | - | - |
| Net Position - Beginning of Year as Restated | 271,011 | 270,259 | 29,031 | 21,358 |
| Net Position - End of Year | \$ 295,634 | \$ 271,011 | \$ 32,293 | \$ 29,031 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

**B-7 STATEMENT OF REVENUES, EXPENSES, AND
Page 3 of 4 CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|---------------|--------------------|---------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Revenues | \$ 56,311 | \$ 48,734 | \$ 1,627,637 | \$ 1,523,410 |
| OPERATING EXPENSES | | | | |
| Long-Term Purchased Power | - | - | 203,126 | 204,133 |
| Short-Term Wholesale Power Purchases | - | - | 19,759 | 11,764 |
| Generation | - | - | 39,957 | 32,289 |
| Transmission | - | - | 48,213 | 46,979 |
| Distribution | - | - | 59,568 | 60,855 |
| Conservation and Other Power Expenses | - | - | 47,872 | 38,851 |
| Pre-Capital Planning and Development | - | - | 3,506 | 3,233 |
| Utility Systems Management | - | - | 26,691 | 34,125 |
| Field Operations | - | - | 64,828 | 51,453 |
| Project Delivery | - | - | 15,274 | 18,047 |
| Customer Services | - | - | 56,944 | 50,461 |
| Wastewater Treatment | - | - | 139,434 | 125,744 |
| Solid Waste Collection | - | - | 95,325 | 91,786 |
| Operations and Maintenance | 46,850 | 39,082 | 46,850 | 39,082 |
| General and Administrative | 10,648 | 10,944 | 143,293 | 132,565 |
| City Business and Occupation Taxes | 15 | 14 | 127,288 | 117,793 |
| Other Taxes | 33 | 31 | 52,858 | 48,890 |
| Amortization of Landfill and Postclosure Costs | - | - | 1,340 | 1,358 |
| Depreciation and Other Amortization | 2,622 | 2,972 | 183,365 | 175,480 |
| Total Operating Expenses | 60,168 | 53,043 | 1,375,091 | 1,284,888 |
| Operating Income (Loss) | (3,857) | (4,309) | 252,546 | 238,522 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | (75) | 164 | 4,204 | 11,789 |
| Interest Expense | (3,074) | (3,182) | (158,233) | (153,994) |
| Amortization of Bonds Premiums and Discounts, Net | 238 | 203 | 16,553 | 14,276 |
| Amortization of Refunding Loss | - | - | (5,894) | (6,329) |
| Bond Issuance Costs | - | - | (1,225) | (2,715) |
| Gain (Loss) on Sale of Capital Assets | - | (10) | 1,672 | 619 |
| Contributions and Grants | 501 | 551 | 7,055 | 6,749 |
| Others, Net | - | - | 6,258 | 6,231 |
| Total Nonoperating Revenues (Expenses) | (2,410) | (2,274) | (129,610) | (123,374) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | (6,267) | (6,583) | 122,936 | 115,148 |
| Capital Contributions and Grants | - | - | 63,760 | 48,438 |
| Transfers In | 10,860 | 10,095 | 10,860 | 10,095 |
| Transfers Out | - | - | - | - |
| Environmental Remediation | - | - | (24,169) | (37,066) |
| Change in Net Position | 4,593 | 3,512 | 173,387 | 136,615 |
| Net Position - Beginning of Year | (18,496) | (21,817) | 1,656,390 | 1,529,259 |
| Prior-Year Adjustment | - | (191) | - | (9,484) |
| Net Position - Beginning of Year as Restated | (18,496) | (22,008) | 1,656,390 | 1,519,775 |
| Net Position - End of Year | \$ (13,903) | \$ (18,496) | 1,829,777 | 1,656,390 |
| Accumulated Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | | | 10,846 | 6,355 |
| Net Position of Business-Type Activities | | | \$ 1,840,623 | \$ 1,662,745 |
| Change in Net Position as above | | | \$ 173,387 | \$ 136,615 |
| Current Year Adjustment to Reflect the Consolidation of Internal Service Fund Activities Related to Enterprise Funds | | | 4,491 | 4,595 |
| Adjusted Change in Net Position of Business-Type Activities | | | \$ 177,878 | \$ 141,210 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

B-7 STATEMENT OF REVENUES, EXPENSES, AND
Page 4 of 4 CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended December 31, 2013
 (In Thousands)

| | Governmental Activities - Internal Service Funds | |
|--|---|------------------|
| | 2013 | Restated 2012 |
| OPERATING REVENUES | | |
| Charges for Services and Other Revenues | \$ 204,295 | \$ 198,187 |
| OPERATING EXPENSES | | |
| Long-Term Purchased Power | - | - |
| Short-Term Wholesale Power Purchases | - | - |
| Generation | - | - |
| Transmission | - | - |
| Distribution | - | - |
| Conservation and Other Power Expenses | - | - |
| Pre-Capital Planning and Development | - | - |
| Utility Systems Management | - | - |
| Field Operations | - | - |
| Project Delivery | - | - |
| Customer Services | - | - |
| Wastewater Treatment | - | - |
| Solid Waste Collection | - | - |
| Operations and Maintenance | 136,686 | 131,902 |
| General and Administrative | 17,741 | 15,105 |
| City Business and Occupation Taxes | 4 | 4 |
| Other Taxes | 411 | 342 |
| Amortization of Landfill and Postclosure Costs | - | - |
| Depreciation and Other Amortization | 33,877 | 34,667 |
| Total Operating Expenses | 188,719 | 182,020 |
| Operating Income (Loss) | 15,576 | 16,167 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Investment and Interest Income | (154) | 612 |
| Interest Expense | (9,744) | (11,576) |
| Amortization of Bonds Premiums and Discounts, Net | (63) | 1,227 |
| Amortization of Refunding Loss | (80) | (217) |
| Bond Issuance Costs | (63) | (99) |
| Gain (Loss) on Sale of Capital Assets | 896 | (5) |
| Contributions and Grants | 795 | 1,678 |
| Others, Net | 8 | 27 |
| Total Nonoperating Revenues (Expenses) | (8,405) | (8,353) |
| Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items | 7,171 | 7,814 |
| Capital Contributions and Grants | 31,873 | 15,533 |
| Transfers In | - | 1,864 |
| Transfers Out | (4,650) | (4,000) |
| Environmental Remediation | - | - |
| Change in Net Position | 34,394 | 21,211 |
| Net Position - Beginning of Year | 456,445 | 436,132 |
| Prior-Year Adjustment | - | (898) |
| Net Position - Beginning of Year as Restated | 456,445 | 435,234 |
| Net Position - End of Year | \$ 490,839 | \$ 456,445 |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

B-8 STATEMENT OF CASH FLOWS
Page 1 of 8 PROPRIETARY FUNDS
 For the Year Ended December 31, 2013
 (In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|------------|------------------|
| | L i g h t | | W a t e r | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 814,227 | \$ 786,874 | \$ 240,904 | \$ 218,394 |
| Cash Paid to Suppliers | (335,199) | (304,866) | (29,818) | (24,593) |
| Cash Paid to Employees | (170,131) | (162,965) | (56,625) | (57,023) |
| Cash Paid for Taxes | (79,245) | (75,530) | (37,631) | (33,573) |
| Net Cash from Operating Activities | 229,652 | 243,513 | 116,830 | 103,205 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants Received | 1,761 | 2,915 | 833 | 539 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Receipts for Energy Conservation Augmentation | 3,602 | 7,477 | - | - |
| Payments for Energy Conservation Augmentation | (30,992) | (24,136) | - | - |
| Proceeds from Interfund Loans | - | - | - | - |
| Principal Payments on Interfund Loans | - | - | - | - |
| Loans Provided to Other Funds | - | - | - | - |
| Payments for Environmental Liabilities | - | - | - | - |
| Net Cash from Noncapital Financing Activities | (25,629) | (13,744) | 833 | 539 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 204,412 | 387,564 | 1,413 | 284,588 |
| Principal Payments on Long-Term Debt and Refunding | (91,840) | (88,995) | (33,873) | (313,407) |
| Capital Expenditures and Other Charges Paid | (261,255) | (252,121) | (38,279) | (43,230) |
| Interest Paid on Long-Term Debt | (86,120) | (84,748) | (43,128) | (45,291) |
| Capital Fees and Grants Received | 33,120 | 33,735 | 5,393 | 5,160 |
| Payment to Trustee for Deceased Bonds | (15,153) | (170,493) | - | - |
| Interest Received for Suburban Infrastructure Improvements | 1,821 | 1,298 | - | - |
| Debt Issuance Costs | (1,225) | (2,715) | - | (1,384) |
| Proceeds from Sale of Capital Assets | 2,096 | 140 | 287 | 448 |
| Net Cash from Capital and Related Financing Activities | (214,144) | (176,337) | (108,187) | (113,116) |
| CASH FLOWS FROM INVESTING ACTIVITIES^a | | | | |
| Interest and Investment Income (Loss) | (1,074) | 3,972 | (276) | 644 |
| Net Cash from Investing Activities | (1,074) | 3,972 | (276) | 644 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | (11,195) | 57,404 | 9,200 | (8,728) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 432,002 | 374,598 | 85,400 | 94,128 |
| End of Year | \$ 420,807 | \$ 432,002 | \$ 94,600 | \$ 85,400 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 193,769 | \$ 156,305 | \$ 28,901 | \$ 12,461 |
| Current Restricted Cash and Equity in Pooled Investments | - | - | 10 | 10 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 227,038 | 275,697 | 65,689 | 72,929 |
| Total Cash at the End of the Year | \$ 420,807 | \$ 432,002 | \$ 94,600 | \$ 85,400 |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

B-8 STATEMENT OF CASH FLOWS
Page 2 of 8 PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-------------------|------------------|------------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 329,790 | \$ 308,773 | \$ 167,646 | \$ 160,233 |
| Cash Paid to Suppliers | (156,950) | (148,169) | (108,635) | (109,592) |
| Cash Paid to Employees | (50,923) | (48,798) | (20,673) | (18,587) |
| Cash Paid for Taxes | (42,716) | (39,186) | (18,757) | (18,108) |
| Net Cash from Operating Activities | 79,201 | 72,620 | 19,581 | 13,946 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants Received | 1,946 | 1,702 | 896 | 340 |
| Transfers In | - | - | - | - |
| Transfers Out | - | - | - | - |
| Receipts for Energy Conservation Augmentation | - | - | - | - |
| Payments for Energy Conservation Augmentation | - | - | - | - |
| Proceeds from Interfund Loans | - | - | - | - |
| Principal Payments on Interfund Loans | - | - | - | - |
| Loans Provided to Other Funds | - | - | - | - |
| Payments for Environmental Liabilities | (1,903) | (1,001) | - | - |
| Net Cash from Noncapital Financing Activities | 43 | 701 | 896 | 340 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 1,740 | 255,886 | - | - |
| Principal Payments on Long-Term Debt and Refunding | (16,310) | (173,902) | (3,330) | (2,960) |
| Capital Expenditures and Other Charges Paid | (83,635) | (56,117) | (10,523) | (14,696) |
| Interest Paid on Long-Term Debt | (24,204) | (22,492) | (5,709) | (6,081) |
| Capital Fees and Grants Received | 4,381 | 3,106 | - | - |
| Payment to Trustee for Deceased Bonds | - | - | - | - |
| Interest Received for Suburban Infrastructure Improvements | - | - | - | - |
| Debt Issuance Costs | - | (1,573) | - | (171) |
| Proceeds from Sale of Capital Assets | 644 | 44 | 203 | 133 |
| Net Cash from Capital and Related Financing Activities | (117,384) | 4,952 | (19,359) | (23,775) |
| CASH FLOWS FROM INVESTING ACTIVITIES ^a | | | | |
| Interest and Investment Income (Loss) | (135) | 1,329 | (78) | 311 |
| Net Cash from Investing Activities | (135) | 1,329 | (78) | 311 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | (38,275) | 79,602 | 1,040 | (9,178) |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 160,651 | 81,049 | 32,279 | 41,457 |
| End of Year | <u>\$ 122,376</u> | <u>\$ 160,651</u> | <u>\$ 33,319</u> | <u>\$ 32,279</u> |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 74,503 | \$ 60,208 | \$ 20,863 | \$ 21,224 |
| Current Restricted Cash and Equity in Pooled Investments | - | - | - | - |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 47,873 | 100,443 | 12,456 | 11,055 |
| Total Cash at the End of the Year | <u>\$ 122,376</u> | <u>\$ 160,651</u> | <u>\$ 33,319</u> | <u>\$ 32,279</u> |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

The City of Seattle

B-8 STATEMENT OF CASH FLOWS
Page 3 of 8 PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|------------------|--------------------|-------------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2013 | 2012 | 2013 | Restated 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 61,225 | \$ 49,760 | \$ 1,613,792 | \$ 1,524,034 |
| Cash Paid to Suppliers | (26,087) | (24,050) | (656,689) | (611,270) |
| Cash Paid to Employees | (29,619) | (25,108) | (327,971) | (312,481) |
| Cash Paid for Taxes | (1,609) | (1,457) | (179,958) | (167,854) |
| Net Cash from Operating Activities | 3,910 | (855) | 449,174 | 432,429 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants Received | 435 | 509 | 5,871 | 6,005 |
| Transfers In | 10,860 | 10,095 | 10,860 | 10,095 |
| Transfers Out | - | - | - | - |
| Receipts for Energy Conservation Augmentation | - | - | 3,602 | 7,477 |
| Payments for Energy Conservation Augmentation | - | - | - | (30,992) |
| Proceeds from Interfund Loans | 5,101 | 3,181 | 5,101 | 3,181 |
| Principal Payments on Interfund Loans | (3,181) | (2,250) | (3,181) | (2,250) |
| Loans Provided to Other Funds | - | - | - | - |
| Payments for Environmental Liabilities | - | - | (1,903) | (1,001) |
| Net Cash from Noncapital Financing Activities | 13,215 | 11,535 | (10,642) | (629) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | - | - | 207,565 | 928,038 |
| Principal Payments on Long-Term Debt and Refunding | (1,262) | (1,257) | (146,615) | (580,521) |
| Capital Expenditures and Other Charges Paid | (3,081) | (7) | (396,773) | (366,171) |
| Interest Paid on Long-Term Debt | (4,259) | (4,094) | (163,420) | (162,706) |
| Capital Fees and Grants Received | - | - | 42,894 | 41,999 |
| Payment to Trustee for Deceased Bonds | - | - | (15,153) | (170,493) |
| Interest Received for Suburban Infrastructure Improvements | - | - | 1,821 | 1,298 |
| Debt Issuance Costs | - | - | (1,225) | (5,843) |
| Proceeds from Sale of Capital Assets | - | - | 3,230 | 765 |
| Net Cash from Capital and Related Financing Activities | (8,602) | (5,358) | (467,676) | (313,634) |
| CASH FLOWS FROM INVESTING ACTIVITIES ^a | | | | |
| Interest and Investment Income (Loss) | (82) | 164 | (1,645) | 6,420 |
| Net Cash from Investing Activities | (82) | 164 | (1,645) | 6,420 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 8,441 | 5,486 | (30,789) | 124,586 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 19,234 | 13,748 | 729,566 | 604,980 |
| End of Year | <u>\$ 27,675</u> | <u>\$ 19,234</u> | <u>\$ 698,777</u> | <u>\$ 729,566</u> |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 27,628 | \$ 19,226 | \$ 345,664 | \$ 269,424 |
| Current Restricted Cash and Equity in Pooled Investments | - | - | 10 | 10 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 47 | 8 | 353,103 | 460,132 |
| Total Cash at the End of the Year | <u>\$ 27,675</u> | <u>\$ 19,234</u> | <u>\$ 698,777</u> | <u>\$ 729,566</u> |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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Page 4 of 8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Governmental Activities - Internal Service Funds | |
|--|---|------------------|
| | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers | \$ 204,801 | \$ 197,887 |
| Cash Paid to Suppliers | (80,414) | (72,718) |
| Cash Paid to Employees | (73,900) | (73,760) |
| Cash Paid for Taxes | (429) | (380) |
| Net Cash from Operating Activities | 50,058 | 51,029 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Operating Grants Received | 794 | 1,678 |
| Transfers In | - | 1,864 |
| Transfers Out | (4,650) | (4,000) |
| Receipts for Energy Conservation Augmentation | - | - |
| Payments for Energy Conservation Augmentation | - | - |
| Proceeds from Interfund Loans | - | - |
| Principal Payments on Interfund Loans | - | - |
| Loans Provided to Other Funds | (50) | - |
| Payments for Environmental Liabilities | - | - |
| Net Cash from Noncapital Financing Activities | (3,906) | (458) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from Sale of Bonds and Other Long-Term Debt | 2,643 | - |
| Principal Payments on Long-Term Debt and Refunding | (14,637) | (16,002) |
| Capital Expenditures and Other Charges Paid | (19,778) | (10,534) |
| Interest Paid on Long-Term Debt | (10,506) | (12,086) |
| Capital Fees and Grants Received | - | 55 |
| Payment to Trustee for Defeased Bonds | - | - |
| Interest Received for Suburban Infrastructure Improvements | - | - |
| Debt Issuance Costs | (63) | - |
| Proceeds from Sale of Capital Assets | 915 | (5) |
| Net Cash from Capital and Related Financing Activities | (41,426) | (38,572) |
| CASH FLOWS FROM INVESTING ACTIVITIES ^a | | |
| Interest and Investment Income (Loss) | (167) | 620 |
| Net Cash from Investing Activities | (167) | 620 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 4,559 | 12,619 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | |
| Beginning of Year | 69,053 | 56,434 |
| End of Year | <u>\$ 73,612</u> | <u>\$ 69,053</u> |
| CASH AT THE END OF THE YEAR CONSISTS OF | | |
| Operating Cash and Equity in Pooled Investments | \$ 27,029 | \$ 24,779 |
| Current Restricted Cash and Equity in Pooled Investments | 17,166 | 19,193 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 29,417 | 25,081 |
| Total Cash at the End of the Year | <u>\$ 73,612</u> | <u>\$ 69,053</u> |

^a Increases and decreases in the fair value of investments are treated as additions or deductions to cash and equity in pooled investments and long-term investments. Information on the increases or decreases in the fair value of long-term investments is shown in the Noncash Investing, Capital, and Financing Activities section of the Statement of Cash Flows.

The accompanying notes are an integral part of these financial statements.

The City of Seattle

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Page 5 of 8
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|--|--------------------------|-------------------|--------------------------|
| | Light | | Water | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 131,224 | \$ 138,297 | \$ 59,062 | \$ 49,786 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 123,825 | 114,689 | 49,909 | 48,706 |
| Nonoperating Revenues and Expenses | 4,852 | - | 2,549 | 3,192 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | 970 | (2,086) | 1,149 | (1,517) |
| Unbilled Receivables | (7,822) | 867 | (2,466) | (552) |
| Other Receivables | 408 | 2,023 | - | (279) |
| Due from Other Funds | 840 | (54) | (467) | 673 |
| Due from Other Governments | 396 | (3,968) | (579) | (241) |
| Materials and Supplies Inventory | (2,936) | (1,850) | (903) | (348) |
| Accounts Payable | (3,101) | 7,673 | 977 | 578 |
| Salaries, Benefits, and Payroll Taxes Payable | 2,660 | 1,107 | 360 | 275 |
| Compensated Absences Payable | 574 | 751 | 133 | (27) |
| Due to Other Funds | 1,930 | 515 | 93 | (553) |
| Due to Other Governments | - | - | 69 | - |
| Claims Payable | 2,115 | 16,712 | (247) | (470) |
| Taxes Payable | 321 | 661 | 94 | 87 |
| Unearned Revenues | - | - | (141) | 214 |
| Other Assets and Liabilities | (8,319) | (18,605) | 253 | 185 |
| Rate Stabilization | (18,285) | (13,219) | 6,985 | 3,496 |
| Total Adjustments | <u>98,428</u> | <u>105,216</u> | <u>57,768</u> | <u>53,419</u> |
| Net Cash from Operating Activities | <u>\$ 229,652</u> | <u>\$ 243,513</u> | <u>\$ 116,830</u> | <u>\$ 103,205</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 22,283 | \$ 528 | \$ 1,901 | \$ 3,476 |
| Amortization of Debt Related Costs, Net | 7,094 | 5,498 | - | - |
| Change in Valuation of Power Exchange Assets or Liabilities | (673) | 334 | - | - |
| Allowance for Funds Used During Construction | 3,815 | 3,524 | - | - |
| Power Exchange Revenues | 5,245 | 3,964 | - | - |
| Power Exchange Expenses | (4,994) | (4,204) | - | - |
| Power Revenue Netted against Power Expenses | 6,465 | 4,812 | - | - |
| Power Expense Netted against Power Revenues | (14,884) | (10,063) | - | - |
| Settlement from Nextel | - | - | - | - |
| Total Noncash Investing, Capital, and Financing Activities | <u>\$ 24,351</u> | <u>\$ 4,393</u> | <u>\$ 1,901</u> | <u>\$ 3,476</u> |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

B-8 STATEMENT OF CASH FLOWS
Page 6 of 8 PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------|-------------|---------------|
| | Drainage and Wastewater | | Solid Waste | |
| | 2013 | Restated 2012 | 2013 | Restated 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 58,647 | \$ 45,318 | \$ 7,470 | \$ 9,430 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 21,254 | 21,289 | 7,318 | 7,703 |
| Nonoperating Revenues and Expenses | 1,269 | 2,428 | 919 | 412 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (3,736) | 2,517 | (814) | (554) |
| Unbilled Receivables | (1,315) | (814) | (90) | 51 |
| Other Receivables | - | - | - | - |
| Due from Other Funds | (335) | 1,190 | (37) | (191) |
| Due from Other Governments | 1,080 | (190) | (311) | 430 |
| Materials and Supplies Inventory | (111) | (258) | 41 | (6) |
| Accounts Payable | 820 | 2,487 | 567 | (2,333) |
| Salaries, Benefits, and Payroll Taxes Payable | 485 | 302 | 121 | 76 |
| Compensated Absences Payable | 124 | (25) | 45 | (9) |
| Due to Other Funds | 678 | 161 | 739 | (308) |
| Due to Other Governments | 1,181 | 104 | - | - |
| Claims Payable | (1,897) | (1,968) | 25 | (19) |
| Taxes Payable | 45 | 42 | 303 | 95 |
| Unearned Revenues | - | - | - | - |
| Other Assets and Liabilities | 1,012 | 37 | (1,962) | (831) |
| Rate Stabilization | - | - | 5,247 | - |
| Total Adjustments | 20,554 | 27,302 | 12,111 | 4,516 |
| Net Cash from Operating Activities | \$ 79,201 | \$ 72,620 | \$ 19,581 | \$ 13,946 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ 4,521 | \$ 1,983 | \$ - | \$ - |
| Amortization of Debt Related Costs, Net | - | - | - | - |
| Change in Valuation of Power Exchange Assets or Liabilities | - | - | - | - |
| Allowance for Funds Used During Construction | - | - | - | - |
| Power Exchange Revenues | - | - | - | - |
| Power Exchange Expenses | - | - | - | - |
| Power Revenue Netted against Power Expenses | - | - | - | - |
| Power Expense Netted against Power Revenues | - | - | - | - |
| Settlement from Nextel | - | - | - | - |
| Total Noncash Investing, Capital, and Financing Activities | \$ 4,521 | \$ 1,983 | \$ - | \$ - |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

B-8 STATEMENT OF CASH FLOWS
Page 7 of 8 PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|------------|--------------------|---------------|
| | Nonmajor Funds | | Comparative Totals | |
| | 2013 | 2012 | 2013 | Restated 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ (3,857) | \$ (4,309) | \$ 252,546 | \$ 238,522 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 2,622 | 2,973 | 204,928 | 195,360 |
| Nonoperating Revenues and Expenses | - | - | 9,589 | 6,032 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (255) | 280 | (2,686) | (1,360) |
| Unbilled Receivables | - | 33 | (11,693) | (415) |
| Other Receivables | - | - | 408 | 1,744 |
| Due from Other Funds | (255) | (289) | (254) | 1,329 |
| Due from Other Governments | (84) | 74 | 502 | (3,895) |
| Materials and Supplies Inventory | - | - | (3,909) | (2,462) |
| Accounts Payable | 873 | 532 | 136 | 8,937 |
| Salaries, Benefits, and Payroll Taxes Payable | 268 | 202 | 3,894 | 1,962 |
| Compensated Absences Payable | 259 | 36 | 1,135 | 726 |
| Due to Other Funds | 33 | 76 | 3,473 | (109) |
| Due to Other Governments | - | - | 1,250 | 104 |
| Claims Payable | 11 | 2 | 7 | 14,257 |
| Taxes Payable | (7) | 15 | 756 | 900 |
| Unearned Revenues | 3,965 | (513) | 3,824 | (299) |
| Other Assets and Liabilities | 337 | 33 | (8,679) | (19,181) |
| Rate Stabilization | - | - | (6,053) | (9,723) |
| Total Adjustments | 7,767 | 3,454 | 196,628 | 193,907 |
| Net Cash from Operating Activities | \$ 3,910 | \$ (855) | \$ 449,174 | \$ 432,429 |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | |
| In-Kind Capital Contributions | \$ - | \$ - | \$ 28,705 | \$ 5,987 |
| Amortization of Debt Related Costs, Net | - | - | 7,094 | 5,498 |
| Change in Valuation of Power Exchange Assets or Liabilities | - | - | (673) | 334 |
| Allowance for Funds Used During Construction | - | - | 3,815 | 3,524 |
| Power Exchange Revenues | - | - | 5,245 | 3,964 |
| Power Exchange Expenses | - | - | (4,994) | (4,204) |
| Power Revenue Netted against Power Expenses | - | - | 6,465 | 4,812 |
| Power Expense Netted against Power Revenues | - | - | (14,884) | (10,063) |
| Settlement from Nextel | - | - | - | - |
| Total Noncash Investing, Capital, and Financing Activities | \$ - | \$ - | \$ 30,773 | \$ 9,852 |

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

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Page 8 of 8

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Governmental Activities - Internal Service Funds | |
|---|---|------------------|
| | 2013 | 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | |
| Operating Income (Loss) | \$ 15,576 | \$ 16,167 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | |
| Depreciation and Amortization | 33,877 | 34,667 |
| Nonoperating Revenues and Expenses | 2 | - |
| Changes in Operating Assets and Liabilities | | |
| Accounts Receivable | (117) | 636 |
| Unbilled Receivables | (247) | 80 |
| Other Receivables | - | - |
| Due from Other Funds | 1,038 | (1,212) |
| Due from Other Governments | (199) | 236 |
| Materials and Supplies Inventory | (316) | 192 |
| Accounts Payable | 763 | (681) |
| Salaries, Benefits, and Payroll Taxes Payable | 619 | 312 |
| Compensated Absences Payable | 291 | 74 |
| Due to Other Funds | (67) | 2 |
| Due to Other Governments | (31) | 29 |
| Claims Payable | 166 | 49 |
| Taxes Payable | (13) | (35) |
| Unearned Revenues | - | - |
| Other Assets and Liabilities | (1,284) | 513 |
| Rate Stabilization | - | - |
| Total Adjustments | <u>34,482</u> | <u>34,862</u> |
| Net Cash from Operating Activities | <u>\$ 50,058</u> | <u>\$ 51,029</u> |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | |
| In-Kind Capital Contributions | \$ 31,873 | \$ 15,478 |
| Amortization of Debt Related Costs, Net | (143) | 1,010 |
| Change in Valuation of Power Exchange Assets or Liabilities | - | - |
| Allowance for Funds Used During Construction | - | - |
| Power Exchange Revenues | - | - |
| Power Exchange Expenses | - | - |
| Power Revenue Netted against Power Expenses | - | - |
| Power Expense Netted against Power Revenues | - | - |
| Settlement from Nextel | 5 | 27 |
| Total Noncash Investing, Capital, and Financing Activities | <u>\$ 31,735</u> | <u>\$ 16,515</u> |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUND

The **S. L. Denny Fund** holds a nonexpendable gift. The investment income is available for aid to disabled firemen.

Descriptions for the pension trust funds and agency funds are provided in the Combining and Individual Fund and Other Supplementary Information section.

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

B-9 STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013
(In Thousands)

| | Pension Trust Funds | S. L. Denny Private-Purpose Trust | Agency Funds |
|---|---------------------------|---|-----------------|
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 11,274 | \$ 212 | \$ 10,857 |
| Short-Term Investments | 42,433 | - | - |
| Securities Lending Collateral | 13,595 | - | - |
| Investments at Fair Value | | | |
| U.S. Government Obligations | 170,501 | - | - |
| Mortgage-Backed Securities | 115,344 | - | - |
| Government Related and Other | 63,253 | - | - |
| Domestic Corporate Bonds | 168,108 | - | - |
| Domestic Stocks | 707,110 | - | - |
| International Stocks | 624,912 | - | - |
| Real Estate | 231,617 | - | - |
| Alternative/Venture Capital | 106,263 | - | - |
| Total Investments at Fair Value | 2,187,108 | - | - |
| Receivables | | | |
| Members | 2,737 | - | - |
| Employers | 2,992 | - | 40 |
| Other | 748 | - | - |
| Interest and Dividends | 4,178 | - | - |
| Sales Proceeds | 5,727 | - | - |
| Total Receivables | 16,382 | - | 40 |
| Total Assets | 2,270,792 | 212 | 10,897 |
| LIABILITIES | | | |
| Accounts Payable and Other Liabilities | 4,854 | - | 666 |
| Salaries, Benefits, and Payroll Taxes Payable | - | - | 2,291 |
| Deposits Payable | - | - | 7,929 |
| Claims/Judgments Payable | - | - | 11 |
| Securities Lending Collateral | 16,750 | - | - |
| Investment Commitments Payable | 16,347 | - | - |
| Total Liabilities | 37,951 | - | 10,897 |
| Net Position Held in Trust for Pension Benefits and Other Purposes | <u>\$ 2,232,841</u> | <u>\$ 212</u> | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements.

The City of Seattle

B-10 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Pension Trust Funds | S.L. Denny Private-Purpose Trust |
|--|---------------------------|--|
| ADDITIONS | | |
| Contributions | | |
| Employer | \$ 113,083 | \$ - |
| Plan Member | 60,343 | - |
| Total Contributions | 173,426 | - |
| Investment Income | | |
| From Investment Activities | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 267,395 | - |
| Interest | 9,355 | - |
| Dividends | 22,364 | - |
| Total Investment Activities Income | 299,114 | - |
| Investment Activities Expenses | | |
| Investment Management Fees | 7,606 | - |
| Investment Consultant Fees | 499 | - |
| Investment Custodial Fees | 284 | - |
| Total Investment Activities Expenses | 8,389 | - |
| Net Income from Investment Activities | 290,725 | - |
| From Securities Lending Activities | | |
| Securities Lending Income | 12 | - |
| Borrower Rebates | 64 | - |
| Total Securities Lending Income | 76 | - |
| Securities Lending Expenses | | |
| Management Fees | 19 | - |
| Total Securities Lending Expenses | 19 | - |
| Net Income from Securities Lending Activities | 57 | - |
| Total Net Investment Income | 290,782 | - |
| Other Income | 606 | - |
| Total Additions | 464,814 | - |
| DEDUCTIONS | | |
| Benefits | 179,484 | - |
| Refund of Contributions | 15,278 | - |
| Administrative Expense | 6,214 | - |
| Total Deductions | 200,976 | - |
| Change in Net Position | 263,838 | - |
| Net Position - Beginning of Year | 1,969,003 | 212 |
| Net Position - End of Year | <u>\$ 2,232,841</u> | <u>\$ 212</u> |

The accompanying notes are an integral part of these financial statements.

**Notes to
Financial Statements**

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Seattle are regulated by the Washington State Auditor's Office and conform to generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below.

REPORTING ENTITY

The City of Seattle (the primary government for financial reporting purposes) consists of the funds, departments, agencies, boards and commissions (referred to in this note as organizations) over which the City exercises financial accountability, and component units over which the City is not financially accountable but is required to be reported due to the nature and significance of its relationship with the City. Additional information on the component unit may be found in Note 12. The City does not have other relationships with organizations of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

Indicators of Financial Accountability

The financial statements include the organizations for which the elected officials of the City of Seattle are financially accountable. Criteria indicating financial accountability include, but are not limited to, the following:

- Appointment by the City of a majority of voting members of the governing body of an organization, and
 - Ability of the City to impose its will on the daily operations of an organization, such as the power to remove appointed members at will; to modify or approve budgets, rates, or fees; or to make other substantive decisions; or
 - Provisions by the organization of specific financial benefits to the City; or
 - Imposition by any organization of specific financial burdens on the City, such as the assumption of deficits or provision of support;
- Or, fiscal dependency by the organization on the City, such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

Joint Venture

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility. The City participates in a joint venture with King County with regard to the Seattle-King County Work Force Development Council. Additional information on the existing joint venture may be found in Note 13.

Organizations Excluded: Related Organizations

Organizations for which the City has appointed a voting majority of the members of the governing body, but for which the City is not financially accountable, are as follows:

- Housing Authority of the City of Seattle
- City of Seattle Industrial Development Corporation
- Burke-Gilman Place Public Development Authority

ACCOUNTING STANDARDS

In 2013, the City implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. This Statement amends: (1) certain requirements for inclusion of component units in the financial reporting entity, (2) the criteria for blending component units into the primary government's financial statements, and (3) the reporting of equity interests in component units. Implementation of GASB Statement No. 61 required no changes for the reporting of component units.

In 2013, the City implemented GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. This Statement sets forth criteria that establish when an effective hedging relationship continues when replacement of a swap counterparty or a swap counterparty's credit support provider occurs, thereby allowing continue application of hedge accounting rules. Implementation of GASB Statement No. 64 did not impact the City's financial statements.

In 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. Implementation of GASB Statement No. 65 resulted in: the reclassification of several items previously reported as assets and liabilities, and the restatement of net position as (1) assets and deferred outflows of resources less (2) liabilities and deferred inflows of resources.

In 2013, the City implemented GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*. This Statement amends: (1) GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type and (2) GASB Statement No. 62 by modifying the specific guidance on accounting for (a) operating lease payments, (b) investment of purchased loans, and (c) servicing fees related to mortgage loans. Implementation of GASB Statement No. 66 did not have a significant impact on the City's financial statements.

In 2012, the City implemented GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. Service Concession Arrangements were identified within the City's governmental funds, reported on the government-wide financial statements with additional disclosures reported in Note 14.

In 2012, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Implementation of GASB Statement No. 62 did not have a significant impact on the City's financial statements.

In 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Revised language on the face of the financial statements and throughout this report reflects the requirements of this Statement.

Notes to Financial Statements

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report the financial position and activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on charges and fees for their services. Resources of fiduciary activities, which are not available to finance governmental programs, are excluded from the government-wide financial statements.

Statement of Net Position

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The difference between government-wide (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources is net position. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted.

The amount reported as net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the amounts remaining that are not "net investment in capital assets" or "restricted."

Statement of Activities

The Statement of Activities displays the degree to which the direct expenses of a given function or segment is funded by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Direct expenses include depreciation on capital assets that are clearly associated with a given function. In general, expenses related to personnel functions are reported as indirect expenses. Program revenues are revenues derived directly from the program itself. These revenues include (1) charges for services, (2) grants and contributions, and (3) capital grants and contributions. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activity within governmental funds of the City is eliminated, except for the effect of services provided by the business-type activities, such as the sale of utility services to the general government and to other funds. This avoids misstatement of program revenues of the selling function and expenses of the various users. Operating income or loss reported by internal service funds in the fund financial statements are allocated back to the City departments either as a reduction or addition to their expenses by function.

Fund Financial Statements

Separate fund financial statements are provided to report additional and detailed information for governmental funds, proprietary funds, and fiduciary funds. Even though fiduciary funds are excluded from the government-wide financial statements, these funds are reported in the fund financial statements under the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. Major individual governmental funds and major individual enterprise funds are presented in separate columns in the fund financial statements.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in other funds.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and waterways. Revenues include taxes on the sale, disposition, or use of motor vehicle fuel; motor vehicle excise taxes designated for street purposes; and grants.

The **Low-Income Housing Fund** accounts for activities undertaken by the City that include, but is not limited to: preserving affordable rental units, providing operating and maintenance relief, rental assistance, homebuyer assistance, and acquisition and opportunity loans. These activities are supported by various ordinances and levies dating back to 1981.

The City of Seattle

The City reports the following major proprietary funds:

The **Light Fund** accounts for operating the City's electric utility which owns and operates generating, transmission, and distribution facilities. The Light Fund supplies electricity to approximately 408,000 customers in the Seattle area as well as to other city agencies.

The **Water Fund** accounts for operating the City's water utility. The Water Fund maintains more than 182 miles of water supply mains and 339 million gallons of distribution storage capacity in the Cedar and Tolt Rivers and Highline Well Field watersheds. The distribution system serves a population of about 1.4 million people.

The **Drainage and Wastewater Fund** accounts for operating the City's sewer and drainage utility facilities and its pumping stations. These facilities and pumping stations collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

The **Solid Waste Fund** accounts for the collection and disposal of residential and commercial garbage, compostables, and other recyclable materials; operation of transfer stations and hazardous waste facilities; and management of the post-closure maintenance and environmental monitoring of the City's two closed landfills. The collection and disposal or processing of garbage, yard waste, and recyclable materials is performed by private companies under contract with the Solid Waste Fund.

Additionally, the City reports the following fund types:

Internal service funds account for support services provided to other City departments, such as motor pool, office space, financial services, managing the design and construction phases of capital improvement projects, telecommunications, data communications, radio systems, and the fiber optic network.

Fiduciary funds account for assets held in a trustee or agency capacity. Fiduciary funds include:

Pension trust funds comprising: the Employees' Retirement Fund, the Firemen's Pension Fund, and the Police Relief and Pension Fund. The Employees' Retirement Fund receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees. The Firemen's Pension Fund accounts for revenues from a portion of the state-levied fire insurance premium tax and significantly from pension and benefits contributions of the General Fund. It pays medical and pension benefits to sworn firemen. The Police Relief and Pension Fund receives support almost entirely from the General Fund to pay for sworn police personnel's medical and pension benefits that are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

The **S. L. Denny Fund**, a private-purpose trust, which holds a nonexpendable gift. Investment income is available to aid disabled firemen.

The City uses **agency funds** to report assets that are held in a custodial relationship. Agency funds are not used to support the government's own programs and so these funds are excluded from the government-wide financial statements. The City reports the following as agency funds: Guaranty Deposits, Payroll Withholding, Multifamily Rental Housing Improvement, Salary, Voucher, and Pass-Through Grants Funds.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Financial Statements

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities, deferred outflows of resources, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Basis of accounting refers to the timing of when revenues, expenses, and transfers are recognized in the accounts and reported in the financial statements.

Notes to Financial Statements

Governmental Fund Financial Statements

Financial statements for governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter (generally 60 days) to pay current liabilities. Revenues that are measurable but not available are recorded as receivables and offset by unearned revenues. Property taxes, business and occupation taxes, and other taxpayer-assessed tax revenues that are due for the current year are considered measurable and available and are therefore recognized as revenues even though a portion of the taxes may be collected in the subsequent year. Special assessments are recognized as revenues only to the extent that those individual installments are considered as current assets. Intergovernmental revenues received as reimbursements for specific purposes are recognized when the expenditures are recognized. Intergovernmental revenues received but not earned are recorded as unearned revenues. Licenses, fines, penalties, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are accrued as earned.

Expenditures are recorded when the liability is incurred except for interest on long-term debt, judgments and claims, workers' compensation, and compensated absences, which are recorded when paid.

Proprietary Fund Financial Statements

Financial statements for proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. Certain costs in the enterprise funds are reported as an asset and expensed in future years as the utility rates recover these costs.

The revenues of the four utilities, which are based upon service rates authorized by the City Council, are determined by monthly or bimonthly billings to customers. Amounts received but not earned at year-end are reported as unearned revenues. Earned but unbilled revenues are accrued.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal activity. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities, the Downtown Parking Garage, the Planning and Development Fund, and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of personnel services, contractual services, other supplies and expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Fund Financial Statements

Financial statements for the pension trust and private-purpose trust funds are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position of the retirement funds are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Agency funds, unlike the other types of fiduciary funds, report only assets and liabilities. Agency funds do not have a measurement focus since they do not report equity and cannot present an operating statement reporting changes in equity. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Prior-Year Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City of Seattle's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

The City of Seattle

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. The City used significant estimates in determining reported allowance for doubtful accounts, unbilled revenues, power exchanges, asset life, claims payable, environmental liabilities, employee benefits, postemployment benefits, and other contingencies. Actual results may differ from those estimates.

BUDGETS AND BUDGETARY ACCOUNTING

Budgetary accounts are integrated in the fund database for all budgeted funds, including capital improvement projects funds and the Community Development Block Grant (CDBG) Fund. However, the annual financial report includes budgetary comparisons for annually budgeted governmental operating funds only. Note 2, Stewardship, Compliance, and Accountability, discusses in detail the City's budgetary policies and processes.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

Cash and Investments

The City is authorized to purchase U.S. Treasury and government agency securities, certificates of deposits, and other investment deposits issued by Washington State depositories that qualify under the Washington State Deposit Protection Act as defined by RCW 39.58, bankers' acceptances purchased in the secondary market, commercial paper purchased in the secondary market and having received the highest rating by at least two nationally recognized rating agencies, repurchase and reverse repurchase agreements with "primary dealers" that have executed master repurchase agreements, public funds in the local government investment pool (LGIP) in the State Treasury, and other securities as authorized by law.

The City and the City Employees' Retirement System are also allowed under state law to make securities lending transactions. Gross income from securities lending transactions, as well as the various fees paid to the institution that oversees the lending activity, is recorded in the operating statements. Assets and liabilities include the value of the collateral that is being held. Under the authority of RCW 41.28.005 and the Seattle Municipal Code 4.36.130, the System's Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions. Securities lent must be collateralized with cash or securities having 102 percent of the market value of the loaned securities. The City and the Retirement System cannot pledge or sell collateral securities without a borrower default.

Under the City's investment policy all temporary cash surpluses are invested, either directly or through a "sweep account." Pooled investments are reported on the combined balance sheets as Cash and Equity in Pooled Investments. 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.

Since the participating funds in the City's internal investment pool use the pool as if it were a demand deposit account, the proprietary fund equity in pooled investments is considered cash for cash flow reporting purposes.

Investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The City of Seattle has the following policies in managing its investments:

- The City seeks to preserve principal while maximizing income and maintaining liquidity to meet the City's need for cash.
- Investment decisions should further the City's social policies established by ordinance or policy resolutions of the City Council.
- 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.
- Securities purchased shall have a maximum maturity of fifteen years, and the average maturity of all securities shall be less than five years.
- All transactions are done on a delivery-versus-payment basis.

Notes to Financial Statements

- The standard of prudence to be used by investment personnel shall be the “Prudent Person Rule” and will be applied in the context of managing an overall portfolio.
- Securities shall not be purchased with trading or speculation as the dominant criterion for the selection of the security.

The Seattle City Employees’ Retirement System has its investment management policies set by the Retirement Board. State law allows the System to invest in longer term maturities and in a broader variety of securities, such as real estate and equity issues. The Board policies require that investments in any one corporation or organization may not exceed five percent of net position available for benefits. Less than five percent of plan assets can be invested in derivative securities. All derivatives are high quality non-leveraged securities consisting of collateralized mortgage obligations (CMOs), Treasury strips, convertible bonds, futures, options, etc. These derivatives cause little exposure to credit risk, market risk, or legal risk. Venture capital and real estate equities are reported at fair value that has been determined by independent appraisers.

Receivables

Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Notes and contracts receivable arise from a written agreement or contract with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/due from other funds.

Inventories and Supplies

Inventories and supplies consist of expendable materials and supplies held for consumption. These amounts are recorded as expenditures in governmental funds at the time these items are purchased. This is known as the purchase method. However, any significant inventories in a governmental fund may also be reported as assets, as allowed by GAAP, and are equally offset by a fund balance reserve to indicate that they do not constitute available spendable resources even though they are included in net current position. For proprietary funds these amounts are expensed as consumed. Unconsumed amounts are generally valued using the weighted-average cost method.

Capital Assets

The City classifies assets with an estimated useful life in excess of one year as capital assets. As a general rule, items with an initial individual cost of \$5,000 or more are capitalized. Additionally, construction in progress can be declared: complete, held for future use, or abandon. Associated costs related to these declarations are reclassified as: capital assets, assets held for future use, or expense, respectively. Furthermore, the cost of renewals and betterments are capitalized, while the cost of current maintenance and repairs are immediately expensed.

Governmental infrastructure assets include long-lived capital assets, such as roads, bridges, and tunnels that normally can be preserved for a significantly greater number of years than most capital assets. Estimated historical costs are established based on the City’s street reports to the state. Works of art are valued at historical cost. In cases where the historical cost is not available, the method used is “backtrending,” i.e., deflating the current replacement cost using the appropriate price index. Donated capital assets are valued at their estimated fair market value at the time of donation. For proprietary funds, contributions of capital assets are reported under Capital Contributions and Grants in the Statement of Revenues, Expenses, and Changes in Fund Net Position.

Most capital assets are depreciated for the governmental funds. Annual depreciation is recorded in government-wide financial statements as an expense of the governmental function for which the assets are being used. Depreciation is computed using the straight-line method over estimated service lives as follows:

| | |
|-----------------------------------|----------------|
| Utility plant in service | 33 - 100 years |
| Buildings | 25 - 50 years |
| Improvements other than buildings | 25 - 50 years |
| Infrastructure | 10 - 50 years |
| Machinery and equipment | 2 - 25 years |

In addition to the capital asset conventions followed by governmental funds, regulated enterprise funds use industry-specific accounting techniques such as: mass-asset accounting and recording provisions for cost-of-removal of capital assets. The result of these techniques can be the reporting of accumulated depreciation in excess of the costs of capital assets.

The City of Seattle

Restricted Assets

In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes.

Other Charges

Other charges include preliminary costs of projects and information systems and programmatic conservation costs. Cost related to projects that are ultimately constructed are transferred to utility plant while costs related to abandoned projects are expensed. Conservation program costs in the Light and Water Utilities which result in long-term benefits and reduce or postpone other capital expenditures are capitalized and amortized over their expected useful lives due to the Utilities’ capital financing plans and rate-setting methodology. Costs of administering the overall program are expensed as incurred.

Prepaid Items

In governmental funds the City accounts for prepayments using the consumption method and, therefore, it recognizes expenditures as prepaid items expire. The City recognizes a reservation of fund balance for prepaid items only when the amount in the fund is materially significant.

Deferred Outflows/Inflows of Resources

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

Accumulated Compensated Absences

Compensated absences consist of : vacation pay, sick pay, and other compensated absences. Vacation pay is comprised of unused vacation earned by employees. Vacation is earned based upon their date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation at retirement or termination is considered vested and payable to the employee. Sick pay is comprised of unused sick pay earned by employees. Employees earn up to 12 days of sick leave per year; there is no limit to the amount of sick leave an employee can accumulate. Employees terminated due to retirement can receive a portion of their unused sick leave balance as a cash benefit payable to either the City’s Health Reimbursement Arrangement - Voluntary Employees’ Beneficiary Association, the City’s 457 Plan and Trust, or the employee. Other compensated absences include compensatory time in lieu of overtime pay, merit credits earned by fire fighters, furlough earned by police, holiday earned by library and police employees, and other compensation earned by City employees under law or union contracts. Unused other compensated absences are vested and payable at retirement or termination. Compensated absences, including payroll taxes, are reported as current and noncurrent liabilities in the Statement of Net Position. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method.

Claims Payable

A liability for claims is reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims liabilities are discounted at the City’s average investment rate of return (Note 16).

Other Accrued Liabilities

Other accrued liabilities include deposits, interest payable on obligations, lease-purchase agreements, and revenues collected in advance.

Notes to Financial Statements

Interfund Activity and Contracts/Advances

Interfund activity and balances in the funds are eliminated or reclassified in the process of aggregating data for the Statement of Net Position and the Statement of Activities.

Interfund debt is recorded in the appropriate funds even though such debt may result in a noncurrent liability for a governmental fund because the debt is not a general obligation of the City.

Unearned Revenues

Unearned revenues include amounts collected before revenue recognition criteria are met as well as amounts recorded as receivables, which under the modified accrual basis of accounting, are measurable but not yet available. Unearned revenues consist primarily of delinquent property taxes, contracts, mortgages receivable, grant funds received in advance of expenditures, portions of local improvement districts special assessments that are due in succeeding years in governmental funds, and the amounts loaned by the Housing and Community Development Revenue Sharing Fund, a special revenue fund, under authorized federal loan programs.

Fund Balances

Fund balances are based on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balances are classified according to these constraints as follows:

- Nonspendable fund balances are either not in spendable form or are legally or contractually required to remain intact;
- Restricted fund balances are restricted for specific purposes by the enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments;
- Committed fund balances can only be used for specific purposes ordained by the City Council. The Council can by ordinance establish, modify, or rescind constraints on committed fund balances;
- Assigned fund balances are constraints imposed by City Management for specific purposes. These constraints are authorized, through the budgeting process, by the Director of the City Budget Office in accordance with SMC 3.14.100. Fund balances of special revenue funds that are neither considered restricted or committed are considered an assigned fund balance; and
- Unassigned fund balances represent balances that are available for any purpose. These balances are only reported in the City's General Fund unless a deficit occurs in any other fund.

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A summary of governmental fund balances at December 31, 2013, is as follows:

Table 1-1 GOVERNMENTAL FUND BALANCES ^a
(In Thousands)

| Fund Balances | General | Transportation | Low-Income Housing | Other Governmental | Total |
|--|-------------------|------------------|--------------------|--------------------|-------------------|
| Nonspendable | | | | | |
| Petty Cash | \$ 52 | \$ 2 | \$ - | \$ 29 | \$ 83 |
| Prepaid Items and Advances | 323 | 1,343 | - | - | 1,666 |
| Inventory | - | - | - | 535 | 535 |
| Permanent Funds | - | - | - | 2,050 | 2,050 |
| Restricted | | | | | |
| General | 379 | - | - | - | 379 |
| Capital and Continuing Programs | 61,794 | - | - | 151,134 | 212,928 |
| Health Care Reserve | 24,771 | - | - | - | 24,771 |
| Library | 11,848 | - | - | 4,912 | 16,760 |
| Transportation | - | 27,330 | - | 1,731 | 29,061 |
| Low-Income Housing | - | - | 79,264 | - | 79,264 |
| Human Services | - | - | - | 2,091 | 2,091 |
| Seattle Center | - | - | - | 9,470 | 9,470 |
| Parks and Recreation | - | - | - | 82 | 82 |
| Debt Service | - | - | - | 15,629 | 15,629 |
| Municipal Arts | - | - | - | 5,788 | 5,788 |
| Educational and Developmental Services | - | - | - | 39,388 | 39,388 |
| Pike Place Market Renovation | - | - | - | 4,901 | 4,901 |
| Business Improvement Areas | - | - | - | 3,235 | 3,235 |
| Legal Settlement | - | - | - | 428 | 428 |
| Cable Television Franchise | 866 | - | - | - | 866 |
| Block Grants | - | - | - | 1,553 | 1,553 |
| General Trust | - | - | - | 7,555 | 7,555 |
| General Donation and Gift Trusts | - | - | - | 4,683 | 4,683 |
| Committed | | | | | |
| General | 6,978 | - | - | - | 6,978 |
| Capital and Continuing Programs | 15,909 | - | - | - | 15,909 |
| Municipal Arts | 577 | - | - | - | 577 |
| Health Care Reserve | 28,996 | - | - | - | 28,996 |
| Employee Benefit Trust Funds | 6,917 | - | - | - | 6,917 |
| Library | 447 | - | - | - | 447 |
| Cable Television Franchise | 3,954 | - | - | - | 3,954 |
| Judgement and Claims | 14,640 | - | - | - | 14,640 |
| Transportation | - | 44,988 | - | - | 44,988 |
| Neighborhood Matching | 4,511 | - | - | - | 4,511 |
| Bluefield Habitat Maintenance | 205 | - | - | - | 205 |
| Development Rights | 22 | - | - | - | 22 |
| Low-Income Housing | - | - | 1,893 | - | 1,893 |
| Human Services | - | - | - | 1,519 | 1,519 |
| Seattle Center | - | - | - | 1,429 | 1,429 |
| Assigned | | | | | |
| General | 2,450 | - | - | - | 2,450 |
| Municipal Jail | 1,671 | - | - | - | 1,671 |
| Library | 1,203 | - | - | - | 1,203 |
| Office of Housing | - | - | - | 1,578 | 1,578 |
| Human Services | - | - | - | 2,234 | 2,234 |
| Parks and Recreation | - | - | - | 3,850 | 3,850 |
| Unassigned | | | | | |
| General | 47,989 | - | - | - | 47,989 |
| Rate Stabilization Account | 30,397 | - | - | - | 30,397 |
| Emergency Subfund | 42,060 | - | - | - | 42,060 |
| Permanent Funds | - | - | - | (16) | (16) |
| Central Waterfront Improvement | - | - | - | (9,340) | (9,340) |
| Seattle Streetcar | - | - | - | (3,820) | (3,820) |
| Seattle Center | - | - | - | (9,152) | (9,152) |
| Total | \$ 308,959 | \$ 73,663 | \$ 81,157 | \$ 243,476 | \$ 707,255 |

^a Some amounts may have rounding differences with Balance Sheet.

Notes to Financial Statements

General Fund Stabilization and Other Reserves

The City created the Revenue Stabilization Account (RSA) to fund activities that would otherwise be reduced in scope, suspended or eliminated due to unanticipated shortfalls in the General Subfund revenues. Any use of the RSA shall be accompanied with an ordinance approved by the City Council. The City shall replenish the RSA through (1) transfers by ordinance from other city funds; (2) automatic transfer of 0.5 percent of forecasted tax revenues; and (3) 50 percent of unanticipated excess fund balance of the General Subfund. At no time shall the maximum funding level exceed 5 percent of the General Subfund tax revenues forecast. At the end of fiscal year 2013, the RSA reported an ending fund balance of \$30.4 million.

The City maintains the Emergency Subfund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Subfund shall be accompanied with an ordinance approved by three-fourths of the City Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Subfund so that its balance equals thirty-seven and one-half cents per thousand dollars of assessed value, which is the maximum amount allowed by state law. The City may also choose to reimburse the Emergency Subfund during the year for any expenditure incurred, by transferring unexpended and unencumbered balance from another City fund or subfund, or from other reimbursements the City may receive. At the end of fiscal year 2013, the Emergency Subfund reported an ending fund balance of \$42.1 million.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

BUDGETARY INFORMATION

The City budgets for the General Fund, the Library Fund, and some special revenue funds on an annual basis. The special revenue funds which have legally adopted annual budgets are the Park and Recreation Fund, the Transportation Fund, the Seattle Center Fund, the Human Services Operating Fund, the Office of Housing Fund, and the Low-Income Housing Fund.

The City Council approves the City's operating budget. In addition, the City Council annually approves two separate but related financial planning documents: the Capital Improvement Program (CIP) plan and the Community Development Block Grant (CDBG) program allocation.

The operating budget is proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The budget is designed to allocate available resources on a biennial basis among the City's public services and programs and provides for associated financing decisions. The budget appropriates fiscal year expenditures and establishes employee positions by department and fund except for project-oriented, multiyear appropriations made for capital projects, grants, or endowments.

Table 2-1 **APPROPRIATION CHANGES – GENERAL FUND**
(In Thousands)

| | 2013 |
|---------------------------|--------------|
| Annual Budget | \$ 1,233,266 |
| Carryovers | |
| Encumbrances | 3,727 |
| Continuing Appropriations | 120,123 |
| Budget Revisions | 82,597 |
| Total Budget | \$ 1,439,713 |

The CIP plan is also proposed by the Mayor and adopted by the City Council at least 30 days before the beginning of the fiscal year. The CIP is a six-year plan for capital project expenditures and anticipated financing by fund source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multiyear expenditures identified in the CIP. These expenditures are legally authorized through the annual operating budget or by specific project ordinances during the year.

The CDBG planning process allocates the annual grant awarded by the federal government. Allocations are made to both City and non-City organizations. Legal authority is established each year by a separate appropriation ordinance for the Housing and Community Development Revenue Sharing Fund.

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Budgetary control for the operating budget generally is maintained at the budget control level within departments with the following exceptions: the Library Fund has its total budget set at fund level by the City Council, but its actual expenditures are controlled by the Library Board; capital projects programmed in the CIP are controlled at the project or project-phase level or program depending on legal requirements; grant-funded activities are controlled as prescribed by law and federal regulations.

The City Council may by ordinance abrogate, decrease, or reappropriate any unexpended budget authority during the year. The City Council, with a three-fourths vote, may also increase appropriations. Emergency Subfund appropriations related to settlement of claims, emergency conditions, or laws enacted since the annual operating budget ordinance require approval by two-thirds of the City Council.

The City Budget Office may approve the transfer of appropriations. Beginning in 2003 the following restrictions to budget transfers within a budget year were imposed by ordinance. Total budget transfers into a budget control level may not exceed 10 percent of its original budgeted allowance, and in no case may they be greater than \$500,000. Total transfers out may not exceed 25 percent of the original budgeted allowance. For capital items the affected budget is both the original appropriated budget for the current year and the unexpended budget carried over from prior years. Within a budget control level, departments may transfer appropriations without the City Budget Office's approval.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services. Budget figures consist of the adopted annual budget, which includes appropriation carryovers from previous years, and any revisions adopted by ordinance during the year. The budgetary basis is substantially the same as the accounting basis in all governmental fund types except for the treatment of encumbrances that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year, and are included with expenditures.

DEFICITS IN FUND BALANCES AND NET POSITION

The Downtown Parking Garage Fund reported a net position deficit of \$26.5 million at December 31, 2013, a decrease of \$1.3 million in net position from the prior year. This is attributed to the insufficiency of revenues to fully cover its operating expenses that include annual depreciation of \$2.0 million and annual interest expenses on debt service of \$3.1 million. The fund was provided interfund loan of \$5.0 million to cover negative cash at the end of December 31, 2013 compared to \$3.2 million in 2012. Ordinance 124123 authorized cash loan of not more than \$5.0 million was amended with Ordinance 124348 to authorize the cash loan up to \$9.5 million that maybe provided to Downtown Parking Garage Fund to cover negative cash. Facilities Operating Division is evaluating ways to increase revenues and decrease expenses. We expect the net position deficit will continue because operating revenues are not designed to cover depreciation expense.

The Seattle Streetcar Fund 10810 had a deficit fund balance of \$3.8 million as of December 31, 2013. The fund was created by Ordinance 122424 in 2007 and later amended in 2009 by Ordinance 123102 to increase the allowable amount of the interfund loan from the City's Consolidated Residual Cash Pool to \$3.7 million. This loan is to be repaid no later than December 31, 2018 from the sale of surplus property, grants, donations, transfers, and other monies as authorized by ordinance.

The Central Waterfront Improvement Fund had a deficit fund balance of \$9.3 million at December 31, 2013. Ordinance 123142 created this fund with specific intent that multiple partnerships, both intergovernmental and private be established for funding the urgent and necessary repairs to the Seawall and other infrastructure along the Waterfront. In recognition of this urgency Ordinance 124345 which superseded Ordinances 123761 and 124033 permits this fund to use up to \$31.2 million at any one time from the City's cash pool. This loan is to be repaid no later than December 31, 2016 from grants, donations, transfers, and other monies as authorized by ordinance.

Notes to Financial Statements

(3) CASH AND INVESTMENTS

CASH AND EQUITY IN POOLED INVESTMENTS

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of all City funds are combined into a common investment pool that is managed by FAS. Each fund's share of the pooled investments is included in the participating fund's balance sheet under the caption "Cash and Equity in Pooled Investments." The pool operates like a demand deposit account in that all City funds may deposit cash at any time and also withdraw cash up to their respective fund balance out of the pool without prior notice or penalty.

Custodial Credit Risk – Deposits. The custodial credit risk of deposits is the risk that in the event of bank failure of 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, 2013, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2013, the City held \$95,000 in its cash vault. 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.

CITY TREASURY INVESTMENTS

Note 1 describes the investment policies of the City. Banks or trust companies acting as the City's agents hold all of the City's investments in the City's name. As of December 31, 2013, the City's investment pool held the following investments.

**Table 3-1 INVESTMENTS AND MATURITIES
TREASURY RESIDUAL POOLED INVESTMENTS
(In Thousands)**

| Investments | Fair Value as of December 31, 2013 | Weighted Average Maturity (Days) |
|--|---------------------------------------|-------------------------------------|
| Repurchase Agreements | \$ 44,756 | 2 |
| U.S. Treasury and U.S. Government-Backed Securities | 227,660 | 902 |
| U.S. Government Agency Securities | 666,790 | 880 |
| U.S. Government Agency Mortgage-Backed Securities | 186,841 | 2,077 |
| Commercial Paper | 154,963 | 47 |
| Municipal Bonds | 156,813 | 818 |
| Total | <u>\$ 1,437,823</u> | |
| Weighted Average Maturity of the City's Pooled Investments | | 915 |

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. The City's investment policy limits the maturity of individual securities to fifteen years and limits the weighted average maturity of the total investment portfolio to no longer than five years which mitigates interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City mitigates credit risk in many ways as described below.

By state statutes and investment policy, the City may purchase securities that carry the highest credit ratings issued by Moody's Investors Service, Standard & Poor's, and/or Fitch Ratings. Securities purchased must have the following ratings at the time of purchase: Securities backed by issuers with long-term credit ratings of Aaa, Aa1, and Aa2 by Moody's Investors Service; AAA, AA+, and AA by Standard & Poor's; and AAA, AA+, and AA by Fitch Ratings; and securities

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backed by issuers having short-term ratings of MIG1, VMIG1, and P1 by Moody's Investors Service; A1+ and A1 by Standard & Poor's; and F1 and F1+ by Fitch Ratings.

The City invests in U.S. Treasury securities which are considered free of credit risk, and in securities backed by the full faith and credit of the U.S. government, such as bonds issued by the Department of Housing and Urban Development (HUD). The City also invests in securities issued by U.S. government sponsored enterprises including Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Bank. Material credit risk in the City's investment portfolio resides in its holdings of commercial paper and municipal securities. In accordance with state statutes and its internal investment policy, the City manages that credit risk by purchasing securities backed by issuers having long-term and short-term credit ratings as noted above. The City also subscribes to asset-backed commercial paper research from Moody's Investors Service and Fitch Ratings, conducts internal due diligence of commercial paper and municipal issuers, and maintains an "approved list" of commercial paper issuers based upon internal and external credit research.

Concentration Risk. Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. In accordance with its investment policy and state statutes, the City manages concentration risk by limiting its investments in any one issuer as follows: 10 percent of the portfolio per bank for certificates of deposit or bankers' acceptances; and 5 percent per commercial paper or municipal bond issuer. U.S. government agency collateralized mortgage obligations and pass-through securities are limited to a maximum asset allocation of 25 percent of the total portfolio. The City is not limited in its allocation to obligations of: the U.S. government, U.S. government agencies, or corporations wholly owned by the U.S. government.

**Table 3-2 CONCENTRATION OF CREDIT RISK
(In Thousands)**

| Issuer | Fair Value | Percent of Total Investments |
|--|---------------|------------------------------------|
| Federal Home Loan Mortgage Corporation (Freddie Mac) | \$ 393,130 | 27 % |
| Federal National Mortgage Association (Fannie Mae) | 329,390 | 23 |
| Federal Home Loan Bank | 86,498 | 6 |

Custodial Credit Risk – Investments. The 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, BNY Mellon, and not by the counterparty or the counterparty's trust department or agent. Additionally, the City mitigates counterparty risk by settling its trades delivery-versus-payment through the City's contractual custodial agent.

The City mitigates counterparty custodial risk from repurchase agreements by using a third-party custodian for tri-party repos. The City conforms with the industry standard requiring execution of a master repurchase agreement with each counterparty prior to transacting a repurchase agreement, execution of a third-party custodial agreement between the City, the broker, and the clearing bank, before transacting a third-party repurchase agreement, and over-collateralizing by a minimum of 102 percent. By investment policy, the underlying securities the City is willing to accept as collateral must have the highest credit ratings of at least two NRSROs. Throughout 2013, the collateral underlying the City's repurchase agreements excluded securities other than U.S. Treasury, agencies, and agency mortgage-backed pass-throughs.

By investment policy, the City maintains a list of approved securities dealers for transacting business. For repurchase agreements, the City transacts only with large primary dealers with investment grade credit ratings provided by at least two of the Nationally Recognized Statistical Rating Organizations (NRSROs). The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Foreign Currency Risk. The City's pooled investments do not include securities denominated in foreign currencies.

Notes to Financial Statements

INVESTMENTS OF THE SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)

Investments of the Seattle City Employees' Retirement System are accounted for in the Employees' Retirement Fund, a fiduciary fund which is not included in the Citywide financial statements because its resources belong to the retirement system and do not support City programs.

The retirement fund investments are made in accordance with the Prudent Person Rule as defined by RCW 35.39.060.

Table 3-3 **SCERS' INVESTMENTS**
(In Thousands)

| Investments | Amount |
|-----------------------------|---------------------|
| U.S. Government Obligations | \$ 170,501 |
| Domestic Corporate Bonds | 168,108 |
| Other Fixed Income | 178,597 |
| Domestic Stocks | 697,755 |
| International Stocks | 624,912 |
| Real Estate | 231,758 |
| Alternative Investments | 106,263 |
| Total | \$ 2,177,894 |

Credit Risk. In accordance with its policy the Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments and applicable restrictions necessary for diversification and risk control. Managers do not have authority to depart from those guidelines.

SCERS' fixed income portfolio is primarily managed by four external money management firms. SCERS' investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

Table 3-4 **SCERS' FIXED INCOME PORTFOLIO**
(In Thousands)

| Investment Type | Fair Value | Investment Maturities (In Years) | | | |
|--|-------------------|----------------------------------|-------------------|-------------------|-------------------|
| | | <1 | 1 - 5 | 6 - 10 | >10 |
| U.S. Government | | | | | |
| Treasuries, Notes, and Bonds | \$ 122,317 | \$ 611 | \$ 36,786 | \$ 49,301 | \$ 35,619 |
| Treasury Inflation-Protected Securities | 37,842 | - | - | 30,323 | 7,519 |
| Agencies | 4,679 | - | 1,804 | 845 | 2,030 |
| Municipal | 4,455 | - | 391 | 1,640 | 2,424 |
| Mortgage-Backed | | | | | |
| Government Pass-Throughs | 76,560 | - | 29,645 | 3,608 | 43,307 |
| Corporate Pass-Throughs | 12,795 | - | - | - | 12,795 |
| Government Collateralized Mortgage Obligations | 17,224 | - | 3,269 | 637 | 13,318 |
| Corporate | | | | | |
| Bonds | 129,671 | 13,437 | 55,416 | 43,032 | 17,786 |
| Asset-Backed | 16,419 | - | 6,841 | 3,307 | 6,271 |
| Private Placements | 23,547 | 1,720 | 13,829 | 1,091 | 6,907 |
| Foreign Sovereign | | | | | |
| Bonds | 63,364 | 1,262 | 23,326 | 27,092 | 11,684 |
| Total Portfolio | \$ 508,873 | \$ 17,030 | \$ 171,307 | \$ 160,876 | \$ 159,660 |

Interest Rate Risk. SCERS' investment policy requires the Retirement Board to provide its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for risk control. Managers do not have authority to depart from those guidelines.

SCERS' investment policy does not limit fixed income investments based on ratings by nationally recognized rating agencies. Speculative investments are avoided based on the Prudent Person Rule as defined by RCW 35.39, and the policy specifies target percentages for diversification in order to minimize risk of large losses.

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Table 3-5 **SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S**
(In Thousands)

| Investment Type | AAA | AA | A | BBB | BB | B | CCC and Below | Not Rated |
|---|------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------|-------------------|
| U.S. Government | | | | | | | | |
| Treasury Notes and Bonds | \$ - | \$ 104,680 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 17,637 |
| Treasury Inflation-Protected Securities | - | 21,566 | - | - | - | - | - | 16,276 |
| Agencies | - | 4,663 | - | - | - | - | - | 15 |
| Municipal | 793 | 668 | 1,712 | - | - | - | - | 1,282 |
| Mortgage-Backed | | | | | | | | |
| Government Pass-Throughs | - | 38,159 | - | - | - | - | - | 38,403 |
| Corporate Pass-Throughs | 1,850 | 570 | 1,281 | 1,975 | 165 | - | - | 6,954 |
| Government CMO's | 218 | 12,077 | 872 | 681 | 1,652 | 244 | 970 | 510 |
| Corporate | | | | | | | | |
| Bonds | 666 | 9,460 | 42,601 | 36,484 | 2,779 | - | - | 37,681 |
| Asset-Backed | 6,525 | 2,967 | 266 | 162 | 432 | 1,049 | 904 | 4,115 |
| Private Placements | 2,579 | 3,819 | 5,365 | 5,592 | 68 | - | 394 | 5,730 |
| Foreign Sovereign | | | | | | | | |
| Bonds | 5,923 | 3,145 | 3,023 | 1,957 | 600 | - | - | 48,716 |
| Total Portfolio | \$ 18,554 | \$ 201,774 | \$ 55,120 | \$ 46,851 | \$ 5,696 | \$ 1,293 | \$ 2,268 | \$ 177,319 |

Table 3-6 **SCERS' ASSET ALLOCATION**

| Asset Class | Actual | Target |
|---------------------------|----------------|----------------|
| Cash and Cash Equivalents | 0.4 % | 0.0 % |
| Equities | | |
| Domestic | 32.4 | 31.0 |
| International | 28.0 | 27.0 |
| Fixed Income | 21.1 | 20.0 |
| Alternative | 7.7 | 10.0 |
| Real Estate | 10.4 | 12.0 |
| Total | 100.0 % | 100.0 % |

Concentration of Credit Risk. The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net position value of a manager's portfolio. Managers do not have authority to depart from these guidelines.

Custodial Credit Risk. SCERS mitigates custodial credit risk by having its investment securities held by SCERS' custodian and registered in SCERS' name.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates that will adversely impact the fair value of an investment. SCERS' currency risk exposure or exchange rate risk primarily resides within the international equity holdings. SCERS' investment managers maintain adequately diversified portfolios to limit foreign currency and security risk.

Notes to Financial Statements

SECURITIES LENDING TRANSACTIONS

The City cash pool and the Seattle City Employees' Retirement System are allowed to engage in securities lending transactions similar to that instituted by the Washington State Treasurer's Office and other municipal corporations in the State of Washington.

Under the authority of RCW 41.28.005 and the SMC 4.36.130, the Seattle City Employees' Retirement System Board of Administration adopted investment policies that define eligible investments, which include securities lending transactions whereby securities are lent for the purpose of generating additional income to SCERS. Gross income from securities lending transactions of SCERS as well as the various fees paid to the institution that oversees the lending activity is reported in the fund's operating statements. Assets and liabilities include the value of the collateral that is being held.

The market value of the required collateral must meet or exceed 102 percent of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and is limited to a volume of less than \$75.0 million. The contractual agreement with the SCERS' custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay SCERS' income distribution by the securities' issuers while the securities are on loan. Cash and U.S. government securities were received as collateral for these loans.

SCERS invests cash collateral received; accordingly, any investment made with cash collateral is reported as an asset. A corresponding liability is recorded as SCERS must return the cash collateral to the borrower upon the expiration of the loan. As of December 31, 2013, SCERS has no credit risk exposure to borrowers; amounts owed to borrowers exceed the amount the borrower owes.

Table 3-7 **SCERS' SECURITIES LENT AND COLLATERAL**
(In Thousands)

| Type of Securities Lent | 2013 | | 2012 | |
|-------------------------------|--------------------------------|------------------|--------------------------------|------------------|
| | Fair Values of Securities Lent | Collateral | Fair Values of Securities Lent | Collateral |
| U.S. Government and Agencies | \$ 14,906 | \$ 15,247 | \$ 5,264 | \$ 5,374 |
| U.S. Corporate Fixed Income | 1,461 | 1,503 | 470 | 481 |
| U.S. Equities | - | - | 7,349 | 7,550 |
| Total Securities Lent | \$ 16,367 | \$ 16,750 | \$ 13,083 | \$ 13,405 |
| Collateral | | | | |
| | 2013 | | 2012 | |
| Repurchase Agreements | \$ 13,052 | | \$ 9,580 | |
| Asset-Backed Securities | 1,267 | | 1,395 | |
| Payable/Receivable | 2,431 | | 2,430 | |
| Total Collateral | \$ 16,750 | | \$ 13,405 | |
| Fair Value of Collateral Held | \$ 13,595 | | \$ 10,153 | |

REVERSE REPURCHASE AGREEMENTS

RCW 35.39.030 and City investment policy allow the investment of City moneys in excess of current City needs in reverse repurchase agreements. However, at this time, the City does not engage itself in this type of investment strategy.

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(4) RECEIVABLES, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Table 4-1 **TAX REVENUES AND RECEIVABLES**
(In Thousands)

| | December 31 2013 Revenues | December 31 2013 Receivables |
|---------------------------------------|---------------------------------|------------------------------------|
| Property Taxes | \$ 423,928 | \$ 8,979 |
| General Business and Occupation Taxes | 408,913 | 55,077 |
| Totals | \$ 832,841 | \$ 64,056 |

TAXING POWERS AND LIMITATIONS

State law limits the regular property tax rate for general City operations to \$3.60 per \$1,000 of assessed value. This includes \$3.375 for general municipal purposes and an additional \$0.225 for the Firemen's Pension Fund and for general municipal purposes under conditions spelled out in state law. From 1997 through 2001 state law limited the annual growth in the City's regular property tax levy to the lesser of 106 percent or the annual rate of inflation. The passage of Initiative 747 in November 2001 reduced the 106 percent to 101 percent. In early November 2007, the State Supreme Court upheld a lower court ruling that Initiative 747 was unconstitutional. This decision would have returned the growth limit factor to 106 percent. On November 29, 2007, the legislature, in special session, passed and the governor signed into law language identical to that of Initiative 747. Thus, the limit factor remains 101 percent. The growth limit does not count tax revenues from new construction or property remodeled within the last year. With simple-majority voter approval, the City can levy additional property taxes above the 101 percent annual growth limit, as long as the City's regular levy rate per \$1,000 of assessed value does not exceed the \$3.60 limit. Excess tax levies for capital purposes require a 60-percent approval by voters and do not fall under either of the limits. The City levied \$1.90 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2013. In addition, the levy included \$1.38 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2013 levy was \$3.28 per \$1,000 of assessed value. Not included in this total is the levy for Medic One/Emergency Medical Services, which was renewed by voters at election in November 2007 at \$0.30 per \$1,000 of assessed value and remained at \$0.30 per \$1,000 of assessed value in 2013.

Property taxes are levied by the County Assessor and collected by the County Finance Director. Assessments are based on 100 percent of true and fair market value. They are levied and become a lien on the first day of the levy year. They may be paid in two equal installments if the total amount exceeds \$30. The first half is due on April 30, or else the total amount becomes delinquent May 1. The balance is due October 31, becoming delinquent November 1. Delinquent taxes bear interest at the rate of one percent per month until paid and are subject to additional penalties of three percent and another eight percent on the total unpaid delinquent balance on June 1 and December 1, respectively. Foreclosure action is commenced on properties when taxes are delinquent for three years.

INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The City reports interfund balances between funds. The interfund balances are presented in the balance sheets for governmental funds and statements of net position for proprietary funds.

The following table shows the current interfund balances at December 31, 2013, as reported in the fund financial statements.

Notes to Financial Statements

Table 4-2 DUE FROM AND TO OTHER FUNDS ^a
(In Thousands)

| Receivable Fund | Payable Fund(s) | Amount |
|-------------------------------|------------------------------------|----------|
| General | Drainage and Wastewater | \$ 3,699 |
| | Nonmajor Enterprise | 23 |
| | Nonmajor Governmental | 5,927 |
| | Internal Service | 136 |
| | Fiduciary | 23 |
| | Transportation | 48 |
| | Light | 4,041 |
| | Solid Waste | 1,184 |
| | Water | 2,285 |
| | Total General Fund | 17,366 |
| Transportation | Drainage and Wastewater | 425 |
| | Nonmajor Enterprise | 105 |
| | General | 681 |
| | Nonmajor Governmental | 25,159 |
| | Internal Service | 46 |
| | Light | 3,023 |
| | Solid Waste | 89 |
| | Water | 783 |
| Total Transportation Fund | 30,311 | |
| Light | General | 4 |
| | Nonmajor Governmental | 1 |
| | Internal Service | 5 |
| | Fiduciary | 8 |
| | Water | 8 |
| Total Light Fund ^b | 26 | |
| Water | Drainage and Wastewater | 307 |
| | General | 9 |
| | Internal Service | 2 |
| | Transportation | 47 |
| | Light | 317 |
| | Solid Waste | 23 |
| Total Water Fund | 705 | |
| Low-Income Housing | Light | 190 |
| | Total Low-Income Housing Fund | 190 |
| Solid Waste | General | 6 |
| | Nonmajor Governmental | 22 |
| | Internal Service | 1 |
| | Light | 115 |
| | Water | 142 |
| | Total Solid Waste Fund | 286 |
| Drainage and Wastewater | Nonmajor Enterprise | 21 |
| | General | 11 |
| | Nonmajor Governmental | 49 |
| | Internal Service | 1 |
| | Transportation | 360 |
| | Light | 421 |
| | Solid Waste | 6 |
| | Water | 146 |
| | Total Drainage and Wastewater Fund | 1,015 |

^a Some amounts may have rounding differences with Balance Sheet or Statement of Net Position.

^b Some amounts vary from the Statement of Net Position due to differential classification within the proprietary funds.

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Table 4-2 DUE FROM AND TO OTHER FUNDS ^a (continued)
(In Thousands)

| Receivable Fund | Payable Fund(s) | Amount |
|-----------------------------------|-------------------------|--------|
| Nonmajor Governmental | Drainage and Wastewater | \$ 255 |
| | General | 916 |
| | Nonmajor Governmental | 3,866 |
| | Internal Service | 147 |
| | Fiduciary | 1 |
| | Low-Income Housing | 107 |
| | Transportation | 314 |
| | Light | 365 |
| | Solid Waste | 97 |
| | Water | 28 |
| Total Nonmajor Governmental Funds | 6,096 | |
| Fiduciary | General | 23 |
| | Internal Service | 2 |
| | Light | 16 |
| Total Fiduciary Funds | 41 | |
| Nonmajor Enterprise | Drainage and Wastewater | 265 |
| | General | 267 |
| | Nonmajor Governmental | 39 |
| | Internal Service | 7 |
| | Transportation | 42 |
| | Light | 435 |
| | Solid Waste | 9 |
| Water | 1 | |
| Total Nonmajor Enterprise Funds | 1,065 | |
| Internal Service | Drainage and Wastewater | 370 |
| | Nonmajor Enterprise | 230 |
| | General | 2,134 |
| | Nonmajor Governmental | 850 |
| | Internal Service | 102 |
| | Fiduciary | 1 |
| | Transportation | 889 |
| | Light | 791 |
| | Solid Waste | 102 |
| | Water | 527 |
| Total Internal Service Funds | 5,996 | |
| Grand Total | \$ 63,097 | |

^a Some amounts may have rounding differences with Balance Sheet or Statement of Net Position.

The balances in Table 4-2 resulted from the time lag between the dates that (1) interfund goods and services were provided or reimbursable expenditures occurred, (2) transactions were recorded in the accounting system, and (3) payments between funds were made.

Notes to Financial Statements

Table 4-3 ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS
(In Thousands)

| Advances, Notes, and Loans From | Advances, Notes, and Loans To | Amount |
|---------------------------------|---|-----------------|
| General Fund | Seattle Center Fund | \$ 193 |
| | Seattle City Employees' Retirement Fund | 300 |
| | Downtown Parking Garage Fund | 5,050 |
| Total City | | <u>\$ 5,543</u> |

The interfund loans for the Seattle Center and the Downtown Parking Garage have been approved by the City Council through ordinance. The Seattle Center's loan was approved by Ordinances 123644 and 124031 and is due to current economic conditions that prevent the Seattle Center's cash receipts from being sufficient to maintain a consistent positive cash balance. The Downtown Parking Garage's loan was authorized by Ordinances 123694 and 124123 and is to be repaid by December 31, 2014 either from operating revenues of the Garage or the General Fund. The loan to the Seattle City Employees' Retirement System was necessitated by the implementation of a more aggressive investment strategy for 2013 that resulted in a higher balance remaining in investments instead of being held in cash. The policy will be adjusted to maximize investments and maintain a positive cash balance. The loan was only for one day and did not require a special ordinance.

Table 4-4 INTERFUND TRANSFERS
(In Thousands)

| Transfers In | Transfers Out | | | | |
|-----------------------|-------------------|------------------|-----------------------|------------------|-------------------|
| | General | Internal Service | Nonmajor Governmental | Transportation | Total |
| General Fund | \$ - | \$ 4,000 | \$ 12,762 | \$ - | \$ 16,762 |
| Nonmajor Enterprise | 10,860 | - | - | - | 10,860 |
| Nonmajor Governmental | 183,694 | 650 | 16,225 | 24,739 | 225,308 |
| Transportation | 53,580 | - | 80,124 | - | 133,704 |
| Total Transfers | <u>\$ 248,134</u> | <u>\$ 4,650</u> | <u>\$ 109,111</u> | <u>\$ 24,739</u> | <u>\$ 386,634</u> |

Transfers are used to (1) move revenues from the fund wherein the statute or budget requires them to be collected to the fund wherein the statute or budget requires them to be expended, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) apply unrestricted revenues collected in the General Fund to various programs accounted for in other funds in accordance with budgetary authorizations.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Governmental Activities

Table 4-5 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
GOVERNMENTAL FUNDS
(In Thousands)

| Deferred Outflows/Inflows of Resources | General | Transportation | Low-Income Housing | Nonmajor Governmental | Total |
|--|------------------|----------------|--------------------|-----------------------|-------------------|
| Deferred Outflows of Resources | | | | | |
| Housing Loan Guarantees | \$ 7,771 | \$ - | \$ 383,980 | \$ 43,216 | \$ 434,967 |
| Total Deferred Outflows of Resources | <u>\$ 7,771</u> | <u>\$ -</u> | <u>\$ 383,980</u> | <u>\$ 43,216</u> | <u>\$ 434,967</u> |
| Deferred Inflows of Resources | | | | | |
| Housing Loan Guarantees | \$ 7,771 | \$ - | \$ 383,980 | \$ 43,216 | \$ 434,967 |
| Property Taxes | 4,238 | 685 | 341 | 1,610 | 6,874 |
| Special Assessment | - | - | - | 13,136 | 13,136 |
| Total Deferred Inflows of Resources | <u>\$ 12,009</u> | <u>\$ 685</u> | <u>\$ 384,321</u> | <u>\$ 57,962</u> | <u>\$ 454,977</u> |

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Housing Loan Guarantees

This balance represents the portfolio of all outstanding housing development loans made through the City's Office of Housing. The loan activity and the associated loan guarantees were recorded with the Low-Income Housing Fund, the Community Development Block Grant Program Funds, and directly within Office of Housing's operating fund. The deferred outflow and deferred inflow of resources are segregated on the balance sheets of the original funds that generated the activity. The deferred outflow of resources represents the loans issued and subject to ongoing use criteria. Although these loans are not expected to be repaid unless the property is sold or there is a change in purpose that would result in a contract default. A default due to compliance would generate a loan balance receivable for the City, and would immediately place a legal obligation on the City for repayment of the loan proceeds. This obligation is presented as the deferred inflow of resources. The result of a loan default scenario would have a net zero impact on the City's net position.

Special Assessment

The Local Improvement District 6750 Fund recorded a deferred outflow of resources which reflects the total expected future collections from the District. The assessment expected to be collected during the upcoming fiscal period is adjustment from the deferred outflow of resources and recognized as revenue within our government-wide presentation.

Debt Service

The governmental funds loss on debt refunding of \$884 thousand, previously reported as an asset, is now reported as a Deferred Inflow of Resources on the government-wide financial statement and will continue to be amortized as a component of interest expense. The internal service funds also recorded a loss on debt refunding of \$161 thousand, previously reported as an asset, it's now reported as a deferred outflow of resources on the combined Statement of Net Position and will be amortized over the life of the bonds.

Property Taxes

For 2013 total taxes outstanding of \$6.9 million were recorded as a tax receivable asset within our governmental funds. Unable to meet the revenue recognition criteria our governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of our governmental fund financial statements to government-wide financial statements shows an adjustment to remove the deferred inflow of resources recorded by the governmental funds, and record the tax revenues to the Statement of Activities.

Table 4-6 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
GOVERNMENTAL ACTIVITIES
(In Thousands)

| Deferred Outflows/Inflows of Resources | Governmental Funds | Internal Service Funds | Government-Wide Adjustment | Total |
|--|--------------------|------------------------|----------------------------|-------------------|
| Deferred Outflows of Resources | | | | |
| Housing Loan Guarantees | \$ 434,967 | \$ - | \$ - | \$ 434,967 |
| Debt Service | - | 161 | 884 | 1,045 |
| Total Deferred Outflows of Resources | <u>\$ 434,967</u> | <u>\$ 161</u> | <u>\$ 884</u> | <u>\$ 436,012</u> |
| Deferred Inflows of Resources | | | | |
| Housing Loan Guarantees | \$ 434,967 | \$ - | \$ - | \$ 434,967 |
| Property Taxes | 6,874 | - | (6,874) | - |
| Special Assessment | 13,136 | - | (1,226) | 11,910 |
| Total Deferred Inflows of Resources | <u>\$ 454,977</u> | <u>\$ -</u> | <u>\$ (8,100)</u> | <u>\$ 446,877</u> |

Notes to Financial Statements

Business-Type Activities

**Table 4-7 DEFERRED OUTFLOWS/INFLOWS OF RESOURCES
BUSINESS-TYPE ACTIVITIES
(In Thousands)**

| Deferred Outflows/Inflows of Resources | City Light | Seattle Public Utilities | | | Total |
|--|------------|--------------------------|-------------------------|-------------|------------|
| | | Water | Drainage and Wastewater | Solid Waste | |
| Deferred Outflows of Resources | | | | | |
| Charges on Advance Refunding | \$ 26,012 | \$ 20,165 | \$ 6,054 | \$ 139 | \$ 52,370 |
| Total Deferred Outflows of Resources | \$ 26,012 | \$ 20,165 | \$ 6,054 | \$ 139 | \$ 52,370 |
| Deferred Inflows of Resources | | | | | |
| Revenue Stabilization Account | \$ 84,986 | \$ 19,418 | \$ - | \$ 5,247 | \$ 109,651 |
| Regulatory Credits | 15,686 | - | - | - | 15,686 |
| Total Deferred Inflows of Resources | \$ 100,672 | \$ 19,418 | \$ - | \$ 5,247 | \$ 125,337 |

Revenue Stabilization Account

Funding of revenue stabilization accounts (RSAs) from operating cash effectively defers operating revenues. For the City Light (SCL) the balance of the RSA was \$85.0 million and \$103.3 million for 2013 and 2012, respectively. For the Seattle Public Utilities the balance of the RSA was \$24.7 million and \$12.4 million for 2013 and 2012, respectively.

Regulatory Credits

Regulatory credits are the result of SCL (as affirmed by Seattle City Council Resolution No. 30942) recognizing the effects of reporting the fair value of exchange contracts in future periods for rate making purposes and maintaining regulatory accounts to spread the accounting impact of these accounting adjustments. For SCL the balance of the credits were \$15.7 million and \$9.2 million for 2013 and 2012, respectively.

(5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

Seattle City Light (SCL) engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve SCL's load obligations and using these resources to capture available economic value. SCL makes frequent projections of electric loads at various points in time based on, among other things, estimates of factors such as customer usage and weather, as well as historical data and contract terms. SCL also makes recurring projections of resource availability at these points in time based on variables such as estimates of streamflows, availability of generating units, historic and forward market information, contract terms, and experience. On the basis of these projections, SCL purchases and sells wholesale electric capacity and energy to match expected resources to expected electric load requirements and to realize earnings from surplus energy resources. These transactions can be up to 24 months forward. Under these forward contracts, SCL commits to purchase or sell a specified amount of energy at a specified time, or during a specified time in the future. Except for limited intraday and interday trading to take advantage of owned hydro storage, SCL does not take market positions in anticipation of generating revenue. Energy transactions in response to forecasted seasonal resource and demand variations require approval by SCL's Risk Oversight Council.

It is the City's policy to apply the normal purchase and normal sales exception of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as appropriate. Certain forward purchase and sale of electricity contracts in SCL meet the definition of a derivative instrument, but are intended to result in the purchase or sale of electricity delivered and used in the normal course of operations. Accordingly, SCL considers these forward contracts as normal purchases and normal sales under GASB Statement No. 53. These transactions are not required to be recorded at fair value in the financial statements.

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The following table presents (in millions) the aggregate contract amounts, fair value, and unrealized gain (loss) of SCL's commodity derivative instruments qualifying as normal purchases and normal sales at December 31:

| Year 2013 | Aggregate Contract Amount | Aggregate Fair Value | Unrealized Gain (Loss) |
|-----------|---------------------------|----------------------|------------------------|
| Sales | \$ 19.4 | \$ 22.4 | \$ (3.0) |
| Purchases | 1.5 | 1.7 | 0.2 |
| Total | \$ 20.9 | \$ 24.1 | \$ (2.8) |
| Year 2012 | Aggregate Contract Amount | Aggregate Fair Value | Unrealized Gain (Loss) |
| Sales | \$ 28.5 | \$ 26.4 | \$ 2.1 |
| Purchases | 8.7 | 8.0 | (0.7) |
| Total | \$ 37.2 | \$ 34.4 | \$ 1.4 |

Fair value measurements at December 31, 2013 and 2012 used an income valuation technique consisting of Kiodek Forward Curves and Platts M2M Power Curves respectively, and interest rates from HIS Global Insight that are used to calculate discount rates.

All derivative instruments not considered as normal purchases and normal sales are to be recorded within the financial statements using derivative accounting according to GASB Statement No. 53. In 2010, the City Council adopted a resolution granting SCL authority to enter into certain physical put and call options that would not be considered normal purchases and normal sales under GASB Statement No. 53. SCL did not have any such activity for 2013 and 2012. In addition, the City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for rate-making purposes, and SCL maintains regulatory accounts to defer the accounting impact of these accounting adjustments in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Market Risk. Market risk is, in general, the risk of fluctuation in the market price of the commodity being traded and is influenced primarily by supply and demand. Market risk includes the fluctuation in the market price of associated derivative commodity instruments. Market risk may also be influenced by the number of active, creditworthy market participants, and to the extent that nonperformance by market participants of their contractual obligations and commitments affects the supply of, or demand for, the commodity. Because SCL is active in the wholesale energy market, it is subject to market risk.

Credit Risk. Credit risk relates to the potential losses that SCL would incur as a result of nonperformance by counterparties of their contractual obligations to deliver energy or make financial settlements. Changes in market prices may dramatically alter the size of credit risk with counterparties, even when conservative credit limits are established. SCL seeks to mitigate credit risk by entering into bilateral contracts that specify credit terms and protections against default, applying credit limits and duration criteria to existing and prospective counterparties, and actively monitoring current credit exposures. SCL also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

SCL has concentrations of suppliers and customers in the electric industry including electric utilities, electric generators and transmission providers, financial institutions, and energy marketing and trading companies. In addition, SCL has concentrations of credit risk related to geographic location as it operates in the western United States. These concentrations of counterparties and concentrations of geographic location may impact SCL's overall exposure to credit risk, either positively or negatively, because the counterparties may be similarly affected by changes in conditions.

Other Operational and Event Risk. There are other operational and event risks that can affect the supply of the commodity, and SCL's operations. Due to SCL's primary reliance on hydroelectric generation, the weather, including spring time snow melt, runoff, and rainfall, can significantly affect SCL's operations. Other risks include regional planned and unplanned generation outages, transmission constraints or disruptions, environmental regulations that influence the availability of generation resources, and overall economic trends.

Notes to Financial Statements

(6) CAPITAL ASSETS

Table 6-1 CHANGES IN CAPITAL ASSETS ^a
(In Thousands)

| | Restated Balance January 1 | Additions | Deletions | Balance December 31 |
|--|----------------------------------|------------|------------|------------------------|
| GOVERNMENTAL ACTIVITIES ^b | | | | |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 537,722 | \$ 5,886 | \$ 771 | \$ 542,837 |
| Construction in Progress | 307,994 | 299,608 | 224,013 | 383,589 |
| Total Capital Assets Not Being Depreciated | 845,716 | 305,494 | 224,784 | 926,426 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Buildings and Improvements | 2,202,072 | 126,204 | 48,061 | 2,280,215 |
| Machinery and Equipment | 319,870 | 44,324 | 25,703 | 338,491 |
| Infrastructure | 1,672,909 | 117,420 | - | 1,790,329 |
| Other Capital Assets | 15,911 | 1,546 | - | 17,457 |
| Total Capital Assets Being Depreciated | 4,210,762 | 289,494 | 73,764 | 4,426,492 |
| Accumulated Depreciation | | | | |
| Buildings and Improvements | 642,439 | 55,560 | 5,021 | 692,978 |
| Machinery and Equipment | 203,908 | 32,785 | 24,523 | 212,170 |
| Infrastructure | 668,314 | 53,107 | - | 721,421 |
| Other Capital Assets | 1,781 | 185 | - | 1,966 |
| Total Accumulated Depreciation | 1,516,442 | 141,637 | 29,544 | 1,628,535 |
| Total Capital Assets Being Depreciated, Net | 2,694,320 | 147,857 | 44,220 | 2,797,957 |
| Governmental Activities Capital Assets, Net | \$ 3,540,036 | \$ 453,351 | \$ 269,004 | \$ 3,724,383 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 155,062 | \$ 4,621 | \$ 653 | \$ 159,030 |
| Construction in Progress | 258,585 | 400,487 | 317,893 | 341,179 |
| Other Capital Assets | 4,098 | 319 | - | 4,417 |
| Total Capital Assets Not Being Depreciated | 417,745 | 405,427 | 318,546 | 504,626 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Plant in Service, Excluding Land | 6,340,899 | 316,621 | 36,571 | 6,620,949 |
| Buildings | 60,131 | - | - | 60,131 |
| Machinery and Equipment | 14,980 | 484 | 644 | 14,820 |
| Other Capital Assets | 75,433 | 13,510 | 9,397 | 79,546 |
| Total Capital Assets Being Depreciated | 6,491,443 | 330,615 | 46,612 | 6,775,446 |
| Accumulated Depreciation | | | | |
| Plant in Service, Excluding Land | 2,432,811 | 181,792 | 59,990 | 2,554,613 |
| Buildings | 28,060 | 2,004 | - | 30,064 |
| Machinery and Equipment | 13,377 | 616 | 644 | 13,349 |
| Other Capital Assets | 2,959 | 124 | 858 | 2,225 |
| Total Accumulated Depreciation | 2,477,207 | 184,536 | 61,492 | 2,600,251 |
| Total Capital Assets Being Depreciated, Net | 4,014,236 | 146,079 | (14,880) | 4,175,195 |
| Business-Type Activities Capital Assets, Net | \$ 4,431,981 | \$ 551,506 | \$ 303,666 | \$ 4,679,821 |

^a Some amounts may have rounding differences with Statement of Net Position.

^b The capital assets for governmental activities include the capital assets of the internal service funds. Schedules H-1, H-2, and H-3 provide additional information on the capital assets of the governmental funds.

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Table 6-2 DEPRECIATION EXPENSE BY FUNCTION
(In Thousands)

| | |
|---|------------|
| GOVERNMENTAL ACTIVITIES | |
| General Government | \$ 4,567 |
| Public Safety | 9,524 |
| Transportation | 54,593 |
| Economic Environment | 23 |
| Culture and Recreation | 38,997 |
| Subtotal | 107,704 |
| Capital assets held by internal service funds are charged to the various functions based on their usage of the assets | 33,933 |
| Total Governmental Activities | \$ 141,637 |
| BUSINESS-TYPE ACTIVITIES | |
| Light | \$ 109,842 |
| Water | 45,085 |
| Solid Waste | 6,332 |
| Drainage and Wastewater | 20,657 |
| Planning and Development | 611 |
| Parking Garage | 2,009 |
| Total Business-Type Activities | \$ 184,536 |

(7) COMPENSATED ABSENCES

The following discussion on the general liabilities of the City and the tables for the other City funds present the accrued compensated absences at the end of 2013 and 2012. The tables present the accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds at the end of 2013 and 2012.

GOVERNMENTAL ACTIVITIES

Governmental Funds

Unpaid compensated absences associated with governmental fund operations of \$82.6 million and \$78.1 million at December 31, 2013 and 2012, respectively, have been recorded in the government-wide financial statements. These amounts include unpaid holiday, compensatory, merit, and furlough time of \$17.7 million and \$16.2 million at the end of 2013 and 2012, respectively; accumulated unpaid vacation pay of \$51.2 million and \$48.5 million at the end of 2013 and 2012, respectively; and the balance for sick leave (estimated based on the termination method) of \$13.7 million and \$13.4 million at December 31, 2013 and 2012, respectively.

Internal Service Funds

Table 7-1 COMPENSATED ABSENCES IN INTERNAL SERVICE FUNDS
(In Thousands)

| | 2013 | 2012 |
|-------------------------------------|----------|----------|
| Finance and Administrative Services | \$ 4,435 | \$ 4,148 |
| Information Technology | 1,741 | 1,737 |
| Totals | \$ 6,176 | \$ 5,885 |

Notes to Financial Statements

BUSINESS-TYPE ACTIVITIES

Enterprise Funds

Table 7-2 COMPENSATED ABSENCES IN ENTERPRISE FUNDS
(In Thousands)

| | <u>2013</u> | <u>2012</u> |
|--------------------------|------------------|------------------|
| Light | \$ 17,512 | \$ 16,616 |
| Water | 4,854 | 4,722 |
| Drainage and Wastewater | 4,524 | 4,400 |
| Solid Waste | 1,655 | 1,610 |
| Planning and Development | 3,015 | 2,756 |
| Totals | <u>\$ 31,560</u> | <u>\$ 30,104</u> |

PENSION TRUST FUNDS

Table 7-3 COMPENSATED ABSENCES IN PENSION TRUST FUNDS
(In Thousands)

| | <u>2013</u> | <u>2012</u> |
|---------------------------|---------------|---------------|
| Employees' Retirement | \$ 127 | \$ 111 |
| Firemen's Pension | 73 | 64 |
| Police Relief and Pension | 60 | 54 |
| Totals | <u>\$ 260</u> | <u>\$ 229</u> |

Table 9-9 of Note 9, Long-Term Debt, presents compensated absences in governmental activities and business-type activities in the aggregate and the amount estimated to be due within the year.

(8) LEASES

CAPITAL LEASES

The City leases certain office equipment under various capital lease agreements. The City's capital lease obligations and the related assets were recorded in the appropriate funds and government-wide financial statements. The net capital lease assets shown in the following table reflect those continuing to be financed through capital leases. The minimum capital lease payments reflect the remaining capital obligations on these assets.

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Table 8-1 CAPITAL LEASES
(In Thousands)

| <u>Net Capital Lease Assets</u> | <u>Capital Assets Governmental Activities</u> |
|---------------------------------------|--|
| Machinery and Equipment | \$ 20 |
| Less Accumulated Depreciation | (18) |
| December 31, 2013 | <u>\$ 2</u> |
| <u>Minimum Capital Lease Payments</u> | <u>Long-Term Liabilities Governmental Activities</u> |
| 2014 | \$ 2 |
| Total Minimum Lease Payments | 2 |
| Less Interest | - |
| Principal | <u>\$ 2</u> |

The outstanding principal portion of the minimum capital lease payments is also presented in Table 9-9 of Note 9, Long-Term Debt.

OPERATING LEASES

Governmental Activities

The City, through its Facilities Operations Division, manages buildings and facilities that are owned by the City and has operating lease commitments on real property owned by private entities. Many lease commitments on private properties are for a term of five years or longer and may be renewed as required by the City tenant departments. The lease agreements show a periodic schedule of rental amounts. Facilities Operations Division paid rentals of approximately \$4.6 million in 2013 on the lease commitments. There are no projected rent increases apart from lease agreements entered into by the City.

In addition, Seattle Center leases a building for office space and workshop on a type of lease called a "triple net lease" for its Technical Facilities Management. The original lease agreement expired on July 30, 2010 but was renewed for another five years with new expiration date of July 30, 2015. The renewed lease agreement requires a fixed rent of \$23,420 per month subject to increases on each July 1 beginning in 2011 and every year thereafter by the percentage of change, if any, in the Consumer Price Index (CPI) for All Urban Consumers, United States Average for All Items (1982 - 84 = 100) published by the Bureau of Labor Statistics, United States Department of Labor CPI from the CPI last published in the preceding year, but not to exceed five percent for any lease year. If there is a decline in the CPI, the fixed rent during the succeeding year will be equal to the fixed rent during the immediate preceding year. All other amounts required by the landlord to be paid by Seattle Center on the lease shall constitute additional rent. On a triple net lease Seattle Center will pay all impositions on the lease, insurance premiums, utilities, taxes, operating expenses, maintenance charges, repair costs, and other charges, costs, and expenses which arise or may be contemplated during the lease term. Seattle Center paid rent in the amount of \$318,382 in 2013 on the lease. Rents are paid as they become due and payable.

Notes to Financial Statements

Minimum payments under the leases are:

Table 8-2 **OPERATING LEASE COMMITMENTS**
GOVERNMENTAL ACTIVITIES
(In Thousands)

| Year Ending December 31 | Minimum Lease Payments | | |
|----------------------------|--------------------------|-------------------|------------------|
| | Facilities Operations | Seattle Center | Total |
| 2014 | \$ 3,679 | \$ 308 | \$ 3,987 |
| 2015 | 3,097 | 181 | 3,278 |
| 2016 | 1,572 | - | 1,572 |
| 2017 | 1,029 | - | 1,029 |
| 2018 | 132 | - | 132 |
| 2019 | 44 | - | 44 |
| Total | <u>\$ 9,553</u> | <u>\$ 489</u> | <u>\$ 10,042</u> |

Business-Type Activities

Seattle City Light leases office equipment and smaller facilities for various purposes through long-term operating lease agreements. Expense for these operating leases totaled \$1.3 million in both 2013 and 2012.

The Seattle Public Utilities has non-cancelable operating lease commitments for real and personal property for its three funds: Water Fund, Drainage and Wastewater Fund, and Solid Waste Fund. The minimum payments made respectively in 2013 and 2012 were: \$365,844 and \$393,513 for the Water Fund; \$100,325 and \$110,248 for the Drainage and Wastewater Fund, and \$192,417 and \$183,979 for the Solid Waste Fund. Rents are paid as they become due and payable.

Minimum payments under the leases are:

Table 8-3 **OPERATING LEASE COMMITMENTS**
BUSINESS-TYPE ACTIVITIES
(In Millions)

| Year Ending December 31 | Minimum Payments | | | | |
|----------------------------|------------------|---------------|--------------------------|----------------|---------------|
| | City Light | Water | Drainage & Wastewater | Solid Waste | Total |
| 2014 | \$ 1.0 | \$ 0.4 | \$ 0.1 | \$ 0.2 | \$ 1.7 |
| 2015 | 1.1 | 0.4 | 0.1 | 0.2 | 1.8 |
| 2016 | 1.0 | 0.3 | 0.1 | 0.2 | 1.6 |
| 2017 | 0.9 | 0.1 | - | - | 1.0 |
| 2018 | 0.1 | 0.1 | - | - | 0.2 |
| 2019 - 2023 | - | 0.2 | 0.1 | - | 0.3 |
| 2024 - 2028 | - | 0.1 | - | - | 0.1 |
| Total | <u>\$ 4.1</u> | <u>\$ 1.6</u> | <u>\$ 0.4</u> | <u>\$ 0.6</u> | <u>\$ 6.7</u> |

The City of Seattle

LEASE REVENUES - GOVERNMENTAL ACTIVITIES

The Facilities Operations Division collects occupancy charges from the various tenants occupying real property owned or leased by the City. These tenants include other City departments, other government offices, social service agencies, and private businesses. Social service agencies frequently pay occupancy charges at reduced rates in consideration of offsetting benefits accruing to the City as a result of the services they provide to the public. Rental revenues derived from these activities are accounted for in the Finance and Administrative Services Fund, an internal service fund, and are shown in the following table.

Table 8-4 **MAJOR SOURCES OF RENTAL INCOME ON REAL PROPERTY MANAGED BY**
FACILITIES OPERATIONS DIVISION
(In Millions)

| | 2013 | 2012 |
|--|----------------|----------------|
| Non-City Property Occupied by City Departments | \$ 5.1 | \$ 5.2 |
| City-Owned Property Occupied by City Departments | 52.5 | 51.4 |
| City-Owned Property Leased to Non-City Tenants | 2.4 | 2.6 |
| Total | <u>\$ 60.0</u> | <u>\$ 59.2</u> |

Additionally, in 2013 the SeaPark Garage and the Seattle Municipal Tower Building generated \$2.7 million total parking revenues, which were recorded in the Finance and Administrative Services Fund.

Also, in 2013 the City recognized \$7.0 million in parking revenues in the Downtown Parking Garage Fund, an enterprise fund, from the operation of the garage at Pacific Place.

(9) LONG-TERM DEBT

GENERAL OBLIGATION BONDS

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, limited tax general obligation (LTGO) bonds and unlimited tax general obligation (UTGO) bonds.

The original amount of general obligation bonds issued for bonds outstanding at the end of 2013 was \$1.321 billion. The amount of bonds outstanding at December 31, 2013 was \$867.4 million. The following paragraphs discuss the general obligation bonds issued and refunded/defeased during 2013.

In June 2013, the City issued the following series of General Obligation Bonds: (1) \$42.3 million LTGO Improvement Bonds, 2013A. The bonds mature from October 2014 through October 2033 with an average coupon rate of 3.6 percent; (2) \$55.1 million LTGO Improvement Bonds, 2013B (Taxable), which matures from January 2014 through January 2025 with an average coupon rate of 1.3 percent; and (3) \$50.0 million UTGO Improvement Bonds, 2013, fully amortizing in December 2042 with an average coupon rate of 4.1 percent. The proceeds of these LTGO and UTGO bonds are used to pay all or part of the costs of construction and acquisition of various City capital projects, including Seawall, Fire Facilities, North Precinct, Golf, Rainier Beach Community Center, Magnuson Park Building, and various IT projects. In addition, the part of the taxable 2013B LTGO bonds proceeds was used for the partial refunding of the 2004 LTGO bonds.

City had no short-term general obligation debt at the end of 2013.

Notes to Financial Statements

The following table presents the individual general obligation bonds outstanding as of December 31, 2013, and other relevant information on each outstanding bond issue.

Table 9-1 **GENERAL OBLIGATION BONDS**
(In Thousands)

| Name and Purpose of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Bond Issuance | Redemptions | | Bonds |
|--|---------------|-------------------|-------------------------|---------------|-------------|----------------------|---------------------|
| | | | | | 2013 | To Date ^a | Outstanding |
| | | | | | | | December 31 |
| LIMITED TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED | | | | | | | |
| Deferred Interest Parking Garage, 1998, Series E | 11/12/98 | 12/15/01-14 | 4.714 % | \$ 13,042 | \$ 1,262 | \$ 12,345 | \$ 697 ^b |
| Various Purpose and Refunding, 2003 | 02/26/03 | 08/01/04-23 | 3.469 | 60,855 | 1,175 | 60,855 | - |
| Refunding, 2004 | 05/24/04 | 07/01/04-20 | 4.118 | 91,805 | 49,055 | 84,975 | 6,830 |
| Various Purpose and Refunding, 2005 | 03/23/05 | 08/01/05-28 | 4.167 | 129,540 | 6,075 | 79,005 | 50,535 |
| Various Purpose and Refunding, 2006 | 04/26/06 | 03/01/07-26 | 4.254 | 24,905 | 1,430 | 11,235 | 13,670 |
| Various Purpose and Refunding, 2007 | 05/02/07 | 10/01/07-28 | 4.251 | 95,550 | 2,495 | 15,505 | 80,045 |
| Various Purpose and Refunding, 2008 | 07/02/08 | 12/01/08-28 | 4.398 | 139,830 | 7,880 | 34,675 | 105,155 |
| Various Purpose and Refunding, 2009 | 03/25/09 | 11/01/09-05/01/34 | 3.574 | 99,860 | 12,040 | 39,860 | 60,000 |
| Improvement and Refunding, 2010, Series A ^c | 03/31/10 | 08/01/10-30 | 4.394 | 66,510 | - | - | 66,510 |
| Improvement and Refunding, 2010, Series B | 03/31/10 | 08/01/10-31 | 4.394 | 135,395 | 9,500 | 19,160 | 116,235 |
| Various Purpose, 2011 | 03/16/11 | 03/01/11-31 | 4.431 | 79,185 | 7,545 | 10,105 | 69,080 |
| Various Purpose and Refunding, 2012 | 05/16/12 | 09/01/12-32 | 4.603 | 75,590 | 2,540 | 2,760 | 72,830 |
| Improvement, 2013, Series A | 06/04/13 | 10/01/14-33 | 3.617 | 42,315 | - | - | 42,315 |
| Improvement and Refunding, 2013, Series B | 06/04/13 | 01/01/14-25 | 1.341 | 55,075 | - | - | 55,075 |
| Total Limited Tax General Obligation Bonds | | | | 1,109,457 | 100,997 | 370,480 | 738,977 |
| UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED | | | | | | | |
| Refunding-Variou UTGO Bonds, 1998, Series A | 03/17/98 | 09/01/98-17 | 4.470 | 53,865 | 875 | 52,835 | 1,030 |
| Refunding, 2007 | 05/02/07 | 12/01/07-18 | 3.886 | 60,870 | 6,305 | 25,355 | 35,515 |
| Refunding-Variou UTGO Bonds, 2012 | 05/16/12 | 12/01/12-21 | 4.603 | 46,825 | 4,365 | 4,960 | 41,865 |
| Improvement, 2013 | 06/04/13 | 12/01/14-42 | 4.110 | 50,000 | - | - | 50,000 |
| Total Unlimited Tax General Obligation Bonds | | | | 211,560 | 11,545 | 83,150 | 128,410 |
| Total General Obligation Bonds | | | | \$ 1,321,017 | \$ 112,542 | \$ 453,630 | \$ 867,387 |

^a Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.
^b The accreted value of the outstanding bonds as of December 31, 2013, is \$1,482,661.40. The difference is also recognized as long-term accrued interest in the Downtown Parking Garage Fund, an enterprise fund, where the bond outstanding is also recorded.
^c Issued as direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

The requirements to amortize the general obligation bonds as of December 31, 2013, are presented in the following table. Debt service for the LTGO bonds is met by transfers generally from the General Fund and certain special revenue funds and by reimbursements from proprietary funds of the City. Debt service for the UTGO bonds is covered by property tax levies that authorized the bond issues and were approved by at least 60 percent of the voters in elections in which the number of voters exceeded 40 percent of the voters in the most recent election preceding the election to vote on the bond issue.

The City of Seattle

Table 9-2 **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**
GENERAL OBLIGATION BONDS

(In Thousands)

| Year Ending December 31 | Governmental Activities | | Business-Type Activities | | Total |
|-------------------------|-------------------------|------------|--------------------------|-----------|--------------|
| | Principal | Interest | Principal | Interest | |
| 2014 | \$ 71,473 | \$ 34,477 | \$ 1,857 | \$ 3,739 | \$ 111,546 |
| 2015 | 58,902 | 31,753 | 2,950 | 2,823 | 96,428 |
| 2016 | 59,590 | 29,325 | 3,280 | 2,676 | 94,871 |
| 2017 | 61,255 | 26,843 | 3,630 | 2,512 | 94,240 |
| 2018 | 59,675 | 24,170 | 4,010 | 2,331 | 90,186 |
| 2019 - 2023 | 243,030 | 85,522 | 26,625 | 8,223 | 363,400 |
| 2024 - 2028 | 170,495 | 35,043 | 15,975 | 1,455 | 222,968 |
| 2029 - 2033 | 61,945 | 10,202 | - | - | 72,147 |
| 2034 - 2038 | 11,840 | 3,583 | - | - | 15,423 |
| 2039 - 2042 | 10,855 | 1,107 | - | - | 11,962 |
| Total | \$ 809,060 | \$ 282,025 | \$ 58,327 | \$ 23,759 | \$ 1,173,171 |

SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT

The bonds are special fund obligations of the City, the debt service of which will be paid from collections from related local improvement district (LID) assessments levied against the benefited properties located within the boundaries of the LID. Though guaranteed by the City's LID Guaranty Fund, this type of special assessment bonds does not constitute an obligation of any political subdivision thereof other than the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The amount of special assessment bonds outstanding at the end of 2013 was \$13.0 million. There were no new bond issues in 2013.

The following table shows more detail on the outstanding issue.

Table 9-3 **SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**
(In Thousands)

| Name of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Bond Issuance | Redemptions | | Bonds |
|---|---------------|---------------|-------------------------|---------------|-------------|----------|-------------|
| | | | | | 2013 | To Date | Outstanding |
| Local Improvement District No. 6750 Bonds, 2006 | 09/13/06 | 12/15/07-26 | 4.102 | \$ 21,925 | \$ - | \$ 8,920 | \$ 13,005 |

The requirements to amortize the special assessments with governmental commitment as of December 31, 2013, are shown below.

Table 9-4 **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT
(In Thousands)

| Year Ending December 31 | Principal | Interest | Total |
|-------------------------|-----------|----------|-----------|
| 2014 | \$ - | \$ 537 | \$ 537 |
| 2015 | - | 537 | 537 |
| 2016 | - | 537 | 537 |
| 2017 | - | 537 | 537 |
| 2018 | - | 537 | 537 |
| 2019 - 2023 | - | 2,148 | 2,148 |
| 2024 - 2026 | 13,005 | 1,611 | 14,616 |
| Total | \$ 13,005 | \$ 6,444 | \$ 19,449 |

Notes to Financial Statements

NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES

The Seattle Department of Transportation (SDOT) has outstanding notes drawn in several years from the Washington State's Public Works Trust Loan program administered by the Washington State Public Works Board, a division of the Department of Commerce (formerly Department of Community, Trade, and Economic Development). The notes were drawn at varying low annual interest rates ranging from 0.5 percent to 3.0 percent. The proceeds of the loan support City road and bridge improvements. The City paid \$2.1 million and \$0.2 million in principal and interest, respectively, in 2013. The outstanding balance on the notes at December 31, 2013, is \$16.6 million. The following table presents the annual debt service requirements to maturity on the notes as of the end of 2013.

**Table 9-5 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
SEATTLE DEPARTMENT OF TRANSPORTATION
PUBLIC WORKS TRUST LOAN NOTES
(In Thousands)**

| Year Ending December 31 | Principal | Interest | Total |
|----------------------------|------------------|---------------|------------------|
| 2014 | \$ 2,051 | \$ 155 | \$ 2,206 |
| 2015 | 1,912 | 126 | 2,038 |
| 2016 | 1,723 | 101 | 1,824 |
| 2017 | 1,519 | 78 | 1,597 |
| 2018 | 1,355 | 59 | 1,414 |
| 2019 - 2023 | 5,360 | 122 | 5,482 |
| 2024 - 2028 | 1,762 | 26 | 1,788 |
| 2029 - 2033 | 947 | 5 | 952 |
| Total | \$ 16,629 | \$ 672 | \$ 17,301 |

REVENUE BONDS

The City also issues revenue bonds to provide financing for the capital programs of the four utilities of the City, namely, City Light and the utilities grouped under Seattle Public Utilities, which are Water, Drainage and Wastewater, and Solid Waste. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. The original amount of revenue bonds issued for bonds outstanding at the end of 2013 was approximately \$4.505 billion. The total outstanding amount at December 31, 2013, was \$3.391 billion. During 2013 an additional \$190.8 million of revenue bonds were issued.

City Light

On July 9, 2013, the City issued \$190.8 million Municipal Light and Power Improvement and Refunding Revenue Bonds (Parity) to advance refund \$14.2 million of the outstanding 2004 bond series and finance certain capital improvements to the City's light system. Also \$2.4 million was used to make a deposit to the Reserve Fund. Further discussion on the advance refunding is shown in the Advance and Current Refunding sections of this note.

The business-type funds had no short-term debt at December 31, 2013.

The City of Seattle

The following table presents the individual revenue bonds outstanding as of December 31, 2013, and other pertinent information on each outstanding bond issue.

**Table 9-6 REVENUE BONDS
(In Thousands)**

| Name and Purpose of Issue | Issuance Date | Maturity Dates | Effective Interest Rates | Bond Issuance | Redemptions | | Bonds Outstanding December 31 |
|---|------------------|-------------------|--------------------------------|---------------------|-------------------|----------------------|-------------------------------------|
| | | | | | 2013 | To Date ^a | |
| MUNICIPAL LIGHT AND POWER (ML&P) BONDS | | | | | | | |
| 2003 Parity, Refunding | 08/20/03 | 11/01/04-28 | 3.517 | \$ 251,850 | \$ 4,410 | \$ 251,850 | \$ - |
| 2004 Parity | 12/23/04 | 08/01/05-29 | 4.159 | 284,855 | 32,485 | 143,780 | 141,075 |
| 2008 Parity | 12/30/08 | 04/01/09-29 | 5.522 | 257,375 | 14,500 | 56,235 | 201,140 |
| 2010 Parity, Series A ^b | 05/26/10 | 02/01/21-40 | 3.566 | 181,625 | - | - | 181,625 |
| 2010 Parity, Series B | 05/26/10 | 02/01/11-26 | 3.413 | 596,870 | 41,880 | 86,730 | 510,140 |
| 2010 Parity, Series C ^c | 05/26/10 | 02/01/11-40 | 3.112 | 13,275 | - | - | 13,275 |
| 2011 Parity, Series A, Refunding | 02/08/11 | 02/01/11-36 | 4.544 | 296,315 | 4,555 | 18,290 | 278,025 |
| 2011 Parity, Series B ^d | 02/08/11 | 02/01/11-27 | 1.957 | 10,000 | - | - | 10,000 |
| 2012 Parity, Series A | 07/17/12 | 06/01/14 | 3.147 | 293,280 | 3,770 | 3,770 | 289,510 |
| 2012 Parity, Series B, Refunding | 07/17/12 | 12/01/14 | 0.750 | 9,355 | 4,430 | 4,575 | 4,780 |
| 2012 Parity, Series C ^d | 07/17/12 | 06/01/33 | 0.586 | 43,000 | - | - | 43,000 |
| 2013 Parity | 07/09/13 | 07/01/43 | 4.051 | 190,755 | - | - | 190,755 |
| Total Light Bonds | | | | 2,428,555 | 106,030 | 565,230 | 1,863,325 |
| MUNICIPAL WATER BONDS | | | | | | | |
| 2003 Parity, Refunding | 05/12/03 | 09/01/03-33 | 4.083 | 271,320 | 9,265 | 255,100 | 16,220 |
| 2004 Parity | 10/25/04 | 09/01/05-34 | 4.580 | 84,750 | 1,870 | 82,790 | 1,960 |
| 2005 Parity, Refunding | 12/28/05 | 09/01/06-29 | 4.482 | 138,040 | 5,050 | 24,910 | 113,130 |
| 2006 Parity, Refunding | 10/23/06 | 02/01/08-37 | 4.424 | 189,970 | 4,865 | 21,820 | 168,150 |
| 2008 Parity, Refunding | 12/15/08 | 08/01/09-38 | 4.978 | 205,080 | 5,190 | 25,065 | 180,015 |
| 2010 Parity, Series A ^b | 01/21/10 | 08/01/19-40 | 3.718 | 109,080 | - | - | 109,080 |
| 2010 Parity, Series B, Refunding | 01/21/10 | 08/01/10-27 | 3.298 | 81,760 | 5,130 | 18,370 | 63,390 |
| 2012 Parity, Refunding | 05/30/12 | 09/01/12-34 | 2.631 | 238,770 | 1,260 | 3,705 | 235,065 |
| Total Water Bonds | | | | 1,318,770 | 32,630 | 431,760 | 887,010 |
| MUNICIPAL DRAINAGE AND WASTEWATER BONDS | | | | | | | |
| 2004 Parity | 10/28/04 | 09/01/05-34 | 4.583 | 62,010 | 1,390 | 53,140 | 8,870 |
| 2006 Refunding | 11/01/06 | 02/01/07-37 | 4.423 | 121,765 | 4,090 | 21,650 | 100,115 |
| 2008 Parity | 04/16/08 | 06/01/09-38 | 4.830 | 84,645 | 1,575 | 7,285 | 77,360 |
| 2009 Parity, Series A ^b | 12/17/09 | 11/01/17-39 | 3.538 | 102,535 | - | - | 102,535 |
| 2009 Parity & Refunding, Series B | 12/17/09 | 11/01/10-27 | 2.907 | 36,680 | 3,360 | 13,455 | 23,225 |
| 2012 Parity & Refunding | 06/27/12 | 09/01/12-42 | 3.327 | 222,090 | 4,800 | 8,915 | 213,175 |
| Total Drainage and Wastewater Bonds | | | | 629,725 | 15,215 | 104,445 | 525,280 |
| SOLID WASTE BONDS | | | | | | | |
| 2007 Revenue & Refunding | 12/12/07 | 02/01/08-33 | 4.505 | 82,175 | 2,295 | 10,240 | 71,935 |
| 2011 Revenue | 06/22/11 | 08/01/12-36 | 4.227 | 45,750 | 1,035 | 1,810 | 43,940 |
| Total Solid Waste Bonds | | | | 127,925 | 3,330 | 12,050 | 115,875 |
| Total Utility Revenue Bonds | | | | \$ 4,504,975 | \$ 157,205 | \$ 1,113,485 | \$ 3,391,490 |

^a Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

^b Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

^c Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

^d Issued as taxable New Clean Renewable Energy Bonds.

Notes to Financial Statements

The requirements to amortize the revenue bonds as of December 31, 2013, are presented below.

**Table 9-7 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
REVENUE BONDS
(In Thousands)**

| Year Ending December 31 | Light | | Water | | Drainage and Wastewater | | Solid Waste | | Total |
|----------------------------|-------------|------------|------------|------------|-------------------------|------------|-------------|-----------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2014 | \$ 99,670 | \$ 90,136 | \$ 33,545 | \$ 43,369 | \$ 15,825 | \$ 25,282 | \$ 3,495 | \$ 5,549 | \$ 316,871 |
| 2015 | 101,800 | 85,444 | 35,015 | 41,836 | 16,415 | 24,620 | 3,665 | 5,372 | 314,167 |
| 2016 | 100,455 | 80,394 | 36,700 | 40,126 | 17,220 | 23,899 | 3,855 | 5,185 | 307,834 |
| 2017 | 101,625 | 75,337 | 38,450 | 38,334 | 18,070 | 23,124 | 4,045 | 4,989 | 303,974 |
| 2018 | 102,225 | 70,500 | 40,315 | 36,455 | 18,905 | 22,252 | 4,260 | 4,783 | 299,695 |
| 2019 - 2023 | 490,590 | 278,923 | 228,295 | 150,521 | 102,510 | 96,859 | 22,850 | 20,621 | 1,391,169 |
| 2024 - 2028 | 386,205 | 160,946 | 212,460 | 93,715 | 114,185 | 70,687 | 28,730 | 14,317 | 1,081,245 |
| 2029 - 2033 | 192,830 | 91,893 | 156,465 | 47,512 | 105,810 | 41,868 | 36,285 | 6,772 | 679,435 |
| 2034 - 2038 | 182,400 | 45,575 | 91,845 | 16,435 | 90,805 | 17,433 | 8,690 | 883 | 454,066 |
| 2039 - 2043 | 105,525 | 10,076 | 13,920 | 1,237 | 25,535 | 2,304 | - | - | 158,597 |
| Total | \$1,863,325 | \$ 989,224 | \$ 887,010 | \$ 509,540 | \$ 525,280 | \$ 348,328 | \$ 115,875 | \$ 68,471 | \$ 5,307,053 |

NOTES AND CONTRACTS PAYABLE – BUSINESS-TYPE ACTIVITIES

Seattle Public Utilities (SPU) has various construction projects that are financed by low-interest loans issued by the State of Washington. The loan agreements require that SPU finance a portion of these projects from other sources. SPU's Water Fund as well as its Drainage and Wastewater Fund utilize these loans to enhance and protect the City's water, drainage, and wastewater systems.

Water

In 2008, the Fund entered into a loan agreement to borrow \$8.1 million from the same program at 1.5 percent interest per year and a repayment period of 17 to 18 years. Proceeds from this loan were used to finance the Myrtle and Beacon Reservoir projects. As of December 31, 2013, this loan has an outstanding balance of \$5.4 million.

In 2009, the Fund entered into a loan agreement to borrow \$3.0 million from the same program at 1.5 percent per annum and payable in 18 years. Proceeds from this loan were used to finance the West Seattle Reservoir project. As of December 31, 2013, this loan has an outstanding balance of \$2.2 million.

Also in 2009, the Fund entered into two loan agreements to borrow, totaling \$9.0 million, from the same program to be used to finance the Maple Lead Reservoir project. The first loan, in the amount of \$5.9 million, was funded with resources from the American Recovery and Reinvestment Act of 2009 (ARRA) at 1.0 percent annual interest and payable in 19 years. The second loan, in the amount of \$3.0 million, bears interest of 1.5 percent per annum and a repayment period of 19 years. As of December 31, 2013, these loans have an outstanding balance of \$9.6 million.

Amounts paid for all loans in 2013 totaled \$1.2 million and \$234 thousand, in principal and interest, respectively. The combined outstanding balance of the loans at December 31, 2013 is \$17.2 million. The minimum debt service requirements to maturity are included in Table 9-8.

Drainage and Wastewater

During 2004, the Fund entered into a loan agreement to borrow up to \$3.7 million from the Washington State Department of Commerce under its Public Works Trust Loan program for the construction of certain capital improvements. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid in 20 annual installments plus interest. Proceeds from this loan were used to finance the Thornton Creek Natural Drainage Systems. As of December 31, 2013, this loan has an outstanding balance of \$2.2 million.

In 2005, the Fund entered into a loan agreement with the Washington State Department of Ecology under its Public Works Trust Loan program to borrow up to \$2.7 million to support the construction of improvements of the High Point Natural Drainage Systems project. Amounts under this agreement accrue interest at 1.5 percent per annum and are to be repaid in 20 annual installments. As of December 31, 2013, the loan has an outstanding balance of \$2.2 million.

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In 2006, the Fund entered into a loan agreement with the Washington State Department of Commerce under its Public Works Trust Loan program to borrow up to \$3.4 million to support the construction of the South Park Flood Control and Local Drainage program. Amounts borrowed under the agreement accrue interest at 0.5 percent per annum and are to be repaid over 20 years. As of December 31, 2013, the loan has an outstanding balance of \$2.4 million.

In 2008, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$7.0 million to support the construction and site improvements of the Thornton Creek Water Quality Channel. Amounts borrowed under this agreement accrue interest at 1.5 percent per annum and are to be repaid over 20 years beginning in 2010. As of December 31, 2013, the loan has an outstanding balance of \$6.1 million.

In 2009, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.4 million to support the Ballard Green Streets project. This loan was funded with resources from the ARRA which provides a 50-percent forgivable provision. In 2010, the Fund borrowed \$0.7 million of which \$0.4 million is forgivable. More draw downs are anticipated in the future. As of December 31, 2013, the loan has an outstanding balance of \$0.5 million.

In 2011, the Fund was approved for a public works trust fund loan of \$4.0 million from the Washington State Department of Commerce for construction and site improvements in the Midvale area of Seattle. Amounts borrowed under this agreement accrue interest at 0.5 percent per annum and are to be repaid by June 2032. In 2013, the Fund made an additional draw of \$426 thousand. As of December 31, 2013, the loan has an outstanding balance of \$3.8 million.

In 2012, the Fund entered into a loan agreement with the Washington State Department of Ecology to borrow up to \$1.9 million to support the design and construction of the storm water facility for the Capitol Hill Water Quality Project. Amounts borrowed under this agreement accrue interest at 2.6 percent per annum and are to be repaid over 20 years. As of December 31, 2013, the loan has an outstanding balance of \$1.3 million.

Amounts paid to all loans in 2013 totaled \$1.1 million in principal and approximately \$191 thousand in interest. Total loans outstanding as of December 31, 2013 are \$18.4 million. The minimum debt service requirements to maturity are included in Table 9-8.

**Table 9-8 ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY
SEATTLE PUBLIC UTILITIES
PUBLIC WORKS TRUST LOAN AND OTHER NOTES
(In Thousands)**

| Year Ending December 31 | Water | | Drainage and Wastewater | | Total |
|----------------------------|-----------|----------|-------------------------|----------|-----------|
| | Principal | Interest | Principal | Interest | |
| 2014 | \$ 1,125 | \$ 224 | \$ 1,116 | \$ 167 | \$ 2,632 |
| 2015 | 1,125 | 209 | 1,162 | 208 | 2,704 |
| 2016 | 1,125 | 194 | 1,189 | 179 | 2,687 |
| 2017 | 1,125 | 179 | 1,199 | 165 | 2,668 |
| 2018 | 1,125 | 163 | 1,210 | 153 | 2,651 |
| 2019 - 2023 | 5,625 | 593 | 5,989 | 568 | 12,775 |
| 2024 - 2028 | 4,367 | 230 | 4,713 | 271 | 9,581 |
| 2029 - 2033 | 1,629 | 39 | 1,737 | 49 | 3,454 |
| 2034 - 2038 | - | - | 44 | 1 | 45 |
| Total | \$ 17,246 | \$ 1,831 | \$ 18,359 | \$ 1,761 | \$ 39,197 |

Notes to Financial Statements

The following table shows the long-term liability activities during the year ended December 31, 2013.

Table 9-9 **CHANGES IN LONG-TERM LIABILITIES ^a**
(In Thousands)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------|------------|------------|----------------|---------------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 772,950 | \$ 147,390 | \$ 111,280 | \$ 809,060 | \$ 72,170 |
| Issuance Premiums and Discounts, Net | 56,070 | 9,692 | 11,843 | 53,919 | - |
| Special Assessment Bonds with Governmental Commitment ^b | 13,005 | - | - | 13,005 | - |
| Total Bonds Payable | 842,025 | 157,082 | 123,123 | 875,984 | 72,170 |
| Notes and Contracts | | | | | |
| Capital Leases | 6 | - | 4 | 2 | 2 |
| Other Notes and Contracts | 18,748 | - | 2,111 | 16,631 | 2,051 |
| Total Notes and Contracts | 18,748 | - | 2,115 | 16,633 | 2,053 |
| Environmental Liability ^c | | | | | |
| General Contamination Cleanup | 259 | 675 | - | 934 | - |
| Compensated Absences | 84,078 | 4,708 | - | 88,786 | 19,575 |
| Claims Payable | | | | | |
| Workers' Compensation | 25,258 | 2,916 | - | 28,174 | 8,320 |
| General Liability | 47,387 | - | 2,612 | 44,775 | 12,739 |
| Health Care Claims | 2,248 | 779 | - | 3,027 | - |
| Total Claims Payable ^d | 74,893 | 3,695 | 2,612 | 75,976 | 21,059 |
| Arbitrage Rebate Liability | 17 | - | 5 | 12 | - |
| Unfunded Other Post Employment Benefits | 64,208 | 9,964 | - | 74,172 | - |
| Other Noncurrent Liabilities | 6,350 | - | 6,134 | 216 | - |
| Total Long-Term Liabilities from Governmental Activities | \$ 1,090,578 | \$ 176,124 | \$ 133,989 | \$ 1,132,713 | \$ 114,857 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Bonds Payable | | | | | |
| General Obligation Bonds | \$ 59,589 | \$ - | \$ 1,262 | \$ 58,327 | \$ 1,857 |
| Revenue Bonds | 3,357,940 | 190,755 | 157,205 | 3,391,490 | 152,535 |
| Issuance Premiums and Discounts, Net | 218,285 | - | 3,278 | 215,007 | - |
| Total Bonds Payable | 3,635,814 | 190,755 | 161,745 | 3,664,824 | 154,392 |
| Notes and Contracts - Other | 34,763 | 843 | - | 35,606 | 2,241 |
| Environmental Liability ^c | | | | | |
| General Contamination Cleanup | 115,388 | 5,371 | - | 120,759 | 17,134 |
| Compensated Absences | 30,425 | 1,135 | - | 31,560 | 3,197 |
| Claims Payable | | | | | |
| Workers' Compensation | 9,637 | 1,137 | - | 10,774 | 3,182 |
| General Liability | 18,369 | - | 3,075 | 15,294 | 3,317 |
| Total Claims Payable ^d | 28,006 | 1,137 | 3,075 | 26,068 | 6,499 |
| Unearned Revenues | 16,469 | 4,218 | - | 20,687 | - |
| Habitat Conservation Program Liability | 6,911 | - | 681 | 6,230 | 805 |
| Landfill Closure and Postclosure Costs | 18,617 | - | 1,656 | 16,961 | 987 |
| Unfunded Other Post Employment Benefits | 11,912 | 2,858 | - | 14,770 | - |
| Other Noncurrent Liabilities | 2,711 | 550 | - | 3,261 | - |
| Total Long-Term Liabilities from Business-Type Activities | \$ 3,901,016 | \$ 206,867 | \$ 167,157 | \$ 3,940,726 | \$ 185,255 |

^a Some amounts may have rounding differences with the Statement of Net Position.

^b The Special Assessment Bonds carry neither premiums nor discounts.

^c See Note 10, Environmental Liabilities for a detailed discussion.

^d See Note 16, Contingencies, for a discussion of risk management, environmental, and other matters. The table in Note 16 also includes information on workers' compensation and health care.

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The City's internal service funds predominantly serve governmental funds. For this reason the above totals in the governmental activities include the long-term liabilities for these funds. At the end of the year compensated absences and claims payable of these funds amounted to approximately \$3.2 million and \$2.0 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust loans), compensated absences, and workers' compensation other than those pertaining to the internal service funds are liquidated using the respective governmental funds of operating City departments, including those funded by the General Fund. General liability and health care claims relating to internal service funds are liquidated using the General Fund. Liabilities for compensated absences for governmental activities in governmental funds that have department operating budgets, though they are reported as a general obligation of the City, are paid from these funds when these compensated absences are used by the employees or cashed out by them at termination or retirement. Arbitrage rebate liabilities in governmental activities are paid as they become due and usually come from available resources in governmental funds that received the related bond proceeds and investment earnings from the proceeds.

In addition to paying for debt service on the bond issues for business-type City operations, each business-type fund liquidates its respective other long-term liabilities, with the exception of the Department of Planning and Development (DPD) for general liability. The General Fund pays for DPD's general liability, if any. Environmental liabilities of governmental activity funds are paid from the governmental funds while environmental liabilities of business-type activity funds are paid respectively from the utility funds. Purchased power obligations are obligations of City Light and therefore paid from the Light Fund. For further discussion on purchased power, see Note 15, Commitments.

ADVANCE AND CURRENT REFUNDINGS

In order to lower interest costs the City refunded and defeased certain bonds. To do so, the City issued new refunding bonds to refund certain prior bond issues and also used its own resources to defease certain prior bond issues. In most cases, City resources and the proceeds of refunding bonds are placed in irrevocable trusts for the purchase of federal, state, and local government securities to provide for all future debt service on the old bonds. As a result, the old bonds including those refunded are considered defeased, and the corresponding liabilities are not included in the statement of net position. In some cases, like for City Light and Water bonds in the past three years, proceeds are kept with the City as restricted cash until the refunded bonds are called, usually within 90 days. The following paragraph discusses the advance and current refundings that occurred in 2013.

General Government

The portion of the \$55.1 million LTGO Improvement Bonds, 2013B, issued by the City on June 4, 2013, were used partially to refund 2004 LTGO Refunding of 1996 A for \$42.6 million. The aggregate total debt service on the refunded bonds requires a cash flow of \$51.2 million, including \$8.7 million in interest. The aggregate total debt service on the refunding bonds requires a cash flow of \$45.9 million, including interest of \$1.9 million. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled approximately \$5.3 million, and the aggregate economic gain amounted to approximately \$4.1 million at net present value.

City Light

The refunding portion of the \$203.5 million in 2013 provided both new money to the Department and advance refunded \$14.2 million of the outstanding 2004 bond series. In addition to advance refunding a portion of the 2004 bond series, the Bonds were issued to finance certain capital improvements and conversation programs for the Light System of the City of Seattle and to make a deposit to the Reserve fund of \$2.4 million.

The refunding resulted in the recognition of a loss on refunding of \$800 thousand, and the economic gain totaled \$700 thousand at net present value. The arbitrage yield for the bonds is 3.91 percent. The debt service for the 2013 bonds requires a cash flow over the life of the bonds of \$352.2 million, including \$161.4 million in interest. The difference between the cash flows required to service the old and new debt and to complete the refunding totaled \$1.4 million.

Notes to Financial Statements

The following is a schedule of outstanding bonds that are either refunded or defeased.

Table 9-10 REFUNDED/DEFEASED BONDS
(In Thousands)

| Name of Issue | Issuance Date | Maturity Date | Effective Interest Rate | Original Bond Issuance | Amount Transferred To Trustee | Trustee Redemptions To Date 2013 | Defeased Outstanding December 31 |
|--|---------------|---------------|-------------------------|------------------------|-------------------------------|----------------------------------|----------------------------------|
| GENERAL OBLIGATION BONDS | | | | | | | |
| Limited Tax (Non-Voted) | | | | | | | |
| Various Purpose and Refunding, 2003, Defeased 4/4/07 | 02/26/03 | 08/01/04-23 | 3.469 % | \$ 48,480 | \$ 2,715 | \$ 2,715 | \$ - |
| Various Purpose and Refunding, 2003, Defeased 8/30/07 | | | | | 3,180 | 3,180 | - |
| Various Purpose and Refunding, 2003, Defeased 12/17/08 | | | | | 6,480 | 6,480 | - |
| Various Purpose and Refunding, 2003, Refunded 5/16/12 | | | | | 5,320 | 5,320 | - |
| Refunding, 2004, Refunded 6/4/13 | 05/24/04 | 07/01/04-20 | 4.118 | 91,805 | 42,565 | - | 42,565 |
| Various Purpose and Refunding, 2005, Refunded 5/16/12 | 03/23/05 | 08/01/05-28 | 4.603 | 129,540 | 20,160 | - | 20,160 |
| REVENUE BONDS | | | | | | | |
| Municipal Light and Power | | | | | | | |
| 2003 Parity, Refunding, Refunded 7/17/12 | 08/20/03 | 11/01/04-28 | 4.440 | 251,850 | 121,435 | 121,435 | - |
| 2004 Parity, Refunded 7/17/12 | 12/23/04 | 08/01/05-29 | 4.230 | 284,855 | 41,750 | - | 41,750 |
| Municipal Water | | | | | | | |
| 2003 Parity Refunding, Refunded 5/30/12 | 05/12/03 | 12/31/03-33 | 4.083 | 271,320 | 151,340 | 151,340 | - |
| 2004 Parity, Refunded 5/30/12 | 10/25/04 | 09/01/05-34 | 4.580 | 84,750 | 68,125 | - | 68,125 |
| Municipal Drainage and Wastewater | | | | | | | |
| 2004 Parity, Refunded 6/27/12 | 10/28/04 | 09/01/05-34 | 4.583 | 62,010 | 42,540 | - | 42,540 |
| Total Refunded/Defeased Bonds | | | | \$ 1,224,610 | \$ 505,610 | \$ 290,470 | \$ 215,140 |

ARBITRAGE

Since 1995 the City has been reviewing arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. For bonds that have reached their installment computation dates (bonds outstanding for five years initially and every five years thereafter until the last of the bond issue matures), the City paid arbitrage rebate of \$19 thousand on its general obligation bonds in 2011 and none in 2012. As of December 31, 2013, arbitrage rebate liability on general obligation bonds and revenue bonds are \$12 thousand and none, respectively.

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(10) ENVIRONMENTAL LIABILITIES

Following is a brief description of the significant sites:

- The Harbor Island Superfund Site. In 1983, the U.S. Environmental Protection Agency (EPA) designated this site as a federal Superfund site. The City and other entities are sharing costs of investigating contamination in the East Waterway alongside Harbor Island. The City's involvement stems from its sale of transformers to a company on Harbor Island. The City is one of four parties who are conducting a remedial investigation and feasibility study that will delineate cleanup actions. The EPA approved the remedial investigation report. The City's ultimate liability is indeterminate.
- The Lower Duwamish Waterway Superfund Site. In 2001, the EPA designated this site as a federal Superfund site for contaminated sediments. The City's involvement is attributable to its land ownership/use of property along the river. The City is one of four parties who signed an Administrative Order on Consent (AOC) with the EPA and Washington State Department of Ecology (DOE) to conduct a remedial investigation and feasibility study to prepare a site remedy. The EPA approved the feasibility study in November 2012. In February 2013, the EPA issued the Proposed Plan for cleanup of the Lower Duwamish Waterway Superfund Site indicating EPA's preferred alternative cleanup with an estimated cost of \$305.0 million. The Proposed Plan is subject to public comment. At this time, the cost of certain additional undefined requirements by the EPA is unknown. The City's ultimate liability is indeterminate.

In November 2012, the EPA issued general notification letters to over 200 parties informing them of their potential liability for the Lower Duwamish Waterway cleanup. The original parties of the AOC have agreed to invite some of those parties to participate in an alternative dispute resolution process (the "allocation process") to resolve their respective shares of past and future costs. The City has selected an allocator. The development of the allocation process agreement is ongoing. Parties participating in the allocation process will share the cost of the allocator and the process.

- North Boeing Field/Georgetown Steam Plant. The City, King County, and Boeing have signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the City's Georgetown Steam Plant, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing has agreed to pay 67 percent of the costs for DOE's implementation of the order. The order requires completion and then implementation of a remedial investigation and feasibility study work plan. The final remedial investigation work plan was issued in November 2013. Boeing and the City will each pay 100 percent of costs for remedial action at their own facilities.
- Gas Works Park Sediment Site. In April 2002 the DOE named the City and another party, Puget Sound Energy, as partially responsible parties for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two remedial investigations and two feasibility studies 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 Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20 percent of the Shared Costs incurred by Puget Sound Energy for the cleanup work. One set of remedial investigation and feasibility study reports include an evaluation of the nature and extent of contamination on the site, an evaluation of multiple alternatives for remediating the sediments, and a recommended preferred alternative. Puget Sound Energy collected additional environmental data in 2013 and the second remedial investigation is expected to be completed in 2014 followed by the feasibility study in 2015. A Clean-up Action Plan is expected from the DOE in about 2016.
- 7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Avenue South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012.
- South Park. The City and a private developer are under an Agreed Order with the DOE to perform a remedial investigation and feasibility study and to draft a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. The City and developer submitted a draft remedial investigation and feasibility study report in April 2012 and are negotiating with DOE to finalize the report and move forward to draft a Cleanup Action Plan. DOE has approved an interim cleanup action by the developer on his portion of site property to take place in 2014. In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup.

Notes to Financial Statements

The City 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 Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price fluctuations, technology advances, or applicable laws or regulations.

The City is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted above. The City's estimate for realized recoveries was \$0.1 million and \$0.7 million, at December 31, 2013 and 2012, respectively. The City's estimate for not-yet-realized recoveries from other parties for their share of remediation work that offset the City's estimated environmental liability was zero and \$0.5 million, at December 31, 2013 and 2012, respectively.

The changes in the provision for environmental liability (in millions) at December 31, 2013 and 2012 are as follows:

| | 2013 | 2012 |
|---|-----------------|-----------------|
| Beginning Environmental Liability, Net of Recovery Payments or Amortization | \$ 115.7 | \$ 34.7 |
| Incurred Environmental Liability | (4.9) | (8.6) |
| Ending Environmental Liability, Net of Recovery | <u>\$ 121.7</u> | <u>\$ 115.7</u> |

The provision for environmental liability (in millions) included in current and noncurrent liability at December 31, 2013 and 2012, is as follows:

| | 2013 | 2012 |
|-------------------------------------|-----------------|-----------------|
| Environmental Liability, Current | \$ 17.1 | \$ 16.7 |
| Environmental Liability, Noncurrent | 104.6 | 99.0 |
| Total | <u>\$ 121.7</u> | <u>\$ 115.7</u> |

Information on the City's environmental liability is also presented in Note 9, Long-Term Debt, Table 9-9.

(11) PENSIONS, DEFERRED COMPENSATION, AND OTHER POSTEMPLOYMENT BENEFITS

City of Seattle employees are covered in one of the following defined benefit pension plans: Seattle City Employees' Retirement System (SCERS), Firemen's Pension Fund, Police Relief and Pension Fund, and Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF). The first three plans are considered part of the City's reporting entity and are reported as pension trust funds. The State of Washington through the Department of Retirement Systems (DRS) administers and reports LEOFF Plans 1 and 2.

The City of Seattle

Table 11-1

PENSION PLAN INFORMATION

| | Employees' Retirement | Firemen's Pension | Police Relief and Pension | LEOFF Plan 1 | LEOFF Plan 2 |
|---|--------------------------------|--------------------|---------------------------|--|--|
| Actuarial Valuation Date | 1/1/2013 | 1/1/2013 | 1/1/2013 | 6/30/2012 | 6/30/2012 |
| Actuarial Cost Method | Entry Age | Entry Age | Entry Age | Frozen Initial Liability | Aggregate ^a |
| Asset Valuation Method | 5-Year Smoothing Method | Fair Value | Fair Value | 8-Year Graded Smoothed Fair Value ^b | 8-Year Graded Smoothed Fair Value ^b |
| Amortization Method | Level % | Level \$ | Level \$ | Level % ^c | N/A |
| Period | Does Not Amortize ^d | 30.0 years | 30.0 years | 12.0 years | N/A |
| Approach | Open | Open | Closed | Closed | Open |
| Actuarial Assumptions | | | | | |
| Inflation Rate (CPI) | 3.50% | 2.50% ^e | 2.50% ^e | 3.00% | 3.00% |
| Investment Rate of Return | 7.75% | 3.75% ^e | 3.75% ^e | 7.90% | 7.50% |
| Projected Salary Increases - General | 4.00% | 3.25% ^e | 3.25% ^e | 3.75% | 3.75% |
| Projected Salary Increases - Step Merit | N/A | N/A | N/A | Varies ^f | Varies ^f |
| Postretirement Benefit Increases | 1.50% | 2.50% ^g | 2.50% ^g | 3.00% | 3.00% |

^a The aggregate cost method does not identify or separately amortize unfunded actuarial liabilities.

^b The actuarial value of assets is calculated under an adjusted market value method by starting with the market value of assets. For subsequent years the actuarial value of assets is determined by adjusting the market value of assets to reflect the difference between the actual investment return and the expected investment return during each of the last eight years or, if fewer, the completed years since adoption.

^c Funding is Level %; GASB is Level \$.

^d As of the January 1, 2013 valuation, the Contribution Rate of 22.92% is not sufficient to amortize the UAAL based on the 2013 valuation over the maximum allowable period of 30 years. Please refer to the complete actuarial study available from SCERS for details.

^e Long-term assumption.

^f For specific information, please refer to the 2012 Actuarial Valuation Report issued by the Washington Office of the State Actuary.

^g Other post benefits increase at the same rate as the CPI and the CPI is assumed to increase in the loan term at the rate of 2.5% per annum.

SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM

Plan Description

The Seattle City Employees' Retirement System (SCERS) is a single-employer defined-benefit public employee retirement system established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36.

All employees of the City of Seattle are eligible for membership in the system with the exception of law enforcement officers and fire fighters who are covered under the statewide LEOFF plans administered by the state Department of Retirement Systems. Employees of METRO and the King County Health Department who established membership in the system when these organizations were City of Seattle departments were allowed to continue their membership. Current membership in SCERS consisted of the following at December 31, 2013:

| | |
|--|-------|
| Retirees and Beneficiaries Receiving Benefits | 5,880 |
| Terminated Plan Members Entitled To But Not Yet Receiving Benefits, Vested | 1,170 |
| Active Plan Members, Vested and Non-vested | 8,604 |

Notes to Financial Statements

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after 5 years of credited service, while death and disability benefits vest after 10 years of credited service. Retirement benefits are calculated as 2 percent multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months. The benefit is actuarially reduced for early retirement. City employees may retire at any age with 30 years of service, at age 52 or older with 20-29 years of service, at age 57 or older with 10-19 years of service, and at age 62 or older with 5 to 9 years of service. These benefit provisions and all other requirements are established and may be amended by City ordinances.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage.

The Seattle City Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website http://www.seattle.gov/retirement/annual_report.htm.

Summary of Significant Accounting Policies

Basis of Accounting

The Seattle City Employees' Retirement System is accounted for as a pension trust fund. The financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting as discussed in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

Investments, including securities lending transactions as discussed in Note 3, are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. All investments, with the exception of real estate and private equity, are valued based on closing market prices or broker quotes. Securities not having a quoted market price have been valued based on yields currently available on comparable securities of issuers with similar credit ratings. The fair value of real estate investments is based on estimated current values and independent appraisals. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. Securities and securities lending transactions are reflected in the financial statements on a trade-date basis. The Retirement Board provides its investment managers with a set of investment guidelines. In general, these guidelines require that investments with any one issuer do not exceed 5 percent of the net position value of a manager's portfolio.

Contributions and Reserves

Member and employer contribution rates are established by SMC 4.36.

SCERS funding policy provides for periodic employee and employer contributions at actuarially determined rates expressed as percentages of annual covered payroll to accumulate sufficient assets to pay benefits when due. Funds accumulated and investment earnings are used to pay present and future benefit obligations and administrative expenses. The employer contribution rate is determined by the actuarial formula identified as the Entry-Age Actuarial Cost Method. The formula determines the amount of contributions necessary to fund the current service cost, representing the estimated amount necessary to pay for benefits earned by the employees during the current service year and the amount of contributions necessary to pay for prior service costs. Total necessary contributions, including amounts necessary to pay administrative costs, are determined through biennial actuarial valuations.

Actuarially determined contribution rates for 2012 were 10.03 percent for members and 11.01 percent for the employer. Plan member and employer contributions for 2012 are \$57,086,346 and \$62,515,432, respectively. There are no long-term contracts for contributions outstanding and no legally required reserves.

Historically, actuarial studies for SCERS were determined through biennial actuarial valuations. Beginning in 2010, actuarial studies are performed annually. The valuation date of the latest study is January 1, 2013, and covers calendar year 2012. Based on this valuation, the Actuarial Value of Assets (AVA) is \$1.920 billion; the Actuarial Accrued Liability (AAL) is \$3.025 billion; the Unfunded Actuarial Accrued Liability (UAAL) is \$1.105 billion; and the Funded Ratio was 63.5 percent.

An actuarial study with valuation date of January 1, 2014, is presently underway, and expected to be available at the Retirement Office after July 1, 2014.

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The three-year trend information (in thousands) is presented directly below. The Annual Pension Cost (APC) and Net Pension Obligation (NPO) for years ending 2012 and 2011 are presented in Table 11-2.

| Fiscal Year Ending December 31 | Annual Pension Cost (APC) | Total Employer Contribution | Percentage of APC Contributed | Net Pension Obligation (NPO) |
|--------------------------------|---------------------------|-----------------------------|-------------------------------|------------------------------|
| 2010 | \$ 93,924 | \$ 45,225 | 48 % | \$ (29,167) |
| 2011 | 72,346 | 50,301 | 70 | (7,122) |
| 2012 | 67,062 | 62,515 | 93 | (2,575) |

Annual pension cost (APC) and net pension obligation (NPO) (in thousands) were:

| Fiscal Year Ending December 31 | Annual Required Contribution (ARC) at End of Year | Interest on NPO | ARC Adjustment | Annual Pension Cost (APC) | Total Employer Contributions | Change in NPO | NPO Beginning Balance | NPO Ending Balance |
|--------------------------------|---|-----------------|----------------|---------------------------|------------------------------|---------------|-----------------------|--------------------|
| 2012 | \$67,228 | \$(552) | \$385 | \$67,062 | \$62,515 | \$4,547 | \$(7,122) | \$(2,575) |

Seattle City Employees' Retirement System's net pension asset decreased from \$7.1 million to \$2.6 million, a decrease of \$4.5 million as calculated in the following table.

Table 11-2 ANNUAL PENSION COST AND NET PENSION OBLIGATION SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM For the Year Ended December 31, 2012 (In Thousands)

| | 2012 | | 2011 | |
|--|-------------------|---|-------------------|---|
| Total Normal Cost Rate | 14.99 | % | 15.19 | % |
| Employee Contribution Rate | 10.03 | | 9.03 | |
| Employer Normal Cost Rate | 4.96 | | 6.16 | |
| Total Employer Contribution Rate ^a | 11.01 | % | 9.03 | % |
| Amortization Payment Rate | 6.05 | | 2.87 | |
| Amortization Period (Year) | Does Not Amortize | | Does Not Amortize | |
| GASB 27 Amortization Rate | 6.88 | | 6.95 | |
| Total Annual Required Contribution (ARC) Rate ^b | 11.84 | | 13.11 | |
| Covered Employee Payroll ^c | \$ 567,806 | | \$ 557,046 | |
| ARC | \$ 67,228 | | \$ 73,028 | |
| Interest on Net Pension Obligation (NPO) | (552) | | (2,260) | |
| Adjustment to ARC | 385 | | 1,578 | |
| Annual Pension Cost (APC) | \$ 67,062 | | \$ 72,346 | |
| Employer Contribution | \$ 62,515 | | \$ 50,301 | |
| Change in NPO | \$ 4,547 | | \$ 22,045 | |
| NPO at Beginning of Year | (7,122) | | (29,167) | |
| NPO at End of Year | \$ (2,575) | | \$ (7,122) | |

^a Beginning with the January 1, 2013 actuarial valuation report, GASB calculations take into account the lag between determination of the actuarial contribution rate and the date of expected contribution rate. For example, the January 1, 2011 valuation calculates the contribution rate beginning January 1 2012. The change was made due to SCER's new funding policy, adopted in 2011, to contribute the actuarially determined contribution rate.

^b If the amortization period determined by the actual contribution rate exceeds the maximum amortization period required by GASB Statement No. 27, the ARC is determined using an amortization of the funding excess over 30 years.

^c Covered payroll includes compensation paid to all active employees on which contributions were made in the year preceding the valuation date.

Notes to Financial Statements

The funded status of the Plan as of the latest valuation study is presented below (in thousands). The Required Supplementary Information section, C-4, Pension Plan Information Schedule of Funding Progress, displays multiyear trend information as to the value of the plan assets decreasing or increasing over time relative to the AAL.

| Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as Percentage of Covered Payroll |
|---------------------------|---|---------------------|--------------|-----------------|---------------------------------------|
| \$1,920,100 | \$3,025,300 | \$1,105,000 | 63.5% | \$567,806 | 194.6% |

Authority to change benefit and contribution rates rests with the City Council. City ordinance does not permit a reduction in the employer contribution rate to less than the employee rate. Trend information on SCERS employer contribution is shown in the Required Supplementary Information section, C-5.

The City's contracts with all labor unions that represent members of SCERS describe how contribution rates would be changed in the event higher contributions are needed to improve the financial status of the Employees' Retirement Fund. If a contribution rate increase is needed, the City intends to apply the same formula to non-represented employees. As described in Seattle Municipal Code 4.36.110, the City will match the match the normal contributions made by members. The City will also contribute, in excess of these matching contributions, the actuarially determined contributions necessary to guarantee benefits payable.

FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS

Plan Description

The Firemen's Pension and the Police Relief and Pension Funds are single-employer defined-benefit pension plans that were established by the City in compliance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20.

Since the effective date of the state LEOFF on March 1, 1970, no payroll for employees was covered under these pension plans, and the primary liability for pension benefits for these plans shifted from the City to the state LEOFF. However, the City was still liable for all benefits in pay status at that time plus any future benefits payable to active law enforcement officers and fire fighters on March 1, 1970, under the old City plan in excess of current LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plan when payment begins. However, LEOFF retirement benefits increase with the consumer price index (CPI - Seattle) while some City benefits increase with wages of current active members. If wages go up faster than the CPI, the City becomes liable for this residual amount. Due to this leveraging effect, projection of the City of Seattle's liabilities is especially sensitive to the difference between wage and CPI increase assumptions.

All law enforcement officers and fire fighters of the City who served before March 1, 1970, are participants of these pension plans, and may be eligible for a supplemental retirement benefit plus disability benefits under these plans. Those officers and fire fighters hired between March 1, 1970, and September 30, 1977, are not eligible for a supplemental retirement benefit, but may be eligible for disability benefits under this plan. Eligible law enforcement officers may retire with full benefits after 25 years of service at any age and fire fighters at age 50 after completing 25 years of service. These pension plans provide death benefits for eligible active and retired employees. In addition, these plans provide medical benefits in accordance with state statutes and City ordinances to active and retired members from the City. Currently 920 fire and 964 police retirees meet these eligibility requirements. The City fully reimburses the amount of valid claims for medical and hospitalization costs incurred by active members and pre-Medicare retirees. The City also reimburses the full amount of premiums for part B of Medicare for each retiree eligible for Medicare. Total postemployment medical benefits for Firemen's Pension were \$9.5 million in 2012 and \$10.2 million in 2011; and for Police Relief and Pension, \$11.8 million in 2012 and \$11.7 million in 2011.

Refer to the Other Postemployment Benefits section of this note for discussion of the City's implicit rate subsidies to retirees for health care coverage as well as medical benefits for retirees under the Firemen's Pension and Police Relief and Pension plans.

The Firemen's Pension and Police Relief and Pension benefit provisions are established in the state statute, RCW 41.16, 41.18, and 41.20, and may be amended only by the state legislature. Retirement benefits are determined under RCW 41.18 and 41.26 for Firemen's Pension and RCW 41.20 and 41.26 for Police Relief and Pension. Medical benefit payments for both plans are based on estimates of current and expected experience.

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Current membership in Firemen's Pension and Police Relief and Pension consisted of the following at December 31, 2013:

| | Firemen's Pension | Police Relief and Pension |
|--|-------------------|---------------------------|
| Retirees and Beneficiaries Receiving Benefits Terminated Plan Members Entitled To But Not Yet Receiving Benefits | 748 | 769 |
| Active Plan Members, Vested | 27 | 21 |
| Active Plan Members, Non-vested | - | - |

These pension plans do not issue separate financial reports.

Summary of Significant Accounting Policies

The Firemen's Pension and Police Relief and Pension Funds are accounted for as pension trust funds. The financial statements were prepared using the economic resources measurement focus and the full accrual basis of accounting as shown in Note 1. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position of the retirement funds are recognized when the transactions or events occur. Employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with the plan terms.

Investments are recorded at fair value as shown in Note 3. Fair value of investments is based on quoted market prices.

Contributions and Reserves

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability (AAL). An actuarial fund was established for the Firemen's Pension in July 1994 and is discussed in more detail below; the City funds the Police Relief and Pension Fund as benefits become due. Contributions are no longer required from plan members or the City departments they represent. Under state law, partial funding of the Firemen's Pension Fund may 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 Firemen's Pension Fund also receives a share of the state tax on fire insurance premiums. Additional funding through the General Fund adopted budget is provided to both pension funds as necessary. The Police Relief and Pension Fund also receives police auction proceeds of unclaimed property. Administrative costs for the Firemen's Pension are financed by the General Fund and fire insurance premium tax. Administrative costs for the Police Relief and Pension are financed by police auction proceeds and the General Fund. Contribution rates are not applicable to these plans. Actuarial studies with valuations dates of January 1, 2014, are presently underway and will be available at the Police and Fire Pension offices after July 1, 2014.

Three-year trend information (in thousands) for the Firemen's Pension and the Police Relief and Pension Funds as of the January 1, 2013, actuarial valuation are:

| Retirement System | Fiscal Year Ending December 31 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (NPO) |
|--------------------------------|--------------------------------|---------------------------|-------------------------------|------------------------------|
| Firemen's Pension Fund | 2010 | \$ 8,098 | 90 % | \$ (5,723) |
| | 2011 | 7,333 | 113 | (6,652) |
| | 2012 | 7,491 | 138 | (9,479) |
| Police Relief and Pension Fund | 2010 | 7,872 | 125 | (167) |
| | 2011 | 8,537 | 131 | (2,825) |
| | 2012 | 6,956 | 120 | (4,184) |

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.

Notes to Financial Statements

The funded status of the plans at the last valuation date is presented below (in thousands). The Required Supplementary Information section, C-4, displays multiyear trend information as to the value of the plan assets decreasing or increasing over time relative to the AAL.

| | Actuarial Value of Assets | Actuarial Liability (AAL) Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as Percentage of Covered Payroll |
|--------------------------------|---------------------------|-------------------------------------|---------------------|--------------|-----------------|---------------------------------------|
| Firemen's Pension Fund | \$12,943 | \$106,424 | \$ 93,481 | 12.0% | N/A | N/A |
| Police Relief and Pension Fund | 4,625 | 104,729 | 100,104 | 4.0 | N/A | N/A |

In July 1994 the City adopted a funding policy under Ordinance 117216 that is designed to fully fund the AAL of the Firemen's Pension Fund by the year 2018 plus additional contributions, if necessary, to fund benefit payments in excess of contributions to fully fund all retirement benefit liabilities by December 31, 2018. In 2006 the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The level contributions were set aside in the Firemen's Pension Actuarial Account with a fund balance of \$9.7 million as of December 31, 2012. The funding policy does not fund for future medical liabilities. No similar program has been established for the Police Relief and Pension Fund.

The AAL as of December 31, 2012, based on the actuarial valuation as of January 1, 2013, was \$106.4 million for Firemen's Pension and \$104.7 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section, C-5.

The net pension obligation of the Firemen's Pension Fund is a \$9.5 million net pension asset at December 31, 2012. The net pension obligation of the Police Relief and Pension Fund is a \$4.2 million net pension asset at December 31, 2012.

**Table 11-3 ANNUAL PENSION COST AND NET PENSION OBLIGATION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2012
(In Thousands)**

| | Firemen's Pension | | | Police Relief and Pension | | |
|--|-------------------|------------|------------|---------------------------|------------|----------|
| | 2012 | 2011 | 2010 | 2012 | 2011 | 2010 |
| Annual Required Contribution (ARC) | | | | | | |
| Annual Normal Cost - Beginning of Year | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Amortization of UAAL - Beginning of Year | 7,103 | 6,940 | 7,668 | 6,630 | 8,206 | 7,602 |
| Interest to End of Year ^a | 284 | 278 | 307 | 265 | 328 | 304 |
| ARC at End of Year | 7,387 | 7,218 | 7,975 | 6,895 | 8,534 | 7,906 |
| Interest on NPO | (266) | (229) | (263) | (113) | (7) | 72 |
| Adjustment to ARC | 370 | 344 | 386 | 174 | 10 | (106) |
| Annual Pension Cost (APC) | 7,491 | 7,333 | 8,098 | 6,956 | 8,537 | 7,872 |
| Employer Contribution ^b | 10,318 | 8,262 | 7,255 | 8,315 | 11,195 | 9,842 |
| Change in NPO | (2,827) | (929) | 843 | (1,359) | (2,658) | (1,970) |
| NPO at Beginning of Year | (6,652) | (5,723) | (6,566) | (2,825) | (167) | 1,803 |
| NPO at End of Year | \$ (9,479) | \$ (6,652) | \$ (5,723) | \$ (4,184) | \$ (2,825) | \$ (167) |

^a The assumed interest rate is 4.0% for all years; it is net of investment expenses.

^b Beginning in 2009, administrative expenses paid by the fund are subtracted from employer contributions.

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Following are the Firemen's Pension and the Police Relief and Pension financial statements for fiscal year ending December 31, 2013.

**Table 11-4 STATEMENT OF FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
December 31, 2013
(In Thousands)**

| | Firemen's Pension | Police Relief and Pension | 2013 | 2012 |
|---|-------------------|---------------------------|-----------|-----------|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 6,688 | \$ 4,544 | \$ 11,232 | \$ 18,133 |
| Investments at Fair Value | | | | |
| Domestic Stocks | 6,923 | - | 6,923 | - |
| Receivables | | | | |
| Due from Other Funds | - | - | - | 1,125 |
| Other | 345 | 403 | 748 | 712 |
| Interest and Dividends | 6 | - | 6 | 433 |
| Total Receivables | 351 | 403 | 754 | 2,270 |
| Total Assets | 13,962 | 4,947 | 18,909 | 20,403 |
| LIABILITIES | | | | |
| Accounts Payable and Other Liabilities | 1,231 | 1,745 | 2,976 | 2,835 |
| Total Liabilities | 1,231 | 1,745 | 2,976 | 2,835 |
| Net Position Held in Trust for Pension Benefits | \$ 12,731 | \$ 3,202 | \$ 15,933 | \$ 17,568 |

Notes to Financial Statements

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**Table 11-5 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIREMEN'S PENSION AND POLICE RELIEF AND PENSION FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Defined Benefit | | Postemployment Healthcare | | 2013 | 2012 |
|--|-------------------|---------------------------|---------------------------|---------------------------|-----------|-----------|
| | Firemen's Pension | Police Relief and Pension | Firemen's Pension | Police Relief and Pension | | |
| ADDITIONS | | | | | | |
| Contributions Employer | \$ 7,123 | \$ 7,016 | \$ 9,899 | \$ 11,972 | \$ 36,010 | \$ 39,062 |
| Investment Income | | | | | | |
| From Investment Activities | | | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (49) | - | - | - | (49) | 17 |
| Interest | 977 | - | - | - | 977 | 76 |
| Dividends | 36 | - | - | - | 36 | - |
| Total Net Investment Income | 964 | - | - | - | 964 | 93 |
| Other Income | - | 606 | - | - | 606 | 2,043 |
| Total Additions | 8,087 | 7,622 | 9,899 | 11,972 | 37,580 | 41,198 |
| DEDUCTIONS | | | | | | |
| Benefits | 7,661 | 8,528 | 9,899 | 11,972 | 38,060 | 37,084 |
| Administrative Expense | 638 | 517 | - | - | 1,155 | 1,169 |
| Total Deductions | 8,299 | 9,045 | 9,899 | 11,972 | 39,215 | 38,253 |
| Change in Net Position | (212) | (1,423) | - | - | (1,635) | 2,945 |
| Net Position - Beginning of Year | 12,943 | 4,625 | - | - | 17,568 | 14,623 |
| Net Position - End of Year | \$ 12,731 | \$ 3,202 | \$ - | \$ - | \$ 15,933 | \$ 17,568 |

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM (LEOFF) PLANS 1 AND 2

Plan Description

LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate defined-benefit plans. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977, are Plan 2 members.

LEOFF was established in 1970 by the state legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers and fire fighters. Membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included prospectively effective July 27, 2003, being an exception. Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the legislature. LEOFF retirement benefit provisions are established in state statute and may be amended only by the state legislature. The Washington State Department of Retirement Systems (DRS) administers LEOFF.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through state legislative appropriations. Employee contributions to Plans 1 and Plan 2 accrue interest at a rate specified by DRS. During fiscal year 2012 the DRS-established rate on employee contributions was 5.5 percent compounded quarterly. Employees in Plan 1 and 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement with 5 years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

| Term of Service | Percent of FAS |
|-----------------|----------------|
| 20+ | 2.0 % |
| 10 - 19 | 1.5 |
| 5 - 9 | 1.0 |

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index. LEOFF Plan 1 members may purchase up to five years of additional service credit once eligible for retirement. The credit can only be purchased at the time of retirement and cannot be used to qualify for any retirement eligibility or benefit reductions based upon years of service. This credit is to be used exclusively to provide the member with a monthly annuity that is paid in addition to the member's retirement allowance.

Plan 2 retirement benefits are vested after an employee completes 5 years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service or at the age of 53 with 5 years of service, with an allowance of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months). Plan 2 retirements prior to the age of 53 are reduced 3 percent for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted, indexed to the Seattle Consumer Price Index, capped at 3 percent annually.

Plan 1 provides death and disability benefits. Death benefits for Plan 1 members on active duty consist of the following: (1) if eligible spouse, 50 percent of the FAS, plus 5 percent of FAS for each surviving child, with a limitation on the combined allowances of 60 percent of the FAS; or (2) if no eligible spouse, 30 percent of FAS for the first child plus 10 percent for each additional child, subject to a 60-percent limitation of FAS. In addition, a one time duty-related death benefit is provided to beneficiary or the estate of a LEOFF Plan 1 member.

Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit.

Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 allowance amount is 2 percent of the FAS for each year of service. Benefits are actuarially reduced for each year that the member's age is less than 53 unless the disability is duty-related and to reflect the choice of a survivor option. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

Plan 2 members who leave service because of a line-of-duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, Plan 2 members who leave service because of a line-of-duty disability may be eligible to receive a retirement allowance of at least 10 percent of final average salary and two percent per year of service beyond 5 years. The first 10 percent of the FAS is not subject to federal income tax.

The following changes to the LEOFF plans are the result of recent years' legislation:

Effective June 10, 2010:

- House Bill 1679 provides that the payment of medical insurance premiums for qualifying LEOFF Plan 2 and WSPRS members who are catastrophically disabled in the line of duty, and their spouses and dependent children will now be made for LEOFF Plan 2 members and for WSPRS members.
- House Bill 2196 provides that PERS Plan 1 members who retired on or after January 1, 1998, can use any service transferred from LEOFF Plan 1 to qualify for military service credit at no cost.
- House Bill 2519 gives additional benefits are provided to survivors of police officers, fire fighters, and state patrol officers killed in the line of duty.
- Senate Bill 6453 provides that shared leave can now be treated as reportable compensation for LEOFF Plan 2 members. Earnings can be used in the calculation of a member's benefit and service credit will be earned according to hours reported.

Notes to Financial Statements

Effective July 1, 2011:

- Department of Retirement Systems is required to include the qualifying foregone compensation that occurred during the 2011-2013 biennium in the benefits calculation of retiring government employees in LEOFF2, PERS, PSERS, SERS, TRS and WSPRS.

Effective June 7, 2012:

- Engrossed House Bill 2771 amends the retirement statutes to clarify that governmental contractors are not employers under the system, unless otherwise qualifying, and that the determination of whether an employee/employer relationship has been established shall be based solely on the relationship between the contracted employee and the governmental employer. Applicable to LEOFF, PERS, PSERS, SERS, and TRS.
- Senate Bill 6134 changes the initial timeline to transfer service credit under RCW 41.26.435 from June 30, 2014, to June 30, 2012. Applicable to LEOFF 2.

Effective July 28, 2013:

- Substitute House Bill 1868 allows catastrophically disabled LEOFF 2 members to be reimbursed for premiums of medical insurance other than those which are provided by the employer, COBRA, or Medicare A and/or B. The reimbursement is limited to payments made after June 20, 2013 that do not exceed the premium reimbursement amounts authorized by COBRA.

Effective January 1, 2014:

- Engrossed Second Substitute Senate Bill 5688 provides that domestic partners registered with the state will be treated the same as married spouses, to the extent that treatment is not in conflict with federal law. The bill's effective date is January 1, 2014.

There were no other material changes in benefit provisions for the fiscal year ended June 30, 2013. LEOFF pension benefit provisions have been established by RCW 41.26.

There are 51 participating employers in LEOFF Plan 1 and 374 participating employers in Plan 2 as of June 30, 2013. Membership in LEOFF consisted of the following as of the latest actuarial valuation date of June 30, 2012:

| | Plan 1 | Plan 2 |
|---|--------------|---------------|
| Retirees and Beneficiaries Receiving Benefits | 7,845 | 2,344 |
| Terminated Members Entitled To But Not Yet Receiving Benefits | - | 689 |
| Active Plan Members, Vested | 186 | 14,087 |
| Active Plan Members, Nonvested | - | 2,633 |
| Total | 8,031 | 19,753 |

All law enforcement officers and fire fighters of the City of Seattle participate in LEOFF. Current active members (vested and non-vested) are 50 under Plan 1 and 2,233 under Plan 2.

DRS prepares an independent financial report. A copy of the report that includes financial statements and required supplementary information for LEOFF may be obtained by writing to Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380; by calling 360-664-7000 in Olympia or 1-800-547-6657; or by accessing their website at <http://www.drs.wa.gov>.

Summary of Significant Accounting Policies

LEOFF plans are accounted for in pension trust funds of DRS using the economic resources measurement focus and the accrual basis of accounting. Plan member contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Investments are presented at fair value. The fair value of investments is based on published market prices and quotations from national security exchanges and security pricing services or by the respective fund managers for securities that are not

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actively traded. Privately held mortgages are valued at cost which approximates fair market value. Certain pension trust fund investments, including real estate and private equity, are valued based on appraisals or by independent advisors. LEOFF pension plans contain no single investment (other than any issued or explicitly guaranteed by the U.S. government, or involving mutual funds or investment pools) that comprised more than five percent of DRS's net investments at the end of fiscal year 2013.

Contributions and Reserves

Funding Policy

The state legislature establishes laws pertaining to the creation and administration of LEOFF plans. Plan members together with their employers and the state provide funding for all costs of the system based upon actuarial valuations. The state establishes benefit levels and approves the actuarial assumptions used in determining contribution levels.

Starting on July 1, 2000, Plan 1 employers and employees will contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. Plan 2 employers and employees are required to pay at the level adopted by the Plan 2 Retirement Board in accordance with RCW 41.45. All employers are required to contribute at the level required by state law.

Required contribution rates for cities (expressed as a percentage of current year covered payroll) at the close of fiscal year 2013 are as follows:

| | LEOFF Actual Contribution Rates | |
|--|------------------------------------|--------|
| | Plan 1 | Plan 2 |
| Employer (includes an administrative expense rate of 0.16 percent) | 0.16 % | 5.24 % |
| Employee | - | 8.46 |
| State of Washington Contributions | - | 3.38 |

Administration of the LEOFF plans was funded by an employer rate of 0.16 percent of employee salaries.

The state legislature has the ability, by means of a special funding arrangement, to appropriate money from the state general fund to supplement the current service liability and fund the prior service costs of Plans 1 and 2 in accordance with the requirements of the Pension Funding Council and LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute. For fiscal year 2013 the state contributed \$54.2 million to LEOFF Plan 2.

Employer Contributions Required and Paid

LEOFF annual required contributions (in millions) and percentage contributed in accordance with the funding policy were:

| Year | Plan 1 | | Plan 2 | |
|------|------------------------------------|---------------------------|------------------------------------|---------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 2011 | \$ - | N/A | \$ 84.0 | 157 % |
| 2012 | - | N/A | 97.3 | 137 |
| 2013 | - | N/A | 94.7 | 144 |

The City of Seattle required and actual contributions (in thousands) are shown in the following table. Percentages contributed are not available.

| | Plan 1 | Plan 2 |
|------|--------|-----------|
| 2011 | \$ 12 | \$ 11,728 |
| 2012 | 10 | 12,454 |
| 2013 | 9 | 12,912 |

There are no long-term contracts for contributions under the LEOFF retirement plans.

Notes to Financial Statements

Reserves

Member Reserves. The member reserves reflect the total liability for all contributions made by members. These reserves are increased by employee contributions and interest earnings and are decreased by contributions refunded and contributions transferred to the benefit reserves for current year retirees. The member reserves are considered fully funded. Member reserves (in thousands) were:

| | June 30, 2013 | June 30, 2012 |
|--------|---------------|---------------|
| Plan 1 | \$ 27,340 | \$ 33,351 |
| Plan 2 | 2,136,678 | 1,997,577 |

Benefit Reserves. The benefit reserves reflect the funded liability associated with all retired members. These reserves are increased by employer contributions, state contributions, investment earnings, and employee contributions which are attributable to current year retirees. These reserves are decreased by the amounts of pensions actually paid in the current year, interest payments transferred to the member reserves, and administrative expenses. Benefit reserves (in thousands) were:

| | June 30, 2013 | June 30, 2012 |
|--------|---------------|---------------|
| Plan 1 | \$ 5,112,449 | \$ 4,869,838 |
| Plan 2 | 5,494,917 | 4,642,917 |

The funded status of each of the benefit reserves is the same as the funded status of each of the respective pension plans.

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

Beginning in 2006 the Deferred Compensation Plan (DCP) was amended to allow separating employees to cash out accrued vacation balances into their DCP accounts. Eligible retiring employees may also cash out up to 35 percent of their sick leave balances into their DCP accounts. Vacation and sick leave cash-outs made to the DCP are considered contributions and are subject to the maximum annual contribution limit.

It is the opinion of the City's legal counsel that the City has no liability for 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 manages none of the investment selections. By making the selection, enrollees accept and assume all risks that pertain to the plan and its administration.

The City placed the deferred compensation plan assets into trust for the exclusive benefit of plan participants and beneficiaries in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The City has little administrative involvement and does not perform the investing function for the plan. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City employees' deferred compensation plan created in accordance with IRC 457 is not reported in the financial statements of the City.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

Health Care Blended Premium Subsidy. Employees retiring under City of Seattle or the LEOFF 2 retirement plans may continue their health insurance coverage under the City's health insurance plans for active employees. LEOFF 1 employees retiring under Washington State PERS are covered under the LEOFF 1 retiree health plan but are eligible to have their spouses and/or dependents covered under the City health insurance plans. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees that retire with disability retirement under the City of Seattle, Washington LEOFF 2 plan or Social Security may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active

The City of Seattle

employees for underwriting purposes. The City provides implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis. The postemployment benefit provisions are established and may be amended by City ordinances.

Firemen's Pension and Police Relief and Pension Plans. The Firemen's Pension and Police Relief and Pension plans provide medical benefits for eligible retirees. The benefits are authorized under state statute, RCW 41.18 and 41.26 for Firemen's Pension, and RCW 41.20 and 41.26 for Police Relief and Pension, and may be amended by the state legislature. The City funds these benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The amount of expected contributions and change in net obligation for the City of Seattle Healthcare Blended Premium Subsidy is based on an actuarial valuation date of January 1, 2012; this valuation is performed on alternate years. The actuarial valuation date of January 1, 2012 also included disclosure information for 2011 which was based on the January 1, 2010 valuation. The amount of expected contributions and changes in net obligation for Firemen's Pension and Police Pension and Relief are based on an actuarial valuation date of January 1, 2013, which covers the last three years prior to the valuation date.

Table 11-6 ANNUAL OPEB COST AND NET OPEB OBLIGATION

| | Healthcare Blended Premium Subsidy | Firemen's Pension (LEOFF1) | Police Relief and Pension (LEOFF1) | Total |
|--|---|----------------------------------|--|---------------|
| Annual Required Contribution | \$ 8,064,000 | \$ 13,665,296 | \$ 16,137,310 | \$ 37,866,606 |
| Interest on Net OPEB Obligation | 1,340,000 | 799,685 | 663,419 | 2,803,104 |
| Adjustment to Annual Required Contribution | (1,969,000) | (1,111,680) | (1,020,835) | (4,101,515) |
| Annual OPEB Cost (Expense) | 7,435,000 | 13,353,301 | 15,779,894 | 36,568,195 |
| Expected Contribution (Employer-Paid Benefits) | 2,441,000 | 9,470,923 | 11,832,943 | 23,744,866 |
| Increase in Net OPEB Obligation | 4,994,000 | 3,882,378 | 3,946,951 | 12,823,329 |
| Net OPEB Obligation – Beginning of Year | 34,548,000 | 19,992,129 | 16,585,463 | 71,125,592 |
| Net OPEB Obligation – End of Year | \$ 39,542,000 | \$ 23,874,507 | \$ 20,532,414 | \$ 83,948,921 |

The City's annual OPEB cost, percentage of annual OPEB cost contributed, and the net OPEB obligation for each plan based on an actuarial valuation of January 1, 2012, for Healthcare Blended Premium Subsidy and January 1, 2013, for Firemen's Pension (LEOFF1) and Police Relief and Pension (LEOFF1) are displayed below for the last three years. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for January 1, 2011 based on the January 1, 2010 valuation.

| | Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------------|----------------------|---------------------|--|------------------------|
| Healthcare Blended Premium Subsidy | 12/31/2009 | \$ 10,368,000 | 30.9% | \$ 27,612,000 |
| | 12/31/2010 | 10,825,000 | 35.9 | 34,548,000 |
| | 12/31/2011 | 7,435,000 | 32.9 | 39,542,000 |
| Firemen's Pension (LEOFF1) | 12/31/2010 | 14,674,740 | 71.0 | 15,387,992 |
| | 12/31/2011 | 14,796,251 | 69.0 | 19,992,129 |
| | 12/31/2012 | 13,353,301 | 71.0 | 23,874,507 |
| Police Relief and Pension (LEOFF1) | 12/31/2010 | 16,025,887 | 75.0 | 12,157,319 |
| | 12/31/2011 | 16,087,490 | 72.0 | 16,585,463 |
| | 12/31/2012 | 15,779,894 | 75.0 | 20,532,414 |

Notes to Financial Statements

Funded Status and Funding Progress

Based on the actuarial valuation dates for each of the plans, the unfunded actuarial accrued liability (UAAL) was equal to the actuarial accrued liability (AAL) due to the City's pay-as-you-go policy. The January 1, 2012 valuation for the Healthcare Blended Premium Subsidy also included disclosure information for 2011 based on the January 1, 2010 valuation. Following is the funded status (in thousands) for each of the plans for the last three years:

| | Actuarial Valuation Date | Actuarial Value of Assets (a) | Entry Age Normal AAL (b) | UAAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a) / c) |
|------------------------------------|--------------------------|-------------------------------|--------------------------|------------|--------------------|---------------------|---|
| Healthcare Blended Premium Subsidy | 1/1/2010 | - | \$ 93,519 | \$ 93,519 | - | \$869,116 | 10.8% |
| | 1/1/2011 | - | 99,394 | 99,394 | - | 866,207 | 11.5 |
| | 1/1/2012 | - | 74,729 | 74,729 | - | 891,552 | 8.4 |
| Firemen's Pension (LEOFF1) | 1/1/2011 | - | 241,443 | 241,443 | - | N/A | N/A |
| | 1/1/2012 | - | 236,301 | 236,301 | - | N/A | N/A |
| | 1/1/2013 | - | 266,522 | 266,522 | - | N/A | N/A |
| Police Relief and Pension (LEOFF1) | 1/1/2010 | - | 261,040 | 261,040 | - | N/A | N/A |
| | 1/1/2012 | - | 252,098 | 252,098 | - | N/A | N/A |
| | 1/1/2013 | - | 295,990 | 295,990 | - | N/A | N/A |

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the time of the valuation and the pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of any assets. Significant methods and assumptions are as follows:

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Table 11-7

OPEB INFORMATION

| Description | Healthcare Blended Premium Subsidy | Firemen's Pension (LEOFF1) | Police Relief and Pension (LEOFF1) |
|--|---|--|--|
| Actuarial Valuation Date | 1/1/2012 | 1/1/2013 | 1/1/2013 |
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Amortization Method | Level amount over past and future service | 30-year, open as of 1/1/2012 | 30-year, closed as of 1/1/2007 |
| Remaining Amortization Period | 30 years | 30 years | 24 years |
| Records and Data | City records | Supplied by the City | Supplied by the City |
| Replacement of Terminated Employees | Open to new retirees | Closed. No new members permitted. | Closed. No new members permitted. |
| Valuation of Assets | N/A. No assets as of valuation date. | N/A. No assets as of valuation date. | N/A. No assets as of valuation date. |
| Assumptions: | | | |
| Discount Rate | 3.88% | 3.75% | 3.75% |
| Medical Inflation | | 7.5%, grading down to 4.3% in 2082 and beyond. | 7.5%, grading down to 4.3% in 2082 and beyond. |
| Traditional and Preventive Plans | 9.0% | | |
| Group Health Standard and Deductible Plans | 8.5% | | |
| Long-Term Care Inflation Rate | N/A | 4.75% | 4.75% |
| Dental Inflation Rate | N/A | Minimum of 5.0 % of medical inflation. | Minimum of 5.0% of medical inflation. |
| Participation/Service Retirement | 40% of actives who retire are assumed to participate. | All actives are assumed to retire at the valuation date. | All actives are assumed to retire at the valuation date. |
| Mortality | LEOFF employees are based on the actuarial RP-2000 Combined Healthy Table with male ages set back one year and female ages set forward one year. Rates are projected using 50% of Scale AA to 2019 (LEOFF 1) or 2034 (LEOFF 2). For general service active employees are based on RP-2000 Table for Males with ages set back three years and RP-2000 Table for Females with ages set back three years. General service retired employees are based on RP2000 Combined Healthy Males with ages set back one year and RP-2000 Combined Healthy Females with ages set back one year. Rates are generations for both males and females using Projection Scale AA. | For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years. | For active and service-retired members, RP-2000 Mortality Table (combined healthy) project to 2019 using 50% of Project Scale AA, with ages set back one year for males and forward one year for females. For disabled members, RP-2000 Mortality Table (combined healthy) projected to 2019 using 50% of Project Scale AA, with ages set forward two years. |
| Marital Status | 60% of members electing coverage are assumed to be married or have a registered domestic partner. Male spouses are assumed to be two years older than their female spouses. It is assumed that children have aged off and have \$0 liability. | N/A | N/A |

Notes to Financial Statements

Table 11-7 OPEB INFORMATION (continued)

| Description | Healthcare Blended Premium Subsidy | Firemen's Pension (LEOFF1) | Police Relief and Pension (LEOFF1) |
|--|--|----------------------------|------------------------------------|
| Assumptions (continued): | | | |
| Morbidity Factors | | N/A | N/A |
| Traditional Plan | The average medical claim is based on an average loss ratio (claim vs. premium) of 128.05 for retirees and 142.17 for spouses. | | |
| Preventive Plan | The average medical claim is based on an average loss ratio (claim vs. premium) of 127.61% and 142.06%. | | |
| | For the above two plans, because the retirees' spouses pay a lower premium for their health care coverage than the retirees, the net cost to the City for the spouse coverage is greater than for a retiree of the same gender and age. The morbidity factors were adjusted to reflect this discrepancy. | | |
| Group Health Standard and Deductible Plans | The average medical claim for the Group Health Standard & Deductible plans is based on an average loss ratio (claim vs. premium) of 147.08% for retirees and spouses. | | |
| Other Considerations | Active employees with current spouse and/or dependent coverage are assumed to elect the same plan and coverage. After retirement, it is assumed that children will have aged off of coverage and will have \$0 liability. | N/A | N/A |

(12) COMPONENT UNITS

DISCRETELY PRESENTED COMPONENT UNITS

Seattle Public Library Foundation

The Seattle Public Library Foundation (Foundation) is a Washington non-profit corporation, a public charity organized exclusively for educational, charitable, and scientific purposes to benefit and support the Seattle Public Library. The Foundation provides goods, services, and facilities above the tax-based funding of the Seattle Public Library. The Foundation is located in Seattle, governed by a Board of Directors, and possesses all the requisite corporate powers to carry out the purposes for which it was formed.

The City is not financially accountable for the Foundation. The Foundation is considered a nonmajor component unit in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*, and is presented discretely in the City's financial statements because (1) the economic resources received or held by the Foundation are entirely for the direct benefit of the Seattle Public Library; (2) the Seattle Public Library is legally entitled to access a majority of the economic resources received or held by the Foundation; and (3) the economic resources received or held by the Foundation are significant to the Seattle Public Library.

The Foundation reports on a fiscal year-end consistent with the City, the primary government. The Foundation issues its own audited financial statements. To obtain complete audited statements for all years, please contact: Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, phone 206-386-4130.

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Seattle Investment Fund LLC

The Seattle Investment Fund LLC (SIF) was established by Ordinance 123146 for the purpose of implementing the U.S. Treasury Department's New Market Tax Credit (NMTC) program. The City is its sole and managing member. SIF is a qualified Community Development Entity (CDE) and the Primary Allocatee. Nine subsidiaries have been established since the program's inception. Financial results presented herewith for 2013 are unaudited at this time; detailed information on the program and complete audited financial statements are available by contacting the City's Office of Economic Development at 700 Fifth Avenue, Seattle, WA 98104 or by telephone at 206-684-8090.

SIF is a limited liability corporation in accordance with RCW 35.21.735. It has no employees and administrative work is performed by the staff of the City's Office of Economic Development. The members of its Investment Committee and Advisory Board are selected by the Mayor and confirmed by the City Council. The City is not financially accountable for SIF, but under this structure the City may impose its will upon the organization. In accordance with GASB Statement No. 39, SIF is presented as a nonmajor discrete component unit of the City.

**Table 12-1 CONDENSED STATEMENT OF NET POSITION
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC
December 31, 2013
(In Thousands)**

| | Discretely Presented Component Units | | | | | |
|----------------------------------|--------------------------------------|-----------|-----------------------------|----------|-----------|-----------|
| | Seattle Public Library Foundation | | Seattle Investment Fund LLC | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| ASSETS | | | | | | |
| Cash and Other Assets | \$ 3,484 | \$ 3,191 | \$ 658 | \$ 1,242 | \$ 4,142 | \$ 4,433 |
| Investments | 61,157 | 56,080 | 5 | 5 | 61,162 | 56,085 |
| Capital Assets, Net | 3 | 4 | - | - | 3 | 4 |
| Total Assets | 64,644 | 59,275 | 663 | 1,247 | 65,307 | 60,522 |
| LIABILITIES | | | | | | |
| Current Liabilities | 1,940 | 2,035 | 48 | 194 | 1,988 | 2,229 |
| Total Liabilities | 1,940 | 2,035 | 48 | 194 | 1,988 | 2,229 |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 3 | 4 | - | - | 3 | 4 |
| Restricted | 43,680 | 38,960 | - | - | 43,680 | 38,960 |
| Unrestricted | 19,021 | 18,276 | 615 | 1,053 | 19,636 | 19,329 |
| Total Net Position | \$ 62,704 | \$ 57,240 | \$ 615 | \$ 1,053 | \$ 63,319 | \$ 58,293 |

Notes to Financial Statements

Table 12-2 **CONDENSED STATEMENT OF ACTIVITIES**
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC
For the Year Ended December 31, 2013
(In Thousands)

| | Discretely Presented Component Units | | | | | |
|--|--------------------------------------|------------------|--------------------------------|-----------------|------------------|------------------|
| | Seattle Public Library Foundation | | Seattle Investment Fund LLC | | Total | |
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| PROGRAM REVENUES | | | | | | |
| Contributions/Endowment Gain Placement/Management Fee Income | \$ 6,254 | \$ 4,705 | \$ 204 | \$ - | \$ 6,458 | \$ 4,705 |
| | - | - | - | 841 | - | 841 |
| Total Program Revenues | 6,254 | 4,705 | 204 | 841 | 6,458 | 5,546 |
| GENERAL REVENUES | | | | | | |
| Investment Income | 7,900 | 5,737 | - | - | 7,900 | 5,737 |
| Total Program Support and Revenues | 14,154 | 10,442 | 204 | 841 | 14,358 | 11,283 |
| EXPENSES | | | | | | |
| Support to Seattle Public Library Management and General Fundraising | 7,936 | 4,138 | - | - | 7,936 | 4,138 |
| | 455 | 572 | 642 | 430 | 1,097 | 1,002 |
| | 299 | 248 | - | - | 299 | 248 |
| Total Expenses | 8,690 | 4,958 | 642 | 430 | 9,332 | 5,388 |
| Change in Net Position | 5,464 | 5,484 | (438) | 411 | 5,026 | 5,895 |
| NET POSITION | | | | | | |
| Net Position - Beginning of Year | 57,240 | 51,756 | 1,053 | 642 | 58,293 | 52,398 |
| Net Position - End of Year | <u>\$ 62,704</u> | <u>\$ 57,240</u> | <u>\$ 615</u> | <u>\$ 1,053</u> | <u>\$ 63,319</u> | <u>\$ 58,293</u> |

Fiduciary-Type Component Units

Firemen's Pension Fund and the Police Relief and Pension Fund are determined to be nonmajor discrete component units (GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*). In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures - an amendment of GASB Statement No. 25 and No. 27*, these funds are reported in Note 11, Pensions, Deferred Compensation, and Other Postemployment Benefits, and in the Fiduciary Funds section.

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BLENDING COMPONENT UNIT

Seattle Transportation Benefit District

The Seattle Transportation Benefit District (STBD), a quasi-municipal corporation, was established through City Ordinance 123397 in September 2010 pursuant to RCW 35.21.225 which grants cities the authority to establish such a district. Transportation benefit districts are able to acquire, construct, improve, provide, and fund transportation improvement within district boundaries consistent with any existing state, regional and local transportation plan. RCW 36.73.065 gives districts the authority to impose taxes, fees, charges and tolls to fund this work. Beginning May 1, 2011, the STBD began collecting a \$20 vehicle registration fee on eligible vehicles registered within its boundaries which are the same as the City's. The STBD is governed by the Seattle City Council members acting in an ex-officio capacity, and maintains no employees. STBD's sole purpose is to finance the City's transportation improvements and although it is a legally separate entity, the operations of STBD are so closely related to those of the City that it is reported as if it were part of the primary government.

The Seattle Transportation Benefit District is reported as a special revenue fund in the City's financial statements. Financial reporting for this fund can be found in the nonmajor governmental funds combining statements located in this report. In addition, separate financial statements for the STBD are available from Seattle City Hall, 600 Fourth Avenue, 2nd Floor, Seattle, WA 98104 or by calling 206-233-5005.

(13) JOINT VENTURES

SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL

The Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act (WIA) of 1998. It functions as the Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because the CEO is potentially liable to the grantor for disallowed costs. If expenditure of funds is disallowed by the grantor agency, the WDC can recover the funds in the following order: (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, King County and the City of Seattle who each will be responsible for one-half of the disallowed amount. As of December 31, 2013, there are no outstanding program eligibility issues that may lead to a City of Seattle liability.

The WDC contracts with the City of Seattle which provides programs related to the WIA Youth In-School Program and Seattle Conservation Corps Program. For the year 2013, WDC paid \$1.1 million to the City of Seattle.

The WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA 98121-2162, by accessing its website at <http://www.seekingwdc.org/reports/reports-publications.html>, or by telephone at 206-448-0474.

(14) SERVICE CONCESSION ARRANGEMENTS

In 2012, the City disclosed the public-private agreements it was involved in that met the criteria of a Service Concession Arrangement (SCA) under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. For 2013, the City revisited its analysis to identify new and/or ongoing Service Concession Arrangements based on the requirements of the statement. Significant consideration, one of the required criteria of an SCA, is considered 1 percent of the City's previously reported Net Position applied independently to Governmental and Business-Type activities. In 2013, the City was not involved in any Service Concession Arrangements meeting the established criteria.

Notes to Financial Statements

(15) COMMITMENTS

GENERAL

Capital Improvement Program

The City adopted the 2013-2014 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$5.015 billion for the years 2013-2018. The adopted CIP for 2013 was \$774.9 million, consisting of \$454.6 million for City-owned utilities and \$320.3 million for nonutility departments. The utility allocations are: \$282.7 million for City Light, \$49.8 million for Water, \$87.3 million for Drainage and Wastewater, \$11.1 million for Solid Waste, and \$23.7 million for Seattle Public Utilities' technology projects. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

CITY LIGHT (SCL)

Expenses associated with energy received under long-term purchased power agreements at December 31, 2013 and 2012 are shown in the following table.

Table 15-1 LONG-TERM PURCHASED POWER
(In Millions)

| | 2013 | 2012 |
|---|-----------------|-----------------|
| Bonneville Block | \$ 70.1 | \$ 69.2 |
| Bonneville Slice | 80.0 | 80.1 |
| Lucky Peak, including royalties | 5.2 | 7.2 |
| British Columbia - High Ross Agreement | 13.4 | 13.4 |
| Grant County Public Utility District | 3.0 | 3.0 |
| Grand Coulee Project Hydro Authority | 5.5 | 5.4 |
| Bonneville South Fork Tolt billing credit | (3.3) | (3.3) |
| Renewable energy - State Line Wind | 23.8 | 24.3 |
| Renewable energy - other | 4.5 | 4.4 |
| Exchanges and loss returns energy at fair value | 9.2 | 5.7 |
| Long-term purchased power booked out | (8.3) | (5.3) |
| Total | \$ 203.1 | \$ 204.1 |

Purchased and Wholesale Power

Bonneville Power Administration

SCL purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA), under the Block and Slice Power Sales Agreement, a 17-year contract, for the period October 1, 2011 through September 30, 2028. Block quantities, Slice percentage, and Bonneville rates are expected to be recalculated periodically during the term of the contract. Rates will be developed and finalized every two years. Accordingly, certain estimates and assumptions were used in the calculations in the estimated future payments table below.

The terms of the Slice product specify that SCL will receive a percentage of the actual output of the Federal Columbia River Power System (the System). The percentage is adjusted annually with a Slice Adjustment Ratio no greater than 1.0 times the initial 3.65663 slice percentage, no later than 15 days prior to the first day of each federal fiscal year, beginning with fiscal year 2012. The current Slice percentage is 3.62763 percent and the previous fiscal year was 3.63323 percent. The cost of Slice power is based on SCL's same percentage of the expected costs of the System and is subject to true-up adjustments based on actual costs with specified exceptions.

Bonneville's Residential Exchange Program (REP) was established as a mechanism to distribute financial benefits of the Federal Columbia River Power System to residential customers of the region's investor owned utilities (IOUs). In May 2007, the Ninth Circuit Court (the Court) rulings found the 2000 REP Settlement Agreements with IOUs inconsistent with the Northwest Power Act. SCL received \$5.7 million in both 2013 and 2012 in billing credits related to both the Block and Slice agreements as a result of the Court decision.

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Lucky Peak

In 1984, SCL entered into a purchase power agreement with four irrigation districts to acquire 100 percent of the net surplus output of a hydroelectric facility that began commercial operation in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project, and the FERC license expires in 2030. The agreement, which expires in 2038, obligates SCL to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

SCL provided and billed Lucky Peak \$0.3 million and \$0.5 million for services in 2013 and 2012, respectively. These amounts are recorded as offsets to purchased power expense. SCL paid \$3.2 million and \$3.4 million for energy from Lucky Peak in 2013 and 2012, respectively.

SCL's receivables from Lucky Peak were less than \$0.1 million at December 31, 2013 and 2012, respectively. SCL's payables to Lucky Peak were \$0.4 million and \$0.5 million at December 31, 2013 and 2012, respectively.

British Columbia-High Ross Agreement

In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide SCL with energy equivalent to that which would have resulted from an addition to the height of Ross Dam. Delivery of this energy began in 1986 and is to be received for 80 years. In addition to the direct costs of energy under the agreement, SCL incurred costs of approximately \$8.0 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1.0 million payments. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 35 years through 2035.

Renewable Energy Purchase and/or Exchanges

The Energy Independence Act, Chapter 19,285 Revised Code of Washington, requires all qualifying utilities in Washington State to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits as a percentage of total energy delivered to retail customers. The annual targets are: at least 3 percent by 2012, at least 9 percent by 2016, and at least 15 percent by 2020. SCL's 2013 and 2012 resource portfolio met the 3 percent target. Long-term renewable purchase or exchange agreements were executed with the Sacramento Municipal Utility District in 2007, Waste Management Renewable Energy, LLC in 2009, the existing Stateline Wind Project contract, assigned to JP Morgan in 2010, and the King County Wastewater Treatment Division in 2010.

Energy Exchange

Northern California Power Agency (NCPA) and SCL executed a long-term Capacity and Energy Exchange Agreement in March 1993. SCL delivers energy to NCPA from June through October 15. NCPA returns energy under conditions specified in the contract at a 1.2:1 ratio of exchange power from November through April. The agreement includes financial settlement and termination options. In a letter NCPA dated May 17, 2011, NCPA gave seven year's advance written notice to the Department terminating the agreement effective no later than May 31, 2018.

Fair Value of Exchange Energy

Exchange energy receivable and the related regulatory gains at December 31, 2013 and 2012, were valued using Kiodec Forward Curves and Dow Jones U.S. Daily Electricity Price Indices for settled deliveries. An income valuation technique that uses interest rate forecasts from HIS Global Insight is used to discount for present value based on the interest rate for Treasury constant maturities, bond-equivalent yields by the future month of the transactions.

Notes to Financial Statements

Estimated Future Payments under Purchased Power, Transmission, and Related Contracts

SCL's estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2014 through 2065, undiscounted, are shown in the following table.

Table 15-2 ESTIMATED FUTURE PAYMENTS UNDER PURCHASED POWER, TRANSMISSION, AND RELATED CONTRACTS
(In Millions)

| Year Ending December 31 | Estimated Payments ^a |
|-----------------------------|------------------------------------|
| 2014 | \$ 279.6 |
| 2015 | 289.4 |
| 2016 | 303.9 |
| 2017 | 308.7 |
| 2018 | 327.5 |
| 2019 - 2023 | 1,764.8 |
| 2024 - 2028 ^{b, c} | 1,562.4 |
| 2029 - 2033 | 115.9 |
| 2034 - 2038 ^d | 90.6 |
| 2039 - 2043 | 32.2 |
| 2044 - 2048 | 37.4 |
| 2049 - 2065 | 38.9 |
| Total | <u>\$ 5,151.3</u> |

^a 2014 to 2019 includes estimated REP recoveries from BPA.

^b BPA transmission contract expires July 31, 2025.

^c BPA Block and Slice contract expires September 30, 2028.

^d Lucky Peak contract expires September 30, 2038.

Federal Energy Regulatory Commission Fees

Estimated Federal land use and administrative fees related to hydroelectric licenses total \$271.1 million through 2055; these estimates are subject to change. The estimated portion of fees attributed to the Skagit and Tolt licenses are excluded after 2025, at which time their current FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year in which the current license issued by FERC expires. The current Boundary FERC license and related issues are discussed below.

New Boundary License

SCL's FERC license for the Boundary Project expired on September 30, 2011 and a new license was issued on March 20, 2013 with 42 year life for the total cost of \$48.6 million. The terms and conditions of the new license have been evaluated. SCL has moved on from license evaluation to license implementation process that imposes mitigation of endangered species including water quality standards and conservation management.

As part of the application process, SCL negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups, and other government agencies. The settlement sought to preserve SCL's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation, and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$395.0 million adjusted to 2013 dollars, of which \$8.0 million were expended through 2013. Projected mitigation cost estimates are subject to revision as more information becomes available.

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Skagit and South Fork Tolt Licensing Mitigation and Compliance

In 1995, the FERC issued a license for operation of the Skagit hydroelectric facilities through April 30, 2025. On July 20, 1989, the FERC license for operation of the South Fork Tolt hydroelectric facilities through July 19, 2029, became effective. As a condition for both of these licenses, SCL has taken and will continue to take required mitigating and compliance measures.

Total Skagit license mitigation costs from the effective date until expiration of the federal operating license were estimated at December 31, 2013, to be \$125.7 million, of which \$107.8 million had been expended. Total South Fork Tolt license mitigation costs were estimated at \$1.8 million, of which \$1.3 million were expended through 2013. In addition to the costs listed for South Fork Tolt mitigation, the license and associated settlement agreements required certain other actions related to wildlife studies and wetland mitigation for which no set dollar amount was listed. Requirements for these actions have been met, and no further expenditures need to be incurred for these items.

Capital improvement, other deferred costs, and operations and maintenance costs are included in the estimates related to the settlement agreements for both licenses. Amounts estimated are adjusted to 2013 dollars. SCL's labor and other overhead costs associated with the activities required by the settlement agreements for the licenses are not included in the estimates.

Hydroelectric projects must satisfy the requirements of the Endangered Species Act (ESA) and the Clean Water Act in order to obtain a FERC license. ESA and related issues are discussed below.

Endangered Species

Several fish species that inhabit waters where hydroelectric projects are owned by SCL, or where SCL purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all of SCL's hydroelectric projects, the ESA listings still affect operations of SCL's Boundary, Skagit, Tolt, and Cedar Falls hydroelectric projects.

Federal Regulations in response to the listing of species affect flow in the entire Columbia River system. As a result of these regulations, SCL's power generation at its Boundary Project is reduced in the fall and winter when the region experiences its highest sustained energy demand. The Boundary Project's firm capability is also reduced.

SCL, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. SCL is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management, and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Department's share of the Early Action program from inception in 1999 through December 31, 2013 are estimated to be \$7.5 million. \$0.6 million has been allocated for the program in the 2014 budget.

Project Impact Payments

Effective August 2010, SCL renewed its contract with Pend Oreille County and committed to pay a total of \$19.0 million over 10 years ending in 2019 to Pend Oreille County for impacts on county governments from the operations of SCL's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 years ending in 2023. The payments compensate the counties and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$2.4 million and \$1.6 million to Pend Oreille County, and \$1.0 million and \$1.0 million to Whatcom County in 2013 and 2012, respectively.

SEATTLE PUBLIC UTILITIES (SPU)

Water Fund

Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed while allowing SPU to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$106.8 million (in 2013 dollars) over a period of 50 years (from the year 2000 through the year 2050).

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Expenditures are being funded from a combination of SPU's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2013 is \$76.2 million. The remaining \$30.6 million to complete the HCP is comprised of a \$6.2 million liability and an estimate of \$24.4 million for construction and operating commitments. The construction activities will add to SPU's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expenses as incurred.

Distribution System Reservoirs

SPU is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs by the year 2020. The total cost of burying five reservoirs is expected to be approximately \$143.7 million through the year 2016; costs beyond 2016 are not estimable as of the date of this report. As of December 31, 2013 and 2012, total cumulative costs incurred were \$140.9 million and \$139.1 million, respectively.

Wholesale Water Supply Contracts

In 2011 SPU signed new water supply contracts with eight wholesale customers whose contracts were to expire January 31, 2011. Six of the customers signed full or partial requirements contracts that are very similar to the full and partial requirements contracts already in place with the majority of SPU's wholesale customers. These new full and partial requirements contracts do not change SPU's obligation to supply water. All eight of these new contracts expire December 31, 2062.

Drainage and Wastewater Fund

Wastewater Disposal Agreement

SPU has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (WTD), which expires in 2036. The monthly wastewater disposal charge paid to WTD is based on the WTD'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 SPU were \$137.7 million and \$124.5 million for fiscal years 2013 and 2012, respectively.

Solid Waste Fund

Contractual Obligations

SPU contracts with private companies for the collection of residential and commercial garbage, yard waste, and recycling. These contracts cover (1) the collection and delivery of waste to transfer stations, (2) the subsequent disposal of solid waste, (3) the processing of yard waste, and (4) the processing of recyclables.

Effective March 30, 2009 SPU entered into new contracts with Waste Management and CleanScapes for residential and commercial collection. The contracts are scheduled to end on March 31, 2019. Total payments under these contracts for residential and commercial collection in 2013 and 2012 were \$74.7 million and \$71.5 million, respectively.

In 1990, SPU signed a 38-year contract with Washington Waste Systems (WWS) for the disposal of non-recyclable City waste. Through various renegotiations the contract price was reduced to \$39.65 per ton at March 31, 2009. The contract price is adjusted based on a formula driven by the Consumer Price Index resulting in the current rate of \$41.63 per ton. The Fund paid WWS \$13.3 million and \$13.1 million under this contract in 2013 and 2012, respectively.

The City also has negotiated a long-term yard waste processing contract with Cedar Grove Composting, Inc. (CGC). The first opt-out date on the disposal contract was extended to March 29, 2009, in exchange for price reductions every two years beginning in 2003. The City renegotiated a new long-term yard waste processing contract with CGC in 2008, which became effective March 30, 2009 and the current tonnage rate is \$27.88 per ton. The first opt-out date under the contract occurred on March 30, 2013 at which time CGC agreed to a one-year extension of the contract expiring on March 30, 2014. The City has negotiated new contracts with two yard waste contractors unrelated to CGC and those long-term contracts are effective April 1, 2014. Total payments to CGC in 2013 and 2012 were \$2.7 million and \$2.6 million, respectively.

Effective April 1, 2009, the City commenced a new contract for recycling processing with Rabanco, LTD. The company is responsible for processing recyclables, including food waste, from both commercial and residential customers. The new contract includes the collection of compostable materials, which is a service not originally provided by the City. The contract is scheduled to end on March 31, 2016 with an option to extend the contract for a three-year period at that time. Total payment for recycling processing in 2013 and 2012 were \$2.4 million and \$2.3 million, respectively.

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Landfill Closure and Post-closure Care

SPU delivered its refuse to two leased disposal sites: Midway (until 1983) and Kent-Highlands (until 1986) landfills. Current federal and state laws hold SPU accountable for certain cost related to closure and post closure of those landfill sites. In accordance with Generally Accepted Accounting Principles, total estimated landfill closure and post-closure care costs are accrued and reflected as a future costs. Pursuant to the City's policies, these costs are being amortized as they are recovered from rate payers. Actual costs for closure and post-closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. At December 31, 2013, accrued landfill closure and post-closure costs consisted primarily of monitoring, maintenance, and repair costs. Landfill closure costs were fully amortized in 2009 and landfill post-closure costs will continue to amortize until 2024.

(16) CONTINGENCIES

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, failure to supply utilities, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has been self-insured for most of its general liability risks prior to January 1, 1999, for workers' compensation since 1972, and for employees' health care benefits starting in 2000.

Since January 1, 1999, the City obtained excess general liability insurance coverage for occurrences on or after said date which covers losses over \$2.5 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. Starting February 1, 2002 through 2006, the City's excess general liability insurance covers losses over \$5.0 million per occurrence self-insured retention, with a \$25.0 million limit per occurrence and in the aggregate. In June 2007 the limit was increased to \$30.0 million over a \$5.0 million self-insured retention. In June 2009 the self-insured retention was increased from \$5.0 million to \$6.5 million. Beginning in June 2011 the limit was increased to \$40.0 million over a \$6.5 million self-insured retention.

The City also purchased an all-risk comprehensive property insurance policy that provides \$500.0 million in limits, subject to various deductible levels depending upon the type of asset and value of the building. This includes \$100.0 million in earthquake and flood limits. Hydroelectric and other utility producing and processing projects owned by the City are not covered by the property policy. The City also purchased insurance for excess workers' compensation, fiduciary and crime liability, inland marine transportation, volunteers, and an assortment of commercial general liability, medical, accidental death and dismemberment, and other miscellaneous policies. Bonds are purchased for public officials, notaries public, pension exposures, and specific projects and activities as necessary.

The City did not purchase annuity contracts in 2013 to resolve litigation. No structured settlements were entered into by the City in 2013. No large liability settlements were received in 2013. No settlements made in 2013, 2012, or 2011 were in excess of insurance coverage.

Claims liabilities are based on the estimated ultimate cost of settling claims, which include case reserve estimates and incurred but not reported (IBNR) claims. Liabilities for lawsuits and other claims are assessed and projected annually using historical claims, lawsuit data, and current reserves. The Personnel Department estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2013 the City's independent actuary estimated the ultimate settlement costs for lawsuits, workers' compensation, and other claims at year-end 2012 and for health care as of year-end 2013. The total undiscounted IBNR amount remained relatively stable in 2013, the IBNR amount was \$34.8 million in 2013 and \$35.1 million in 2012, a decrease of \$0.3 million.

Estimated claims expenditures are budgeted by the individual governmental and proprietary funds. Actual workers' compensation claims are processed by the General Fund and reimbursed by the funds that incurred them. Operating funds pay health care premiums to the General Fund, and the latter pays for all actual health care costs. The General Fund initially pays for lawsuits, claims, and related expenses and then receives reimbursements from City Light, Water, Drainage and Wastewater, Solid Waste, and the retirement funds.

Claims liabilities include claim adjustment expenditures if specific and incremental to a claim. Recoveries from unsettled claims, such as salvage or subrogation, and on settled claims are deposited in the General Fund and do not affect reserves for general government. Workers' compensation annual subrogation recoveries amounted to \$0.3 million in 2013 and \$0.4 million in 2012. All workers' compensation recoveries are deposited into the General Fund. Lawsuit and other claim recoveries of payments reimbursed for the utilities are deposited into the paying utility fund and do not affect the utility reserves.

Notes to Financial Statements

Claim liabilities recorded in the financial statements are discounted at 0.675 percent for 2013 and 0.784 percent for 2012, the City's average annual rates of return on investments. The total discounted liability at December 31, 2013, was \$102.0 million consisting of \$60.1 million for general liability, \$3.0 million for health care, and \$38.9 million for workers' compensation.

Table 16-1 **RECONCILIATION OF CHANGES IN**
AGGREGATE LIABILITIES FOR CLAIMS
(In Thousands)

| | General Liability | | Health Care | | Workers' Compensation | | Total City | |
|--|-------------------|-----------|-------------|-----------|-----------------------|-----------|------------|------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| UNDISCOUNTED | | | | | | | | |
| Balance - Beginning of Fiscal Year | \$ 67,732 | \$ 84,223 | \$ 2,265 | \$ 1,778 | \$ 36,024 | \$ 34,481 | \$ 106,021 | \$ 120,482 |
| Less Payments and Expenses | (16,589) | (10,092) | (134,747) | (105,068) | (12,954) | (12,628) | (164,290) | (127,788) |
| Plus Claims and Changes in Estimates | 10,516 | (6,399) | 135,529 | 105,555 | 17,015 | 14,171 | 163,060 | 113,327 |
| Balance - End of Fiscal Year | \$ 61,659 | \$ 67,732 | \$ 3,047 | \$ 2,265 | \$ 40,085 | \$ 36,024 | \$ 104,791 | \$ 106,021 |
| UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF | | | | | | | | |
| Governmental Activities | \$ 45,960 | \$ 48,811 | \$ 3,047 | \$ 2,265 | \$ 28,997 | \$ 26,075 | \$ 78,004 | \$ 77,151 |
| Business-Type Activities | 15,699 | 18,921 | - | - | 11,088 | 9,949 | 26,787 | 28,870 |
| Fiduciary Activities | - | - | - | - | - | - | - | - |
| Balance - End of Fiscal Year | \$ 61,659 | \$ 67,732 | \$ 3,047 | \$ 2,265 | \$ 40,085 | \$ 36,024 | \$ 104,791 | \$ 106,021 |
| DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF | | | | | | | | |
| Governmental Activities | \$ 44,776 | \$ 47,387 | \$ 3,027 | \$ 2,248 | \$ 28,174 | \$ 25,258 | \$ 75,977 | \$ 74,893 |
| Business-Type Activities | 15,294 | 18,369 | - | - | 10,774 | 9,637 | 26,068 | 28,006 |
| Fiduciary Activities | - | - | - | - | - | - | - | - |
| Balance - End of Fiscal Year | \$ 60,070 | \$ 65,756 | \$ 3,027 | \$ 2,248 | \$ 38,948 | \$ 34,895 | \$ 102,045 | \$ 102,899 |

Pending litigations, claims, and other matters are as follows:

- City Light Energy Crisis Litigation. The City is involved in various legal proceedings relating to the enormous price spikes in energy costs in California and the rest of the West Coast in 2000 and 2001.

California Refund Case, Appeals, and Related Litigation. In the proceeding before the Federal Energy Regulatory Commission (FERC) various public and private California entities sought refunds in markets that had been created by the State of California. City Light had sold energy in one of these markets. In February 2011 the City agreed to a settlement, which was eventually approved by the trial court and FERC. Under the settlement, the City resolved this matter for \$9.0 million, none of which was immediately paid by the City. As part of the settlement, the City assigned its accounts receivable from the California Independent System Operator to the California Parties, which was valued at approximately \$1.4 million at the time of the settlement agreement. The balance of over \$7.6 million is contingent upon City Light recovering monies in the Pacific Northwest Refund Case, discussed below. To date, the City has received \$2.6 million in payments in the Pacific Northwest Refund Case, half of which has been paid to the California parties pursuant to the settlement.

Pacific Northwest Refund Case and Appeal. In the proceeding before FERC various buyers of energy, including the City, sought refunds from various sellers on energy sales in the Pacific Northwest between December 1999 and June 2001. The case was tried at FERC between August and October of 2013. Two witnesses provided testimony on behalf of the City, and were cross-examined by the sellers. FERC has received the parties closing briefs and the City is awaiting the preliminary ruling from the trial judge. Prior to the FERC trial, the City settled refund claims with twelve entities, with a combined total settlement amount of \$2.6 million. During the middle of the FERC trial, the City also reached a settlement with Powerex Corp for \$2.0 million. The Powerex settlement was subsequently approved by FERC on March 7, 2014.

- City Light Boundary Unit 55 Delay Claims. The City entered into a generator rebuild contract with Toshiba International Corporation for Units 55 and 56 at the City's Boundary Hydroelectric Project. The rebuild contract specified a turnover date of March 29, 2013 for Unit 55. Toshiba was materially late on a number of matters, which

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triggered liquidated damage claims under the contract with Toshiba. The liquidated damages clause allows for \$11 thousand per day, and the City has made liquidated damages claims against Toshiba for the period of March 29, 2013 through July 17, 2013. These claims total \$1.2 million and are currently being negotiated with Toshiba. The ultimate recovery amount is indeterminable as of the date of this note.

- Utility Tax Refund. A wireless telecommunications subsidiary company served dozens of cities in Washington including Seattle. In November 2010 the company made utility tax refund requests. Pursuant to the refund requests, a lawsuit was filed in King County Superior Court against more than 100 cities in April 2012 appealing the cities' denial or failure to respond. The City of Seattle was not a defendant in the initial complaint, but was added with some other cities in August 2012. The lawsuit arises from its parent company being sued in a class action for improperly charging its customers for local utility taxes on wireless internet services. Those services may not have been taxable. As part of the settlement of the class action lawsuit, the parent company was required to present refund claims to the cities; the claim against the City of Seattle is approximately \$5.0 million. In May 2013, the court granted motions to dismiss Seattle and most other cities. However, the City is continuing an audit of the company and after the conclusion of the audit, it is likely that the company will refile the lawsuit against Seattle and the other cities that have not settled. The likelihood of a material adverse outcome in this matter cannot be predicted.
- Public Records Request Claim. The parent company of a local television station in Seattle made public records request to the Seattle Police Department for in-car videos. On summary judgment, the court held that the City properly withheld the actual videos so there were no associated penalties. However, the court also ruled that the City wrongfully denied access to the Coban database and awarded a total penalty of \$88 thousand. The company appealed and oral argument was heard by the Washington Supreme Court in May 2013. Decision is pending. The City cannot predict whether a material adverse outcome will occur.
- Leaks and Cracks in Reservoirs. The City discovered leaks and cracks in various reservoirs. Discussions with the designer have commenced to determine the cause of the leaks and cracks. Costs of repairs and/or damages are expected to exceed the material amount. The amount is indeterminable as of the date of this note.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes therein is remote. Other than the aforementioned cases and the claim liabilities recorded in the financial statements, there were and are no outstanding material judgments against the City.

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN PROGRAM

The City of Seattle participates in the HUD Section 108 loan program. In the Section 108 program HUD obtains funds from private investors at a very low cost (i.e., low interest rate). Low-cost funds are available because HUD guarantees repayment to the private investors. HUD, in turn, provides the low-cost funds to jurisdictions nationwide including the City of Seattle. The City re-lends the funds to private borrowers. HUD deposits the funds directly with the City's loan servicing agent, the Bank of New York. The Bank of New York disburses funds on behalf of the City to the private borrowers.

The Brownfields Economic Development Initiative Grant (BEDI) program is a federal grant that is directly linked to the Section 108 loan program. The City uses BEDI grant funds as a loan loss reserve and interest subsidy on Section 108 loans. The U.S. Treasury deposits the grant funds with the City. The City then disburses the grant funds to the loan servicing agent.

Pursuant to RCW 35.21.735 the City is expressly authorized to participate in the Section 108 loan program. The state statute and the City's contracts/agreements with HUD clarify that the City never pledges its full faith and credit. Future block grant funds are pledged to HUD in the event of borrower default. Each loan is secured by a deed of trust and/or bank-issued letter of credit that provides the City with security in the event of borrower default. Additionally, the BEDI grant funds may be used by the City to protect against loan default.

On December 31, 2013, twelve projects remained outstanding with a combined total amount of \$29.5 million. BEDI grant funds amount to \$3.75 million, of which a portion is being held as loan loss reserves.

GUARANTEES OF THE INDEBTEDNESS OF OTHERS

The City has contingent liability for the following bonds issued by public development authorities chartered by the City which are not component units of the City:

Museum Development Authority

Special obligation bonds issued on November 16, 2005, in the amount of \$60,720,000, of which \$51,450,000 was outstanding at December 31, 2013. The bonds will be fully retired by April 1, 2031.

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Pike Place Market Preservation and Development Authority

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$5,925,000 of which \$3,145,000 was outstanding on December 31, 2013. The bonds will be fully retired on November 1, 2017.

Seattle Chinatown-International District Preservation and Development Authority

Special obligation bonds, Series A, issued on December 12, 2002, in the amount of \$7,700,000. The outstanding amount at December 31, 2013, was \$2,480,000. The bonds will be fully retired by October 1, 2032.

Special obligation bonds, Series B, issued on December 12, 2002, in the amount of \$2,790,000. The outstanding amount at December 31, 2013, was \$2,235,000. The bonds will be fully retired by October 1, 2032.

Special obligation refunding bonds issued on September 26, 2007, in the amount of \$7,355,000. The outstanding amount at December 31, 2013, was \$5,810,000. The bonds will be fully retired by August 1, 2026.

Seattle Indian Services Commission

Special obligation refunding bonds issued on March 28, 2002, in the amount of \$3,710,000. The amount outstanding at December 31, 2013, was \$1,330,000. The bonds will be fully retired on November 1, 2017.

Special obligation revenue refunding bonds issued on November 1, 2004, in the amount of \$5,210,000, of which \$3,805,000 was outstanding as of December 31, 2013. The bonds will be fully retired on November 1, 2024.

(17) RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING PRINCIPLES, AND RECLASSIFICATIONS

Effective January 1, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify certain items previously reported as assets to be segregated as deferred outflows of resources, and certain items previously reported as liabilities to be segregated as deferred inflows of resources. This statement's impact on the City's comparative financial presentation is detailed below.

GOVERNMENTAL ACTIVITIES

The governmental funds' implementation of GASB Statement No. 65 resulted in: (1) reclassification of 2012's Deferred Revenues liability totaling \$432.0 million. Of the \$12.1 million reported in the General Fund's balance, \$4.4 million remained a liability, with \$1.6 million adjusted to Revenues Collected/Billed in Advance, and \$2.8 million to Other Current Liabilities. The remaining General Fund balance of \$7.7 million is reclassified to the Deferred Inflows of Resources. The Transportation Fund's 2012 Deferred Revenues balance of \$4.1 million continues to report as a liability and is reclassified to Revenues Collected/Billed in Advance. Additional balances within the Low-Income Housing Fund, the Housing and Community Development Revenue Sharing Fund, and the Human Services Operating Fund totaling \$401.5 million for are reclassified to Deferred Inflows of Resources due to their relations to the housing loan guarantee programs. An additional \$13.0 million reported as Deferred Revenues within the nonmajor governmental funds for the Local Improvement District 6750 Fund was reclassified to Deferred Inflows of Resources with the associated assets recorded as taxes receivable; (2) reclassification of 2012's Contracts and Notes asset balances. The General Fund's balance of \$7.7 million relates to a housing loan guarantee program within the Cumulative Reserve Subfunds and is reclassified to Deferred Outflows of Resources. Additional balances within the Low-Income Housing Fund, the Housing and Community Development Revenue Sharing Fund, and the Human Services Operating Fund totaling \$401.5 million for 2012 also relate to housing loan guarantees and have been reclassified to Deferred Outflows of Resources; and (3) the recognition of a \$7.8 million asset for property taxes receivable was recorded within the City's governmental funds for 2012. Although unable to meet the revenue recognition criteria the balance was recorded as a Deferred Inflows of Resources, with no net impact on the governmental fund balance.

Implementation of GASB Statement No. 65 for the government-wide presentation resulted in the following changes to the governmental activities: (1) \$4.4 million reduction in 2012 beginning balance of net position for governmental activities due to the retro adjustment to the 2011 unamortized bond issuance costs; (2) \$76 thousand decrease in interest on long-term debt, representing the difference between the 2012 bond issuance costs and 2012 amortization of the unamortized bond issuance costs; (3) gain/loss on refunding debt of \$1.5 million previously reported as a Noncurrent Assets was reclassified as Deferred Outflows of Resources; (4) adjustment of 2011 unamortized bond issuance costs, resulting in reductions of 2012 ending balances of net position in the amount of \$904 thousand in the internal service funds, and \$179 thousand in the

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Downtown Parking Garage Fund; and (5) a \$7.8 million adjustment to the balance of Deferred Inflows to recognize the additional tax revenue that was reported as a Deferred Inflows of Resources.

Additional prior-period adjustments for governmental activities unrelated to GASB Statement No. 65's implementation include: (1) general obligation bonds liability recorded in the Finance and Administrative Services Fund was overstated by \$805 thousand, which resulted in a prior-period adjustment in 2013 to accurately reflect the liability; (2) the 2012 accrual of property taxes receivable and tax revenue recorded in our government-wide presentation was overstated by \$6.5 million, the correction results in a reduction of the year-end receivable and net position; and (3) the City recently discovered transportation infrastructure assets had been underreported \$19.8 million since 2001 (roads \$11.7 million, signals and illuminations \$6.2 million, and others transportation assets of \$1.9 million). Net of the \$11.4 million in accumulated depreciation, this single adjustment to assets contributes \$8.4 million to the City's net position. Asset corrections were also made to accurately reflect a retirement of a \$3.8 million asset, net of \$3.3 million in depreciation; the adjustment to net position totals \$593 thousand. An update to the balance of construction in progress also shifted \$2.5 million from the Statement of Net Position to the Statement of Activities. Additional corrections within general government and public safety functions were also made to align the general ledger and asset management systems, these changes decreased net position \$1.1 million. The overall impact from capital activity adjustments positively impacted the City's net position \$4.3 million.

BUSINESS-TYPE ACTIVITIES

SCL's implementation of GASB Statement No. 65 resulted in: (1) Loss on Advanced Refunding of \$26.0 million and \$30.0 million, for 2013 and 2012, respectively, was reclassified as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds; (2) Deferred Revenue - Rate Stabilization Account of \$85.0 million and \$103.3 million, for 2013 and 2012, respectively, was reclassified as a Deferred Inflows of Resources; (3) Deferred Credits of \$15.7 million and \$9.2 million, for 2013 and 2012, respectively, were reclassified as Deferred Inflows of Resources from Current Liabilities; and (4) Unamortized Bond Issue Costs, Net, which had previously been recorded as a component of Noncurrent Assets and amortized over the life of the bonds, are now expensed as Nonoperating Expense in the period incurred. This resulted in an additional \$10.9 million expense and reduction of net position for 2012.

SPU's implementation of GASB Statement No. 65 resulted in: (1) Water Fund reclassifying Loss on Advanced Refunding of \$20.2 million and \$21.4 million, for 2013 and 2012, respectively, as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds; (2) Water Fund reclassifying Deferred Revenue - Rate Stabilization Account of \$19.4 million and \$12.4 million, for 2013 and 2012, respectively, as a Deferred Inflows of Resources; (3) Drainage and Wastewater Fund reclassifying Loss on Advanced Refunding of \$6.1 million and \$6.4 million, for 2013 and 2012, respectively, as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds; and (4) Solid Waste Fund reclassifying Loss on Advanced Refunding of \$139 thousand and \$163 thousand, for 2013 and 2012, respectively, as a Deferred Outflows of Resources from a contra-liability component of Revenue Bonds.

(18) SUBSEQUENT EVENTS

On February 2, 2014 City Council passed Ordinance 124429 authorizing a restatement of the guarantee and reimbursement agreement between the City and the Museum Development Authority. The original agreement obligated the City to guarantee the indebtedness of the Museum Development Authority's 2005 bond issue of \$60.7 million. On April 29, 2014, the Museum Development Authority completed a refunding of their 2005 bonds by issuing \$44.4 million of the special obligation bonds. The City's obligation to guarantee the indebtedness of the Museum Development Authority transfers from the original 2005 bond issue to the current 2014 refunding bond issue.

On April 10, 2014, pursuant to City Ordinances 124125 and 124341 the City issued (1) \$62.7 million of Limited Tax General Obligation (LTGO) Improvement Bonds with an average coupon rate of 4.330 percent and a final maturity of May 1, 2034; and (2) \$16.4 million of Unlimited Tax General Obligation (UTGO) Improvement Bonds with an average coupon rate of 4.004 percent and a final maturity of December 1, 2043.

On June 4, 2014, pursuant to City Council Resolution 31528 the City resolved to issue \$95.4 million of Solid Waste Revenue and Refunding Bonds with an average coupon rate of 4.520 percent and a final maturity of May 1, 2039.

**Required Supplementary
Information**

Required Supplementary Information

SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The schedules of revenues, expenditures, and changes in fund balances – budget and actual are presented on a budgetary basis (Non-GAAP). A reconciliation of the budgetary fund balance to the GAAP fund balance is shown on the face of each schedule.

The budgetary basis of accounting is substantially the same as the modified accrual basis of accounting in all governmental funds except for the treatment of appropriations that do not lapse, those whose budgets were approved by the City Budget Office to carry over to the following year. These appropriations are included with expenditures in the City's budgetary basis of accounting.

As described in Note 1, Summary of Significant Accounting Policies, GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented in fiscal year 2011; the Library Fund no longer meets the definition for a special revenue fund and is now reported as part of the General Fund for the GAAP reporting. Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund, C-1, is presented on the budgetary basis for the legally adopted budget of the General Fund.

The City of Seattle

**C-1 GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)**

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|--------------|------------|------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 261,000 | \$ 261,000 | \$ 252,682 | \$ (8,318) |
| Retail Sales and Use Taxes | 172,207 | 172,207 | 181,171 | 8,964 |
| Business Taxes | 251,973 | 251,973 | 251,373 | (600) |
| Excise Taxes | 41,521 | 41,521 | 54,159 | 12,638 |
| Other Taxes | - | - | 3,468 | 3,468 |
| Interfund Business Taxes | 120,806 | 120,806 | 123,611 | 2,805 |
| Total Taxes | 847,507 | 847,507 | 866,464 | 18,957 |
| Licenses and Permits | 24,226 | 24,226 | 22,005 | (2,221) |
| Grants, Shared Revenues, and Contributions | 54,083 | 66,775 | 43,040 | (23,735) |
| Charges for Services | 51,021 | 54,143 | 50,379 | (3,764) |
| Fines and Forfeits | 33,856 | 33,856 | 39,488 | 5,632 |
| Parking Fees and Space Rent | 34,939 | 34,939 | 38,062 | 3,123 |
| Program Income, Interest, and Miscellaneous Revenues | 189,406 | 189,406 | 201,911 | 12,505 |
| Total Revenues | 1,235,038 | 1,250,852 | 1,261,349 | 10,497 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| General Government | 378,225 | 387,535 | 352,950 | 34,585 |
| Judicial | 27,507 | 27,823 | 27,642 | 181 |
| Public Safety | 468,162 | 499,501 | 492,509 | 6,992 |
| Physical Environment | 3,859 | 5,325 | 11,318 | (5,993) |
| Transportation | 14,972 | 14,972 | 11,321 | 3,651 |
| Economic Environment | 20,489 | 25,576 | 19,157 | 6,419 |
| Health and Human Services | - | 92 | 63 | 29 |
| Culture and Recreation | 50,032 | 70,230 | 27,897 | 42,333 |
| Capital Outlay | | | | |
| General Government | 25,468 | 25,493 | 1,095 | 24,398 |
| Public Safety | 22,118 | 25,484 | 10,275 | 15,209 |
| Physical Environment | 8,059 | 8,059 | - | 8,059 |
| Transportation | 5,504 | 5,504 | - | 5,504 |
| Economic Environment | 5,544 | 522 | - | 522 |
| Culture and Recreation | 14,292 | 14,292 | 8,029 | 6,263 |
| Debt Service | | | | |
| Interest | 1,026 | 1,026 | - | 1,026 |
| Total Expenditures and Encumbrances | 1,045,257 | 1,111,434 | 962,256 | 149,178 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | 189,781 | 139,418 | 299,093 | 159,675 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 12,295 | 26,600 | 22,748 | (3,852) |
| Transfers In | 19,987 | 26,404 | 23,462 | (2,942) |
| Transfers Out | (301,861) | (318,279) | (312,196) | 6,083 |
| Total Other Financing Sources (Uses) | (269,579) | (265,275) | (265,986) | (711) |
| Net Change in Fund Balance | \$ (79,798) | \$ (125,857) | 33,107 | \$ 158,964 |
| Budgetary Fund Balance - Beginning of Year | | | 184,266 | |
| Net Change in Encumbrances | | | 668 | |
| Net Change in Unappropriable Reserves | | | (9,201) | |
| Budgetary Fund Balance - End of Year | | | 208,840 | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation Encumbrances | | | 83,543 | |
| Reimbursements | | | 3,060 | |
| Budgeted as Revenues | | | 170,599 | |
| Budgeted as Expenditures | | | (170,599) | |
| GASB Statement No. 54 Reporting Adjustment | | | 13,517 | |
| Library Fund Balances | | | | |
| Fund Balance (GAAP) - End of Year | | | \$ 308,960 | |

Required Supplementary Information

C-2

**TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)**

| | Budgeted Amounts | | Actual | Variance |
|--|---------------------|---------------------|------------------|-------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 41,487 | \$ 41,487 | \$ 41,774 | \$ 287 |
| Business Taxes | 31,291 | 31,291 | 33,930 | 2,639 |
| Other Taxes | - | - | 112 | 112 |
| Total Taxes | <u>72,778</u> | <u>72,778</u> | <u>75,816</u> | <u>3,038</u> |
| Licenses and Permits | 7,893 | 7,893 | 5,130 | (2,763) |
| Grants, Shared Revenues, and Contributions | 55,217 | 55,217 | 51,755 | (3,462) |
| Charges for Services | 53,892 | 53,892 | 102,475 | 48,583 |
| Fines and Forfeits | - | - | 8 | 8 |
| Parking Fees and Space Rent | - | - | 70 | 70 |
| Program Income, Interest, and Miscellaneous Revenues | - | - | 122 | 122 |
| Total Revenues | <u>189,780</u> | <u>189,780</u> | <u>235,376</u> | <u>45,596</u> |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Transportation | 92,969 | 97,281 | 86,111 | 11,170 |
| Capital Outlay | | | | |
| Transportation | 424,422 | 439,965 | 234,188 | 205,777 |
| Debt Service | | | | |
| Principal | 2,313 | 2,313 | 2,112 | 201 |
| Interest | - | - | 183 | (183) |
| Total Expenditures and Encumbrances | <u>519,704</u> | <u>539,559</u> | <u>322,594</u> | <u>216,965</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (329,924) | (349,779) | (87,218) | 262,561 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | - | 54 | 54 |
| Transfers In | 141,965 | 141,965 | 133,703 | (8,262) |
| Transfers Out | (25,633) | (25,633) | (24,739) | 894 |
| Total Other Financing Sources (Uses) | <u>116,332</u> | <u>116,332</u> | <u>109,018</u> | <u>(7,314)</u> |
| Net Change in Fund Balance | <u>\$ (213,592)</u> | <u>\$ (233,447)</u> | <u>21,800</u> | <u>\$ 255,247</u> |
| Budgetary Fund Balance - Beginning of Year | | | 2,891 | |
| Net Change in Encumbrances | | | 815 | |
| Net Change in Unappropriable Reserves | | | (31,680) | |
| Budgetary Fund Balance - End of Year | | | (6,174) | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 79,837 | |
| Fund Balance (GAAP) - End of Year | | | <u>\$ 73,663</u> | |

The City of Seattle

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**LOW-INCOME HOUSING FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)**

| | Budgeted Amounts | | Actual | Variance |
|--|--------------------|--------------------|------------------|------------------|
| | Original | Final | | |
| REVENUES | | | | |
| General Property Taxes | \$ 18,994 | \$ 18,994 | \$ 17,952 | \$ (1,042) |
| Grants, Shared Revenues, and Contributions | 14,370 | 13,094 | 2,088 | (11,006) |
| Charges for Services | 4,639 | 4,664 | 810 | (3,854) |
| Program Income, Interest, and Miscellaneous Revenues | 29,037 | 29,037 | 11,072 | (17,965) |
| Total Revenues | <u>67,040</u> | <u>65,789</u> | <u>31,922</u> | <u>(33,867)</u> |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Current | | | | |
| Economic Environment | 132,276 | 131,024 | 30,631 | 100,393 |
| Total Expenditures and Encumbrances | <u>132,276</u> | <u>131,024</u> | <u>30,631</u> | <u>100,393</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (65,236) | (65,235) | 1,291 | 66,526 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 15 | 15 | - | (15) |
| Total Other Financing Sources (Uses) | <u>15</u> | <u>15</u> | <u>-</u> | <u>(15)</u> |
| Net Change in Fund Balance | <u>\$ (65,221)</u> | <u>\$ (65,220)</u> | <u>1,291</u> | <u>\$ 66,511</u> |
| Budgetary Fund Balance - Beginning of Year | | | (9,366) | |
| Net Change in Unappropriable Reserves | | | (5,588) | |
| Budgetary Fund Balance - End of Year | | | (13,663) | |
| Adjustments to Conform to Generally Accepted Accounting Principles | | | | |
| Reserves Not Available for Appropriation | | | 94,820 | |
| Fund Balance (GAAP) - End of Year | | | <u>\$ 81,157</u> | |

Required Supplementary Information

PENSION PLAN INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Defined benefit pension plans are required to provide two schedules of long-term actuarial data, Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past six consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 11, Table 11-1.

The City of Seattle

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**PENSION PLAN INFORMATION
SCHEDULE OF FUNDING PROGRESS**

December 31, 2013

(In Thousands)

| Retirement System | Actuarial Valuation Date January 1 | Actuarial Value of Assets | Actuarial Liabilities (AAL) ^a | Unfunded Actuarial Accrued Liabilities (UAAL) ^b | Funded Ratio | Covered Payroll ^c | UAAL as a Percentage of Covered Payroll |
|--|------------------------------------|---------------------------|--|--|-------------------|------------------------------|---|
| Seattle City Employees' Retirement System (SCERS) | 2006 | \$ 1,791,800 | \$ 2,017,500 | \$ 225,800 | 88.8 % | \$ 447,000 | 50.5 % |
| | 2008 | 2,119,400 | 2,294,600 | 175,200 | 92.4 | 501,900 | 34.9 |
| | 2010 | 1,645,300 | 2,653,800 | 1,008,500 | 62.0 | 580,900 | 173.6 |
| | 2011 | 2,013,700 | 2,709,000 | 695,400 | 74.3 | 563,200 | 123.5 |
| | 2012 | 1,954,300 | 2,859,300 | 905,000 | 68.3 | 557,000 | 162.5 |
| | 2013 | 1,920,100 | 3,025,300 | 1,105,000 | 63.5 ^d | 567,806 | 194.6 |
| Firemen's Pension Fund | 2008 | 9,005 | 168,384 | 159,379 | 5.0 | N/A | N/A |
| | 2009 | 11,498 | 141,621 | 130,123 | 8.0 | N/A | N/A |
| | 2010 | 13,273 | 143,499 | 130,226 | 9.0 | N/A | N/A |
| | 2011 | 11,430 | 126,794 | 115,364 | 9.0 | N/A | N/A |
| | 2012 | 10,877 | 138,611 | 127,734 | 8.0 | N/A | N/A |
| | 2013 | 12,943 | 106,424 | 93,481 | 12.0 | N/A | N/A |
| Police Relief and Pension Fund | 2008 | 805 | 138,897 | 138,092 | 1.0 | N/A | N/A |
| | 2009 | 423 | 132,118 ^e | 131,695 ^e | 0.0 | N/A | N/A |
| | 2010 | 280 | 129,393 | 129,113 | 0.0 | N/A | N/A |
| | 2011 | 1,105 | 137,497 | 136,392 | 1.0 | N/A | N/A |
| | 2012 | 3,746 | 111,458 | 107,712 | 3.0 | N/A | N/A |
| | 2013 | 4,625 | 104,729 | 100,104 | 4.0 | N/A | N/A |

^a Actuarial present value of benefits less actuarial present value of future normal costs based on Entry Age Actuarial Cost Method for SCERS, Firemen's Pension, and Police Relief and Pension.

^b Actuarial accrued liabilities less actuarial value of assets, funding excess if negative.

^c Covered payroll includes compensation paid to all active employees on which contributions are calculated. Not applicable for Firemen's Pension and Police Relief and Pension plans. These plans primarily cover inactive participants and there are no current member contributions.

^d The funding ratio had been 63.5%, based on previous, January 1, 2013 actuarial valuation. The increase in the funding ratio is due mainly to the adoption of the asset smoothing method.

^e Reflects a \$514,000 actuarial adjustment for the 2009 AAL and UAAL.

Required Supplementary Information

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PENSION PLAN INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS

December 31, 2013

(In Thousands)

| Retirement System | Fiscal Year Ending December 31 | Covered Employee Payroll ^a | Actual Employer Contribution ^b | Actual Employer Contribution Percentage ^b | Annual Required Contribution (ARC) ^c | Percentage of ARC Contributed |
|---|---|---|---|---|--|-------------------------------------|
| Seattle City Employees' Retirement System (SCERS) | 2007 | \$ 501,900 | \$ 40,300 | 8.03 % | 8.03 % | 100 % |
| | 2008 | 570,530 | 45,814 | 8.03 | 8.03 | 100 |
| | 2009 | 580,948 | 46,650 | 8.03 | 8.03 | 100 |
| | 2010 | 563,198 | 45,225 | 8.03 | 17.00 | 47 |
| | 2011 | 557,000 | 50,301 | 9.03 | 13.11 | 69 |
| | 2012 ^d | 567,806 | 62,515 | 11.01 | 11.84 | 93 |
| Firemen's Pension Fund | 2007 ^e | N/A | 8,633 | N/A | \$ 9,533 | 91 |
| | 2008 | N/A | 15,027 | N/A | 10,673 | 141 |
| | 2009 | N/A | 11,422 | N/A | 8,266 | 138 |
| | 2010 | N/A | 7,255 | N/A | 7,975 | 91 |
| | 2011 | N/A | 8,262 | N/A | 7,218 | 114 |
| | 2012 | N/A | 10,318 | N/A | 7,387 | 140 |
| Police Relief and Pension Fund | 2007 ^e | N/A | 5,885 | N/A | \$ 7,783 | 76 |
| | 2008 | N/A | 9,723 | N/A | 9,248 | 105 |
| | 2009 | N/A | 7,939 | N/A | 8,635 | 95 |
| | 2010 | N/A | 9,843 | N/A | 7,907 | 124 |
| | 2011 | N/A | 11,195 | N/A | 8,534 | 131 |
| | 2012 | N/A | 8,315 | N/A | 6,895 | 121 |

^a Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll for SCERS. Not applicable to the Firemen's Pension and Police Relief and Pension because these plans primarily cover inactive participants and there are no current member contributions.

^b The actual and required employer contributions for SCERS are expressed as a percentage of payroll after first recognizing the \$12 per employee assessment made for the death benefits. This assessment per employee is included in the actual employer contributions reported and has been previously recognized by the actuary in determining the ARC.

^c The City makes employer contributions as a percentage of actual payroll for SCERS as set in City ordinance. Thus, as long as the percentage equals the percentage required by the most recent actuarial valuation, the dollar amount of the ARC is equal to the actual dollar amount of the employer contributions. The City ordinance does not permit a reduction in the employer contribution rate less than the employee contribution rate.

^d The latest actuarial valuation for SCERS was completed as of January 1, 2013.

^e Projected benefit payments and liabilities increased significantly between the 2005 actuarial valuation and the valuation completed in 2007. The primary contributing factor was the change in actuarial assumptions to reflect that long-run wages were expected to increase faster than the Consumer Price Index.

**Combining and Individual
Fund and Other
Supplementary Information**

**Nonmajor
Governmental Funds**

Nonmajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Park and Recreation Fund** accounts for the operation of the City's parks system. The fund continues to receive monies for charter revenues as required by the City Charter. Required charter revenue to the fund is ten percent of all business and occupation taxes, related fines, penalties, and other licenses. In 2009, the City changed the charter revenue allocation from direct method of allocating ten percent actual revenue receipts periodically to an indirect method of transferring a fixed amount from the General Fund as adopted by the City Council each year. At the end of each year, an analysis is performed to ensure that Park and Recreation Fund receives monies equal to or exceeding the ten percent charter revenue requirement. Transfers-in are recognized for these cash transfers in this fund. The fund also receives usage fees.

The **Seattle Streetcar Fund** accounts for payments to King County, based on certain formulas, for operating and maintaining the City's streetcar. The fund is supported by revenues from sponsorship agreements; federal, state, county or other grants or transfers; private funding, donations, or gifts; property sales proceeds or other moneys supported by ordinance (Ordinance 122424).

The **Key Arena Settlement Proceeds Fund** accounts for all proceeds received pursuant to the settlement of the Key Arena litigation which shall be used and applied in accordance with appropriations by the City Council (Ordinance 122834).

The **Pike Place Market Renovation Fund** accounts for the proceeds of a six-year tax levy (Market Levy) approved by the voters in 2008 received on behalf of the Pike Place Market Preservation and Development Authority (PPMPDA) to pay for the cost of renovating the Pike Place Market owned by PPMPDA under the Levy Proceeds Agreement by and between the City and PPMPDA (Ordinance 122737). It also accounts for the proceeds of bonds issued in part by the 2009, 2010, and 2011 Multipurpose Long-Term General Obligation Bond as temporary financing for the Pike Place Market renovation, whose bonds and interest are being paid from the Market Levy proceeds at bond maturity and interest payment dates (Ordinances 122848, 123156, and 123480).

The **Seattle Center Fund** accounts for the operations of the Seattle Center. The Center is a 74-acre convention, performance, and family entertainment complex on the site of the 1962 Seattle World's Fair.

The **Human Services Operating Fund** accounts for grants and General Fund moneys for programs to aid low-income persons, youths, and the elderly.

The **Office of Housing Fund** accounts for activities pertaining to housing development, application for and compliance with conditions for housing loans and grants.

The **Housing and Community Development Revenue Sharing Fund** receives federal Community Development Block Grant and Urban Development Action Grant moneys to provide housing and community development assistance to low- and moderate-income persons.

The **Education and Development Services Fund** accounts for a seven-year levy approved by the voters in 1997, in 2004, and again in 2011 to provide educational and developmental services to supplement the basic education activities financed by the State of Washington (Ordinances 118557, 121529, and 123567).

The **2012 Library Levy Fund** accounts for a seven-year levy approved by the voters in 2012, providing support for library services which include maintaining hours and access, increasing the size and quality of library collections both new book titles and digital media, technology replacements and upgrades, and regular maintenance and major repairs (Ordinance 123851).

The **Business Improvement Areas Fund** accounts for moneys that businesses assess themselves for parking, festivals, and other nongovernmental activities.

The **Seattle Transportation Benefit District Fund** accounts for the independent taxing district created and governed by the City Council. The purpose of the district is to fund transportation improvements within the boundaries of the City through an imposed \$20 vehicle registration fee. See Note 12, Component Units, for additional information pertaining to the district.

The **General Trust Fund** accounts for amounts received with restrictions under contractual agreements.

The City of Seattle

The **Municipal Arts Fund** receives at least one percent of the total cost of City capital construction projects. The City uses these moneys to buy visual arts.

The **General Donations and Gift Trust Fund** holds a variety of gifts and donations which have restrictions on their use. Programs eligible to receive support from this fund include the gift catalog, animal control, emergency medical assistance program, horse patrol, K-9 corps, climate action, and rescue of prostituted children.

DEBT SERVICE FUNDS

The **General Bond Interest and Redemption Fund** receives moneys from excess property tax levies to pay interest costs and principal redemptions on voter-approved general obligation bonds. It also receives moneys from the General Fund and other City funds to pay for interest costs and principal redemptions on councilmanic limited tax general obligation bonds.

The **Interfund Notes Payable - Local Improvement Districts (LIDs) Fund** accounts for the payments of interest and principal on interfund notes payable to the Cumulative Reserve Subfund, a General Fund subfund. The proceeds of the notes funded the activities of certain LID districts.

The **Local Improvement Guaranty Fund** receives surpluses and guarantees faithful compliance of bond covenants on completed or defeased LID bond funds. When required, it shall be funded by excess general property tax levies or by the General Fund. The City is legally obliged to maintain a fund level at 10 percent of net outstanding LID debt.

CAPITAL PROJECTS FUNDS

The **Transportation Bond Fund** was established in 1997 to account for part of the proceeds of a limited tax general obligation bond issue in the amount of \$9.5 million for designated transportation programs and projects (Ordinances 118503 and 118528).

The **Public Safety Facilities and Equipment Fund** was established in December 1990 to account for the improvement of public safety equipment. In 1990 the fund received transfers of reimbursable appropriations from the Cumulative Reserve Subfund and expended \$1 million for the improvement and construction of certain facilities. In 1991 the fund received \$8 million from the sale of limited tax levy general obligation bonds. In 1996 the fund received \$17.6 million from the sale of limited tax general obligation bonds (Ordinances 115453, 116797, 118108, 118184, 118225, and 118364).

The **Shoreline Park Improvement Fund** accounts for Local Improvement subprogram moneys for shoreline and beach park improvements that were received as METRO mitigation grants related to the expansion of the West Point sewage treatment plant (Ordinance 115496).

The **Community Improvement Fund** accounts for moneys from community improvement contributions by METRO for public improvements in the Alki and Discovery Park areas to mitigate the negative construction impacts in those communities (Ordinance 115496).

The **Park Mitigation and Remediation Fund** account for monies received for development, renovation or improvements to Department of Parks and Recreation properties related to implementing the Arboretum Mitigation Plan to address impacts from the State's SR 520, I-5 To Medina: Bridge Replacement and HOV Project (Ordinance 124208).

The **City Facilities Renovation and Improvement Fund** received \$22.2 million of unlimited tax general obligation bond proceeds under the 1-2-3 Bond/Levy Program approved by voters in September 1984. It provides funds to renovate libraries, fire stations, Seattle Center facilities, harbor patrol stations, and other facilities (Ordinance 111717).

The **Conservation Futures Fund** was established in 1990 to account for the proceeds from the Conservation Futures Levy which are allocated to the City by King County and for the City's matching amounts. The funds are to acquire suitable greenbelt areas for conserving and enhancing the quality of the environment (Ordinances 114763, 114978, and 116908).

The **Open Spaces and Trails Bond Fund** was established in 1989. It accounts for \$41.8 million which is Seattle's portion of the King County general obligation bond issued to finance the preservation of greenbelts, natural areas, other undeveloped open spaces, and to acquire and develop recreational trails within the City (Ordinance 114900).

Nonmajor Governmental Funds

The **Seattle Center and Parks Multipurpose Levy Fund** was established to account for the 8-year \$72 million property tax levy approved by voters in 1999 for improvements to the Seattle Center Opera House, replacement of the Flag Pavilion with a new Festivals Pavilion, and the construction and remodeling of community centers (Ordinance 119522). It also accounts for the 8-year \$129.2 million property tax levy approved by the voters in 2000 for improving maintenance and programs of existing parks, including the Woodland Park Zoo; acquiring, developing, and maintaining new neighborhood parks, green spaces, playfields, trails, and boulevards; and recreational programming for funding safe out-of-school and senior activities (Ordinance 120024).

The **Seattle Center Redevelopment/Parks Community Center Fund** was established in 1991 to provide partial funding for certain needed improvements to the Seattle Center and full City funding for certain improvements to selected community centers. It received the proceeds of the \$14.75 million limited tax general obligation bond issue and grant moneys from Washington State Department of Community Development. The fund also received the proceeds of the \$3.22 million sale of limited tax general obligation bond anticipation notes to finance preconstruction costs for redevelopment of the Seattle Center Coliseum during 1993 (Ordinances 115844 and 116720).

The **Municipal Civic Center Fund** was established in 1998 to account for the planning, design, and construction of the new Municipal Courthouse and police headquarters, the new City Hall, Key Tower major improvements, and other capital projects relating to the Civic Center (Ordinance 119304).

The **South Police Stations Fund** was established in 1999 to account for moneys to be used for the design of the new South Police Station and modification of existing stations (Ordinance 119432).

The **Public Safety Information Technology Fund** was established in 1999 to account for part of the proceeds from the sale of limited tax general obligation bonds for the purpose of acquiring public safety information technology (Ordinance 119630).

The **2003 Fire Facilities Fund** was established to account for the 9-year additional property tax levy of \$167.2 million approved by the voters. The purpose of the levy is to pay all or part of the cost of neighborhood fire stations, support facilities, marine apparatus, emergency preparedness, and other emergency response facilities (Ordinance 121230).

The **2003 Long-Term General Obligation Project Fund** was established to account for the proceeds of bonds issued in February 2003 to provide funding for Seattle Center's Roof and Structural Repairs, Park 90/5 Facility Earthquake Repair, and the SR519 and Alaskan Way Viaduct/Seawall Projects of the Seattle Department of Transportation (Ordinance 120979).

The **2006 Multipurpose Long-Term General Obligation Bond Fund** was established to account for up to \$24.1 million proceeds of limited tax general obligation bonds issued in 2006 for funding for the costs of the Viaduct, Pier 59, Mercer Corridor, and South Lake Union Streetcar projects; as well as for the refinancing of earthquake repair costs of the Park 90/5 Facility (Ordinance 121982).

The **Local Improvement Fund, District No. 6750** was established in 2006 to account for the construction of a streetcar line serving downtown Seattle, Denny Triangle, and South Lake Union, to be funded from proceeds of local improvement bonds and special assessments upon property in the local improvement district (Ordinance 121951).

The **2007 Multipurpose Long-Term General Obligation Bond Fund** was established in 2006 to account for the acquisition of real property in the Northgate area for future general municipal purposes and for the costs of improvements to the Seattle Aquarium. Funds for these projects were initially provided from interfund loans to be repaid from future proceeds of limited tax general obligation bonds to be issued by the City (Ordinance 122121). The other part of the proceeds of the bond issue (Ordinance 122286) provided funding for the Parking Pay Stations, Alaska Tunnel/Seawall, Monorail Rehabilitation projects and the Zoo Garage construction.

The **2008 Multipurpose Long-Term General Obligation Bond Fund** was established in 2007 to account for capital costs related to the South Rainier Street Grade Separation, Spokane Street Viaduct, Mercer Corridor, and King Street Multimodal Terminal projects. Initial funds for these projects were provided from interfund loans to be repaid from proceeds of limited tax general obligation bonds issued in 2008 by the City (Ordinance 122417). The bond ordinance finally allocated the bond proceeds to the King Street Multimodal Terminal, Bridge Seismic, Rehabilitation and Replacement, Pay Stations, Fire Station projects, and the South Lake Union Property Proceeds Account (Ordinance 122553).

The **2009 Multipurpose Long-Term General Obligation Bond Fund** was established in 2008 to account for the proceeds of the bonds issued in March 2009 to provide funding for the costs of capital projects including the Alaskan Way Viaduct/Seawall,

The City of Seattle

North Precinct, Northgate Land, Northgate Park, Rainier Beach Community Center, Trails, Bridge Rehabilitation, King and Spokane Streets projects, and the Municipal Jail (Ordinance 122848).

The **2010 Multipurpose Long-Term General Obligation Bond Fund** was established in 2010 to account for the proceeds of the bonds issued in March 2010 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation, Bridge Seismic Retrofit, Mercer Corridor-South Lake Union, Mercer Corridor West, King Street Station Multimodal Terminal, Alaskan Way Viaduct, Parking Pay Stations, Pike Place Market Renovation, Golf Course Improvements, and Tier-1 Storage Area Network (Ordinance 123156).

The **2011 Multipurpose Long-Term General Obligation Bond Fund** was established in 2011 to account for the proceeds of the bonds issued in March 2011 to provide funding for the costs of capital projects relating to the Spokane Street Viaduct, Bridge Rehabilitation and Seismic Retrofit, Parking and Program Management, Facility Energy Retrofits, Rainier Beach Community Center, King Street Station Multimodal Terminal, Seattle Center Renovations, Pike Place Market Renovation, Golf Course Improvements, and Alaska Way Viaduct and Seawall (Ordinance 123480).

The **2012 Multipurpose Long-Term General Obligation Bond Fund** was established in 2012 to account for the proceeds of the bonds issued in May 2012 to provide funding for the costs of capital projects relating to Bridge Seismic Retrofit, the Mercer Corridor-South Lake Union, Mercer Corridor West, Linden Avenue North, Alaskan Way Viaduct Seawall, Alaskan Way Viaduct Parking and Program Management, Rainier Beach Community Center, Magnuson Park Building 30, and Library Information Technology Systems (Ordinance 123751).

The **2013 Multipurpose Long-Term General Obligation Bond Fund** was established in 2013 to account for the proceeds of bonds issued in June 2013 to provide funding for the costs of capital projects relating to Transportation Infrastructure, Recreational and Public Safety facilities, and Information Technology Systems (Ordinance 124053).

The **Alaskan Way Seawall Construction Fund** was established in 2013 to account for the issuance of and sale of unlimited tax general obligation bonds and bond anticipation notes, and authorized loans of resources from various City funds, to pay all or part of the costs of the design, construction, renovation, improvement and replacement of the Alaskan Way Seawall and associated public infrastructure (Ordinance 124125).

The **Central Waterfront Improvement Fund** was established in 2012 to account for capital costs related to the Alaskan Way Viaduct and Seawall Replacement Program, including costs associated with the design and construction of the Central Waterfront component, costs for city administration, and costs eligible for financing by a future Local Improvement District. The fund shall receive all revenues including, but not limited to, revenues from sponsorship agreements; federal, state, country or other grants or transfers; private funding, donations or gifts; property sales proceeds; and other monies as authorized by the City Council (Ordinance 123761).

PERMANENT FUNDS

The **H. H. Dearborn Fund** holds a \$50,000 nonexpendable gift to the City. The investment income is available for charitable purposes.

The **Beach Maintenance Trust Fund** received \$2.0 million appropriated from the City's Shoreline Park Improvement Fund. The earnings on this fund are used solely to maintain public beaches in Seattle.

Nonmajor Governmental Funds

D-1 **COMBINING BALANCE SHEET**
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
December 31, 2013
(In Thousands)

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Comparative Totals | |
|---|-----------------------|--------------------|------------------------|-----------------|--------------------|---------------|
| | | | | | 2013 | Restated 2012 |
| ASSETS | | | | | | |
| Cash and Equity in Pooled Investments | \$ 106,513 | \$ 15,544 | \$ 173,004 | \$ 2,123 | \$ 297,184 | \$ 265,985 |
| Receivables, Net of Allowances | | | | | | |
| Taxes | 1,193 | 347 | 604 | - | 2,144 | 2,827 |
| Accounts | 5,407 | - | - | - | 5,407 | 8,345 |
| Special Assessments | - | - | 13,546 | - | 13,546 | 13,303 |
| Interest and Dividends | 86 | 4 | 113 | 1 | 204 | 152 |
| Unbilled and Others | 1,253 | - | - | - | 1,253 | 1,249 |
| Due from Other Funds | 5,982 | - | 114 | - | 6,096 | 7,119 |
| Due from Other Governments | 15,448 | - | 8 | - | 15,456 | 13,858 |
| Inventories | 535 | - | - | - | 535 | 553 |
| Prepaid and Other Current Assets | - | - | - | - | - | 10 |
| Charges and Other Assets | - | - | - | - | - | 4 |
| Total Assets | 136,417 | 15,895 | 187,389 | 2,124 | 341,825 | 313,405 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| | 43,216 | - | - | - | 43,216 | 43,973 |
| Total Assets and Deferred Outflows of Resources | \$ 179,633 | \$ 15,895 | \$ 187,389 | \$ 2,124 | \$ 385,041 | \$ 357,378 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 25,297 | \$ - | \$ 4,534 | \$ - | \$ 29,831 | \$ 26,557 |
| Contracts Payable | 630 | - | 1,696 | - | 2,326 | 1,739 |
| Due to Other Funds | 10,951 | - | 24,997 | - | 35,948 | 20,795 |
| Due to Other Governments | 5,021 | - | 43 | - | 5,064 | 5,328 |
| Salaries, Benefits, and Taxes Payable | 4,849 | - | - | - | 4,849 | 4,099 |
| Interest Payable | 4 | - | 4 | - | 8 | 2 |
| Deposits Payable | 206 | - | 14 | - | 220 | 160 |
| Revenue Collected/Billed in Advance - Current | 4,189 | - | 715 | - | 4,904 | 4,284 |
| Other Current Liabilities | 261 | - | - | - | 261 | 230 |
| Advances from Other Funds | 195 | - | - | - | 195 | 2,550 |
| Total Liabilities | 51,603 | - | 32,003 | - | 83,606 | 65,744 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| | 44,104 | 266 | 13,592 | - | 57,962 | 59,206 |
| FUND BALANCES | | | | | | |
| Nonspendable | 564 | - | - | 2,050 | 2,614 | 2,400 |
| Restricted | 85,725 | 15,629 | 151,134 | 90 | 252,578 | 222,227 |
| Committed | 2,948 | - | - | - | 2,948 | 9,209 |
| Assigned | 7,661 | - | - | - | 7,661 | 12,583 |
| Unassigned | (12,972) | - | (9,340) | (16) | (22,328) | (13,991) |
| Total Fund Balances | 83,926 | 15,629 | 141,794 | 2,124 | 243,473 | 232,428 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 179,633 | \$ 15,895 | \$ 187,389 | \$ 2,124 | \$ 385,041 | \$ 357,378 |

The City of Seattle

D-2 **COMBINING BALANCE SHEET**
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2013
(In Thousands)

| | Park and Recreation | Seattle Streetcar | Key Arena Settlement Proceeds | Pike Place Market Renovation |
|---|---------------------|-------------------|-------------------------------|------------------------------|
| | | | | |
| Cash and Equity in Pooled Investments | \$ 5,721 | \$ 396 | \$ 428 | \$ 4,829 |
| Receivables, Net of Allowances | | | | |
| Taxes | - | 1 | - | 274 |
| Accounts | 2,174 | - | - | - |
| Interest and Dividends | 1 | - | - | 3 |
| Unbilled and Others | 223 | - | - | - |
| Due from Other Funds | 3,889 | - | - | - |
| Due from Other Governments | 222 | 103 | - | - |
| Inventories | 302 | - | - | - |
| Prepaid and Other Current Assets | - | - | - | - |
| Total Assets | 12,532 | 500 | 428 | 5,106 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 12,532 | \$ 500 | \$ 428 | \$ 5,106 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 2,700 | \$ - | \$ - | \$ - |
| Contracts Payable | 630 | - | - | - |
| Due to Other Funds | 704 | 4,318 | 1 | - |
| Due to Other Governments | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | 2,559 | - | - | - |
| Interest Payable | 2 | 2 | - | - |
| Deposits Payable | 202 | - | - | - |
| Revenue Collected/Billed in Advance - Current | 1,232 | - | - | - |
| Other Current Liabilities | 261 | - | - | - |
| Advances from Other Funds | - | - | - | - |
| Total Liabilities | 8,290 | 4,320 | 1 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | - | - | - | 205 |
| FUND BALANCES | | | | |
| Nonspendable | 311 | - | - | - |
| Restricted | 81 | - | 427 | 4,901 |
| Committed | - | - | - | - |
| Assigned | 3,850 | - | - | - |
| Unassigned | - | (3,820) | - | - |
| Total Fund Balances | 4,242 | (3,820) | 427 | 4,901 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 12,532 | \$ 500 | \$ 428 | \$ 5,106 |

Nonmajor Governmental Funds

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Page 2 of 4
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2013
(In Thousands)

| | Seattle Center | Human Services Operating | Office of Housing | Housing and Community Development Revenue Sharing |
|--|-----------------|-----------------------------|----------------------|---|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 421 | \$ 16,994 | \$ 1,211 | \$ 1,632 |
| Receivables, Net of Allowances | - | - | - | - |
| Taxes | - | - | - | - |
| Accounts | 3,006 | 13 | 76 | 41 |
| Interest and Dividends | 24 | 6 | - | 1 |
| Unbilled and Others | 1,027 | 3 | - | - |
| Due from Other Funds | 67 | 999 | 242 | 121 |
| Due from Other Governments | - | 12,348 | 479 | 1,693 |
| Inventories | 233 | - | - | - |
| Prepaid and Other Current Assets | - | - | - | - |
| Total Assets | 4,778 | 30,363 | 2,008 | 3,488 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | - | 474 | - | 42,742 |
| Total Assets and Deferred Outflows of Resources | \$ 4,778 | \$ 30,837 | \$ 2,008 | \$ 46,230 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 541 | \$ 16,144 | \$ 16 | \$ 1,094 |
| Contracts Payable | - | - | - | - |
| Due to Other Funds | 203 | 316 | 255 | 767 |
| Due to Other Governments | - | 5,021 | - | - |
| Salaries, Benefits, and Taxes Payable | 1,077 | 948 | 131 | - |
| Interest Payable | - | - | - | - |
| Deposits Payable | 3 | - | 1 | - |
| Revenue Collected/Billed in Advance - Current | 759 | 2,091 | 27 | 74 |
| Other Current Liabilities | - | - | - | - |
| Advances from Other Funds | 195 | - | - | - |
| Total Liabilities | 2,778 | 24,520 | 430 | 1,935 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | - | 474 | - | 42,742 |
| FUND BALANCES | | | | |
| Nonspendable | 253 | - | - | - |
| Restricted | 9,470 | 2,091 | - | 1,553 |
| Committed | 1,429 | 1,519 | - | - |
| Assigned | - | 2,233 | 1,578 | - |
| Unassigned | (9,152) | - | - | - |
| Total Fund Balances | 2,000 | 5,843 | 1,578 | 1,553 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 4,778 | \$ 30,837 | \$ 2,008 | \$ 46,230 |

The City of Seattle

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Page 3 of 4
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2013
(In Thousands)

| | Education and Development Services | 2012 Library Levy | Business Improvement Areas | Seattle Transportation Benefit District |
|--|---|-------------------------|----------------------------------|--|
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 43,065 | \$ 8,518 | \$ 4,090 | \$ 1,367 |
| Receivables, Net of Allowances | - | - | - | - |
| Taxes | 669 | 249 | - | - |
| Accounts | - | - | - | - |
| Interest and Dividends | 28 | 8 | 3 | 1 |
| Unbilled and Others | - | - | - | - |
| Due from Other Funds | 177 | - | - | 2 |
| Due from Other Governments | - | - | - | 603 |
| Inventories | - | - | - | - |
| Prepaid and Other Current Assets | - | - | - | - |
| Total Assets | 43,939 | 8,775 | 4,093 | 1,973 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 43,939 | \$ 8,775 | \$ 4,093 | \$ 1,973 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 3,653 | \$ 15 | \$ 858 | \$ - |
| Contracts Payable | - | - | - | - |
| Due to Other Funds | 345 | 3,658 | - | 242 |
| Due to Other Governments | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | 52 | 8 | - | - |
| Interest Payable | - | - | - | - |
| Deposits Payable | - | - | - | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | - |
| Other Current Liabilities | - | - | - | - |
| Advances from Other Funds | - | - | - | - |
| Total Liabilities | 4,050 | 3,681 | 858 | 242 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | 501 | 182 | - | - |
| FUND BALANCES | | | | |
| Nonspendable | - | - | - | - |
| Restricted | 39,388 | 4,912 | 3,235 | 1,731 |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total Fund Balances | 39,388 | 4,912 | 3,235 | 1,731 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 43,939 | \$ 8,775 | \$ 4,093 | \$ 1,973 |

Nonmajor Governmental Funds

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Page 4 of 4
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
December 31, 2013
(In Thousands)

| | General Trust | Municipal Arts | General Donations and Gift Trust | Comparative Totals | |
|--|-----------------|-----------------|----------------------------------|--------------------|-------------------|
| | | | | 2013 | Restated 2012 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 7,541 | \$ 5,608 | \$ 4,692 | \$ 106,513 | \$ 84,139 |
| Receivables, Net of Allowances | - | - | - | 1,193 | 956 |
| Taxes | - | - | 97 | 5,407 | 8,329 |
| Accounts | 5 | 3 | 3 | 86 | 63 |
| Interest and Dividends | - | - | - | 1,253 | 1,231 |
| Unbilled and Others | 175 | 281 | 29 | 5,982 | 2,569 |
| Due from Other Funds | - | - | - | 15,448 | 12,575 |
| Due from Other Governments | - | - | - | 535 | 553 |
| Inventories | - | - | - | - | 10 |
| Prepaid and Other Current Assets | - | - | - | - | - |
| Total Assets | 7,721 | 5,892 | 4,821 | 136,417 | 110,425 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | - | - | - | 43,216 | 43,973 |
| Total Assets and Deferred Outflows of Resources | \$ 7,721 | \$ 5,892 | \$ 4,821 | \$ 179,633 | \$ 154,398 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 111 | \$ 65 | \$ 100 | \$ 25,297 | \$ 20,479 |
| Contracts Payable | - | - | - | 630 | 592 |
| Due to Other Funds | 18 | 9 | 115 | 10,951 | 6,097 |
| Due to Other Governments | - | - | - | 5,021 | 5,277 |
| Salaries, Benefits, and Taxes Payable | 37 | 30 | 7 | 4,849 | 4,086 |
| Interest Payable | - | - | - | 4 | 2 |
| Deposits Payable | - | - | - | 206 | 146 |
| Revenue Collected/Billed in Advance - Current | - | - | 6 | 4,189 | 3,153 |
| Other Current Liabilities | - | - | - | 261 | 230 |
| Advances from Other Funds | - | - | - | 195 | 1,700 |
| Total Liabilities | 166 | 104 | 228 | 51,603 | 41,762 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | - | - | - | 44,104 | 45,188 |
| FUND BALANCES | | | | | |
| Nonspendable | - | - | - | 564 | 350 |
| Restricted | 7,555 | 5,788 | 4,593 | 85,725 | 57,769 |
| Committed | - | - | - | 2,948 | 9,209 |
| Assigned | - | - | - | 7,661 | 12,583 |
| Unassigned | - | - | - | (12,972) | (12,463) |
| Total Fund Balances | 7,555 | 5,788 | 4,593 | 83,926 | 67,448 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 7,721 | \$ 5,892 | \$ 4,821 | \$ 179,633 | \$ 154,398 |

The City of Seattle

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE
December 31, 2013
(In Thousands)

| | General Bond Interest and Redemption | Interfund Notes Payable - Local Improvement Districts | Local Improvement Guaranty | Comparative Totals | |
|--|--------------------------------------|---|----------------------------|--------------------|------------------|
| | | | | 2013 | Restated 2012 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 14,690 | \$ 8 | \$ 846 | \$ 15,544 | \$ 10,510 |
| Receivables, Net of Allowances | - | - | - | - | - |
| Taxes | 347 | - | - | 347 | 418 |
| Interest and Dividends | 4 | - | - | 4 | 1 |
| Due from Other Funds | - | - | - | - | 97 |
| Due from Other Governments | - | - | - | - | 12 |
| Charges and Other Assets | - | - | - | - | 4 |
| Total Assets | 15,041 | 8 | 846 | 15,895 | 11,042 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 15,041 | \$ 8 | \$ 846 | \$ 15,895 | \$ 11,042 |
| LIABILITIES | | | | | |
| Due to Other Governments | \$ - | \$ - | \$ - | \$ - | \$ 45 |
| Total Liabilities | - | - | - | - | 45 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | 266 | - | - | 266 | 331 |
| FUND BALANCES | | | | | |
| Restricted | 14,775 | 8 | 846 | 15,629 | 10,666 |
| Total Fund Balances | 14,775 | 8 | 846 | 15,629 | 10,666 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 15,041 | \$ 8 | \$ 846 | \$ 15,895 | \$ 11,042 |

Nonmajor Governmental Funds

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Page 1 of 6
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2013
(In Thousands)

| | Transportation Bond | Public Safety Facilities and Equipment | Shoreline Park Improvement | Community Improvement | Park Mitigation and Remediation |
|--|------------------------|--|-------------------------------|--------------------------|--|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 6 | \$ 379 | \$ 547 | \$ 50 | \$ 7,657 |
| Receivables, Net of Allowances | - | - | - | - | - |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Special Assessments | - | - | - | - | - |
| Interest and Dividends | - | - | - | - | 5 |
| Unbilled and Others | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | - |
| Due from Other Governments | - | - | - | - | - |
| Total Assets | 6 | 379 | 547 | 50 | 7,662 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 6 | \$ 379 | \$ 547 | \$ 50 | \$ 7,662 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ - | \$ 84 | \$ - | \$ 23 |
| Contracts Payable | - | - | - | - | - |
| Due to Other Funds | - | - | 4 | - | 1 |
| Due to Other Governments | - | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - | - |
| Interest Payable | - | - | - | - | - |
| Deposits Payable | - | - | - | - | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | - | - |
| Advances from Other Funds | - | - | - | - | - |
| Total Liabilities | - | - | 88 | - | 24 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | - | - | - | - | - |
| FUND BALANCES | | | | | |
| Restricted | 6 | 379 | 459 | 50 | 7,638 |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 6 | 379 | 459 | 50 | 7,638 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 6 | \$ 379 | \$ 547 | \$ 50 | \$ 7,662 |

The City of Seattle

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Page 2 of 6
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2013
(In Thousands)

| | City Facilities Renovation and Improvement | Conservation Futures | Open Spaces and Trails Bond | Seattle Center and Parks Multipurpose Levy | Seattle Center Redevelopment/ Parks Community Center |
|--|--|-------------------------|--------------------------------|---|--|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 88 | \$ 31 | \$ 59 | \$ 40,183 | \$ 1,409 |
| Receivables, Net of Allowances | - | - | - | 535 | - |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Special Assessments | - | - | - | - | - |
| Interest and Dividends | - | - | - | 26 | 1 |
| Unbilled and Others | - | - | - | - | - |
| Due from Other Funds | - | - | - | 7 | 25 |
| Due from Other Governments | - | - | - | 8 | - |
| Total Assets | 88 | 31 | 59 | 40,759 | 1,435 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 88 | \$ 31 | \$ 59 | \$ 40,759 | \$ 1,435 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 672 | \$ 57 |
| Contracts Payable | - | - | - | - | - |
| Due to Other Funds | - | - | - | 250 | 3 |
| Due to Other Governments | - | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - | - |
| Interest Payable | - | - | - | - | - |
| Deposits Payable | - | - | - | - | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | 715 | - |
| Advances from Other Funds | - | - | - | - | - |
| Total Liabilities | - | - | - | 1,637 | 60 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | - | - | - | 401 | - |
| FUND BALANCES | | | | | |
| Restricted | 88 | 31 | 59 | 38,721 | 1,375 |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 88 | 31 | 59 | 38,721 | 1,375 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 88 | \$ 31 | \$ 59 | \$ 40,759 | \$ 1,435 |

Nonmajor Governmental Funds

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Page 3 of 6
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2013
(In Thousands)

| | Municipal Civic Center | South Police Stations | Public Safety Information Technology | 2003 Fire Facilities | 2003 Long-Term General Obligation Project |
|--|------------------------|-----------------------|--------------------------------------|----------------------|---|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 1,292 | \$ 2 | \$ 535 | \$ 19,152 | \$ 11 |
| Receivables, Net of Allowances | - | - | - | 69 | - |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Special Assessments | - | - | - | - | - |
| Interest and Dividends | 1 | - | - | 13 | - |
| Unbilled and Others | - | - | - | - | - |
| Due from Other Funds | - | - | - | - | - |
| Due from Other Governments | - | - | - | - | - |
| Total Assets | 1,293 | 2 | 535 | 19,234 | 11 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 1,293 | \$ 2 | \$ 535 | \$ 19,234 | \$ 11 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 1,857 | \$ - |
| Contracts Payable | - | - | - | 438 | - |
| Due to Other Funds | - | - | - | 99 | - |
| Due to Other Governments | - | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - | - |
| Interest Payable | - | - | - | - | - |
| Deposits Payable | - | - | - | 14 | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | - | - |
| Advances from Other Funds | - | - | - | - | - |
| Total Liabilities | - | - | - | 2,408 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | - | - | - | 55 | - |
| FUND BALANCES | | | | | |
| Restricted | 1,293 | 2 | 535 | 16,771 | 11 |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 1,293 | 2 | 535 | 16,771 | 11 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 1,293 | \$ 2 | \$ 535 | \$ 19,234 | \$ 11 |

The City of Seattle

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2013
(In Thousands)

| | 2006 Multipurpose Long-Term General Obligation Bond | Local Improvement, District No. 6750 | 2007 Multipurpose Long-Term General Obligation Bond | 2008 Multipurpose Long-Term General Obligation Bond | 2009 Multipurpose Long-Term General Obligation Bond |
|--|---|--------------------------------------|---|---|---|
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 64 | \$ 1,449 | \$ 12 | \$ 2,970 | \$ 2,219 |
| Receivables, Net of Allowances | - | - | - | - | - |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Special Assessments | - | 13,546 | - | - | - |
| Interest and Dividends | - | 1 | - | 3 | 1 |
| Unbilled and Others | - | - | - | - | - |
| Due from Other Funds | - | - | - | 3 | - |
| Due from Other Governments | - | - | - | - | - |
| Total Assets | 64 | 14,996 | 12 | 2,976 | 2,220 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | \$ 64 | \$ 14,996 | \$ 12 | \$ 2,976 | \$ 2,220 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contracts Payable | - | - | - | 89 | 649 |
| Due to Other Funds | - | - | - | 1,145 | 69 |
| Due to Other Governments | - | - | - | - | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - | - |
| Interest Payable | - | - | - | - | - |
| Deposits Payable | - | - | - | - | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | - | - |
| Advances from Other Funds | - | - | - | - | - |
| Total Liabilities | - | - | - | 1,234 | 718 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| | - | 13,136 | - | - | - |
| FUND BALANCES | | | | | |
| Restricted | 64 | 1,860 | 12 | 1,742 | 1,502 |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 64 | 1,860 | 12 | 1,742 | 1,502 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 64 | \$ 14,996 | \$ 12 | \$ 2,976 | \$ 2,220 |

Nonmajor Governmental Funds

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2013
(In Thousands)

| | 2010 | 2011 | 2012 | 2013 | Alaskan |
|--|-----------------|------------------|------------------|------------------|------------------|
| | Multipurpose | Multipurpose | Multipurpose | Multipurpose | Way |
| | Long-Term | Long-Term | Long-Term | Long-Term | Seawall |
| | Obligation Bond | Obligation Bond | Obligation Bond | Obligation Bond | Construction |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 6,443 | \$ 15,674 | \$ 10,000 | \$ 30,507 | \$ 31,883 |
| Receivables, Net of Allowances | - | - | - | - | - |
| Taxes | - | - | - | - | - |
| Accounts | - | - | - | - | - |
| Special Assessments | - | - | - | - | - |
| Interest and Dividends | 4 | 10 | 7 | 20 | 21 |
| Unbilled and Others | - | - | - | - | - |
| Due from Other Funds | 2 | 43 | - | 9 | 24 |
| Due from Other Governments | - | - | - | - | - |
| Total Assets | 6,449 | 15,727 | 10,007 | 30,536 | 31,928 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 6,449 | \$ 15,727 | \$ 10,007 | \$ 30,536 | \$ 31,928 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ - | \$ 10 | \$ 40 | \$ 1,791 | \$ - |
| Contracts Payable | 80 | 21 | - | 419 | - |
| Due to Other Funds | 722 | 1,120 | 54 | 3,876 | 7,935 |
| Due to Other Governments | - | - | - | 43 | - |
| Salaries, Benefits, and Taxes Payable | - | - | - | - | - |
| Interest Payable | - | - | - | - | - |
| Deposits Payable | - | - | - | - | - |
| Revenue Collected/Billed in Advance - Current | - | - | - | - | - |
| Advances from Other Funds | - | - | - | - | - |
| Total Liabilities | 802 | 1,151 | 94 | 6,129 | 7,935 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | - | - | - | - | - |
| FUND BALANCES | | | | | |
| Restricted | 5,647 | 14,576 | 9,913 | 24,407 | 23,993 |
| Unassigned | - | - | - | - | - |
| Total Fund Balances | 5,647 | 14,576 | 9,913 | 24,407 | 23,993 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 6,449 | \$ 15,727 | \$ 10,007 | \$ 30,536 | \$ 31,928 |

The City of Seattle

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COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
December 31, 2013
(In Thousands)

| | | Comparative Totals | |
|--|----------------|---------------------------|-------------------|
| | Central | | |
| | Waterfront | 2013 | Restated |
| | Improvement | | 2012 |
| ASSETS | | | |
| Cash and Equity in Pooled Investments | \$ 382 | \$ 173,004 | \$ 169,169 |
| Receivables, Net of Allowances | - | - | - |
| Taxes | - | 604 | 1,453 |
| Accounts | - | - | 16 |
| Special Assessments | - | 13,546 | 13,303 |
| Interest and Dividends | - | 113 | 87 |
| Unbilled and Others | - | - | 18 |
| Due from Other Funds | 1 | 114 | 4,453 |
| Due from Other Governments | - | 8 | 1,271 |
| Total Assets | 383 | 187,389 | 189,770 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Total Assets and Deferred Outflows of Resources | \$ 383 | \$ 187,389 | \$ 189,770 |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ 4,534 | \$ 6,076 |
| Contracts Payable | - | 1,696 | 1,147 |
| Due to Other Funds | 9,719 | 24,997 | 14,694 |
| Due to Other Governments | - | 43 | 6 |
| Salaries, Benefits, and Taxes Payable | - | - | 13 |
| Interest Payable | 4 | 4 | - |
| Deposits Payable | - | 14 | 14 |
| Revenue Collected/Billed in Advance - Current | - | 715 | 1,131 |
| Advances from Other Funds | - | - | 850 |
| Total Liabilities | 9,723 | 32,003 | 23,931 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | - | 13,592 | 13,687 |
| FUND BALANCES | | | |
| Restricted | - | 151,134 | 153,680 |
| Unassigned | (9,340) | (9,340) | (1,528) |
| Total Fund Balances | (9,340) | 141,794 | 152,152 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 383 | \$ 187,389 | \$ 189,770 |

Nonmajor Governmental Funds

**D-5 COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
December 31, 2013
(In Thousands)**

| | H. H. Dearborn | Beach Maintenance Trust | Comparative Totals | |
|---|----------------|-------------------------------|--------------------|----------|
| | | | 2013 | 2012 |
| ASSETS | | | | |
| Cash and Equity in Pooled Investments | \$ 140 | \$ 1,983 | \$ 2,123 | \$ 2,167 |
| Receivables, Net of Allowances | - | 1 | 1 | 1 |
| Interest and Dividends | - | - | - | - |
| Total Assets | 140 | 1,984 | 2,124 | 2,168 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 140 | \$ 1,984 | \$ 2,124 | \$ 2,168 |
| LIABILITIES | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 2 |
| Due to Other Funds | - | - | - | 4 |
| Total Liabilities | - | - | - | 6 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | - | - | - | - |
| FUND BALANCES | | | | |
| Nonspendable | 50 | 2,000 | 2,050 | 2,050 |
| Restricted | 90 | - | 90 | 112 |
| Unassigned | - | (16) | (16) | - |
| Total Fund Balances | 140 | 1,984 | 2,124 | 2,162 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 140 | \$ 1,984 | \$ 2,124 | \$ 2,168 |

The City of Seattle

**D-6 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SUMMARY BY FUND TYPE
For the Year Ended December 31, 2013
(In Thousands)**

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Funds | Comparative Totals | |
|--|-----------------------------|--------------------------|------------------------------|--------------------|--------------------|------------|
| | | | | | 2013 | 2012 |
| REVENUES | | | | | | |
| Taxes | \$ 82,985 | \$ 15,930 | \$ 24,352 | \$ - | \$ 123,267 | \$ 108,167 |
| Grants, Shared Revenues, and Contributions | 69,637 | 1,020 | 12,101 | - | 82,758 | 76,851 |
| Charges for Services | 46,975 | - | - | - | 46,975 | 52,636 |
| Fines and Forfeits | 56 | - | - | - | 56 | 70 |
| Parking Fees and Space Rent | 23,523 | 323 | - | - | 23,846 | 21,656 |
| Program Income, Interest, and Miscellaneous Revenues | 2,005 | 571 | 351 | (5) | 2,922 | 7,514 |
| Total Revenues | 225,181 | 17,844 | 36,804 | (5) | 279,824 | 266,894 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General Government | 13,426 | - | - | - | 13,426 | 17,447 |
| Public Safety | 1,502 | - | - | - | 1,502 | 2,278 |
| Physical Environment | 617 | - | - | - | 617 | 420 |
| Transportation | 1,059 | - | - | - | 1,059 | 739 |
| Economic Environment | 78,856 | - | - | - | 78,856 | 74,605 |
| Health and Human Services | 73,088 | - | - | - | 73,088 | 67,103 |
| Culture and Recreation | 162,135 | - | - | - | 162,135 | 156,796 |
| Capital Outlay | | | | | | |
| General Government | - | - | 17,177 | - | 17,177 | 5,042 |
| Public Safety | - | - | 10,825 | - | 10,825 | 20,286 |
| Transportation | - | - | - | - | - | 10 |
| Culture and Recreation | 10,872 | - | 44,505 | 23 | 55,400 | 40,831 |
| Debt Service | | | | | | |
| Principal | - | 54,078 | - | - | 54,078 | 51,600 |
| Interest | - | 25,486 | 537 | - | 26,023 | 25,133 |
| Bond Issuance Cost | - | 290 | 532 | - | 822 | 258 |
| Other | - | - | - | - | - | 305 |
| Total Expenditures | 341,555 | 79,854 | 73,576 | 23 | 495,008 | 462,853 |
| Excess (Deficiency) of Revenues over Expenditures | (116,374) | (62,010) | (36,772) | (28) | (215,184) | (195,959) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Long-Term Debt Issued | - | 4,929 | 96,186 | - | 101,115 | 102,085 |
| Refunding Debt Issued | - | 43,945 | - | - | 43,945 | - |
| Premium on Bonds Issued | - | 557 | 8,820 | - | 9,377 | 21,140 |
| Payment to Refunded Bond Escrow Agent | - | (44,503) | - | - | (44,503) | (91,574) |
| Sales of Capital Assets | 102 | - | - | - | 102 | 1,408 |
| Transfers In | 163,012 | 62,045 | 250 | - | 225,307 | 204,437 |
| Transfers Out | (30,262) | - | (78,842) | (10) | (109,114) | (79,422) |
| Total Other Financing Sources (Uses) | 132,852 | 66,973 | 26,414 | (10) | 226,229 | 158,074 |
| Net Change in Fund Balance | 16,478 | 4,963 | (10,358) | (38) | 11,045 | (37,885) |
| Fund Balances - Beginning of Year | 67,448 | 10,666 | 152,152 | 2,162 | 232,428 | 270,313 |
| Fund Balances - End of Year | \$ 83,926 | \$ 15,629 | \$ 141,794 | \$ 2,124 | \$ 243,473 | \$ 232,428 |

Nonmajor Governmental Funds

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 1 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2013
 (In Thousands)

| | Park and Recreation | Seattle Streetcar | Key Arena Settlement Proceeds | Pike Place Market Renovation |
|--|---------------------|-------------------|-------------------------------|------------------------------|
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 12,490 |
| Grants, Shared Revenues, and Contributions | 193 | 463 | - | - |
| Charges for Services | 34,700 | 164 | - | - |
| Fines and Forfeits | 1 | - | - | - |
| Parking Fees and Space Rent | 5,834 | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 184 | (26) | - | (31) |
| Total Revenues | 40,912 | 601 | - | 12,459 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | 230 |
| Public Safety | - | - | - | - |
| Physical Environment | - | - | - | - |
| Transportation | - | 1,054 | - | - |
| Economic Environment | - | - | - | - |
| Health and Human Services | - | - | - | - |
| Culture and Recreation | 125,262 | - | 23 | - |
| Capital Outlay | - | - | - | - |
| Public Safety | 7,480 | - | 52 | - |
| Culture and Recreation | - | - | - | - |
| Total Expenditures | 132,742 | 1,054 | 75 | 230 |
| Excess (Deficiency) of Revenues over Expenditures | (91,830) | (453) | (75) | 12,229 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 102 | - | - | - |
| Transfers In | 90,484 | - | - | - |
| Transfers Out | (2,993) | - | - | (8,955) |
| Total Other Financing Sources (Uses) | 87,593 | - | - | (8,955) |
| Net Change in Fund Balance | (4,237) | (453) | (75) | 3,274 |
| Fund Balances - Beginning of Year | 8,479 | (3,367) | 502 | 1,627 |
| Fund Balances - End of Year | \$ 4,242 | \$ (3,820) | \$ 427 | \$ 4,901 |

The City of Seattle

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 2 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2013
 (In Thousands)

| | Seattle Center | Human Services Operating | Office of Housing | Housing and Community Development Revenue Sharing |
|--|----------------|--------------------------|-------------------|---|
| REVENUES | | | | |
| Taxes | \$ - | \$ 935 | \$ 1,810 | \$ - |
| Grants, Shared Revenues, and Contributions | 15 | 50,959 | 1,749 | 11,715 |
| Charges for Services | 6,639 | 1,233 | 955 | - |
| Fines and Forfeits | - | 55 | - | - |
| Parking Fees and Space Rent | 17,662 | - | 27 | - |
| Program Income, Interest, and Miscellaneous Revenues | 305 | 835 | 128 | 672 |
| Total Revenues | 24,621 | 54,017 | 4,669 | 12,387 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | 13,196 | - | - |
| Public Safety | - | - | - | - |
| Physical Environment | - | - | - | - |
| Transportation | - | - | - | - |
| Economic Environment | - | 48,781 | 5,022 | 11,971 |
| Health and Human Services | - | 51,541 | - | - |
| Culture and Recreation | 35,868 | - | - | - |
| Capital Outlay | - | - | - | - |
| Public Safety | 49 | - | - | 422 |
| Culture and Recreation | - | - | - | - |
| Total Expenditures | 35,917 | 113,518 | 5,022 | 12,393 |
| Excess (Deficiency) of Revenues over Expenditures | (11,296) | (59,501) | (353) | (6) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | - | - | - |
| Transfers In | 12,836 | 59,668 | - | - |
| Transfers Out | (135) | - | - | - |
| Total Other Financing Sources (Uses) | 12,701 | 59,668 | - | - |
| Net Change in Fund Balance | 1,405 | 167 | (353) | (6) |
| Fund Balances - Beginning of Year | 595 | 5,676 | 1,931 | 1,559 |
| Fund Balances - End of Year | \$ 2,000 | \$ 5,843 | \$ 1,578 | \$ 1,553 |

Nonmajor Governmental Funds

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 3 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2013
 (In Thousands)

| | Education and Development Services | 2012 Library Levy | Business Improvement Areas | Seattle Transportation Benefit District |
|--|------------------------------------|-------------------|----------------------------|---|
| REVENUES | | | | |
| Taxes | \$ 32,325 | \$ 16,825 | \$ 11,234 | \$ 7,366 |
| Grants, Shared Revenues, and Contributions | 177 | - | - | - |
| Charges for Services | - | - | - | - |
| Fines and Forfeits | - | - | - | - |
| Parking Fees and Space Rent | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | (114) | (8) | 17 | 3 |
| Total Revenues | 32,388 | 16,817 | 11,251 | 7,369 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Public Safety | - | - | - | - |
| Physical Environment | - | - | - | - |
| Transportation | - | - | - | 5 |
| Economic Environment | - | - | 12,809 | - |
| Health and Human Services | 21,540 | - | - | - |
| Culture and Recreation | - | 863 | - | - |
| Capital Outlay | - | - | - | - |
| Public Safety | - | - | - | - |
| Culture and Recreation | - | - | - | - |
| Total Expenditures | 21,540 | 863 | 12,809 | 5 |
| Excess (Deficiency) of Revenues over Expenditures | 10,848 | 15,954 | (1,558) | 7,364 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | - | - | - |
| Transfers In | - | - | - | - |
| Transfers Out | - | (11,042) | - | (7,125) |
| Total Other Financing Sources (Uses) | - | (11,042) | - | (7,125) |
| Net Change in Fund Balance | 10,848 | 4,912 | (1,558) | 239 |
| Fund Balances - Beginning of Year | 28,540 | - | 4,793 | 1,492 |
| Fund Balances - End of Year | \$ 39,388 | \$ 4,912 | \$ 3,235 | \$ 1,731 |

The City of Seattle

D-7 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 Page 4 of 4 IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE
 For the Year Ended December 31, 2013
 (In Thousands)

| | | | | Comparative Totals | |
|--|---------------|----------------|----------------------------------|--------------------|-----------|
| | General Trust | Municipal Arts | General Donations and Gift Trust | 2013 | 2012 |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 82,985 | \$ 59,544 |
| Grants, Shared Revenues, and Contributions | 4,366 | - | - | 69,637 | 67,374 |
| Charges for Services | - | 1,990 | 1,294 | 46,975 | 52,632 |
| Fines and Forfeits | - | - | - | 56 | 70 |
| Parking Fees and Space Rent | - | - | - | 23,523 | 21,350 |
| Program Income, Interest, and Miscellaneous Revenues | (18) | (5) | 63 | 2,005 | 4,372 |
| Total Revenues | 4,348 | 1,985 | 1,357 | 225,181 | 205,342 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | - | 13,426 | 17,447 |
| Public Safety | 869 | - | 633 | 1,502 | 2,278 |
| Physical Environment | - | - | 617 | 617 | 420 |
| Transportation | - | - | - | 1,059 | 739 |
| Economic Environment | - | - | 273 | 78,856 | 74,605 |
| Health and Human Services | - | - | 7 | 73,088 | 67,103 |
| Culture and Recreation | - | - | 119 | 162,135 | 156,796 |
| Capital Outlay | - | - | - | - | 267 |
| Public Safety | 97 | 2,772 | - | 10,872 | 1,165 |
| Culture and Recreation | - | - | - | - | - |
| Total Expenditures | 966 | 2,772 | 1,649 | 341,555 | 320,820 |
| Excess (Deficiency) of Revenues over Expenditures | 3,382 | (787) | (292) | (116,374) | (115,478) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sales of Capital Assets | - | - | - | 102 | 56 |
| Transfers In | 24 | - | - | 163,012 | 147,749 |
| Transfers Out | (10) | - | (2) | (30,262) | (11,336) |
| Total Other Financing Sources (Uses) | 14 | - | (2) | 132,852 | 136,469 |
| Net Change in Fund Balance | 3,396 | (787) | (294) | 16,478 | 20,991 |
| Fund Balances - Beginning of Year | 4,159 | 6,575 | 4,887 | 67,448 | 46,457 |
| Fund Balances - End of Year | \$ 7,555 | \$ 5,788 | \$ 4,593 | \$ 83,926 | \$ 67,448 |

Nonmajor Governmental Funds

**D-8 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE
For the Year Ended December 31, 2013
(In Thousands)**

| | General Bond Interest and Redemption | Interfund Notes Payable – Local Improvement Districts | Local Improvement Guaranty | Comparative Totals | |
|--|--|--|----------------------------------|--------------------|------------------|
| | | | | 2013 | 2012 |
| REVENUES | | | | | |
| Taxes | \$ 15,930 | \$ - | \$ - | \$ 15,930 | \$ 16,908 |
| Grants, Shared Revenues, and Contributions | 1,020 | - | - | 1,020 | 1,044 |
| Parking Fees and Space Rent | 323 | - | - | 323 | 306 |
| Program Income, Interest, and Miscellaneous Revenues | 571 | - | - | 571 | 572 |
| Total Revenues | 17,844 | - | - | 17,844 | 18,830 |
| EXPENDITURES | | | | | |
| Debt Service | | | | | |
| Principal | 54,078 | - | - | 54,078 | 50,300 |
| Interest | 25,486 | - | - | 25,486 | 24,546 |
| Bond Issuance Cost | 290 | - | - | 290 | - |
| Other | - | - | - | - | 305 |
| Total Expenditures | 79,854 | - | - | 79,854 | 75,151 |
| Excess (Deficiency) of Revenues over Expenditures | (62,010) | - | - | (62,010) | (56,321) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | 4,929 | - | - | 4,929 | 75,250 |
| Refunding Debt Issued | 43,945 | - | - | 43,945 | - |
| Premium on Bonds Issued | 557 | - | - | 557 | 16,324 |
| Payment to Refunded Bond Escrow Agent | (44,503) | - | - | (44,503) | (91,574) |
| Transfers In | 62,045 | - | - | 62,045 | 56,488 |
| Total Other Financing Sources (Uses) | 66,973 | - | - | 66,973 | 56,488 |
| Net Change in Fund Balance | 4,963 | - | - | 4,963 | 167 |
| Fund Balances - Beginning of Year | 9,812 | 8 | 846 | 10,666 | 10,499 |
| Fund Balances - End of Year | \$ 14,775 | \$ 8 | \$ 846 | \$ 15,629 | \$ 10,666 |

The City of Seattle

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
Page 1 of 6
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2013
(In Thousands)**

| | Transportation Bond | Public Safety Facilities and Equipment | Shoreline Park Improvement | Community Improvement | Park Mitigation and Remediation |
|--|------------------------|--|-------------------------------|--------------------------|--|
| | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Grants, Shared Revenues, and Contributions | - | - | - | - | 7,810 |
| Charges for Services | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | - | 19 | (1) | - | 2 |
| Total Revenues | - | 19 | (1) | - | 7,812 |
| EXPENDITURES | | | | | |
| Capital Outlay | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | 99 | - | - | - |
| Transportation | - | - | - | - | - |
| Culture and Recreation | - | - | 578 | - | 174 |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond Issuance Cost | - | - | - | - | - |
| Total Expenditures | - | 99 | 578 | - | 174 |
| Excess (Deficiency) of Revenues over Expenditures | - | (80) | (579) | - | 7,638 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | - | - |
| Premium on Bonds Issued | - | - | - | - | - |
| Sales of Capital Assets | - | - | - | - | - |
| Transfers In | - | - | - | - | - |
| Transfers Out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balance | - | (80) | (579) | - | 7,638 |
| Fund Balances - Beginning of Year | 6 | 459 | 1,038 | 50 | - |
| Fund Balances - End of Year | \$ 6 | \$ 379 | \$ 459 | \$ 50 | \$ 7,638 |

Nonmajor Governmental Funds

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 Page 2 of 6
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS
 For the Year Ended December 31, 2013
 (In Thousands)

| | City Facilities Renovation and Improvement | Conservation Futures | Open Spaces and Trails Bond | Seattle Center and Parks Multipurpose Levy | Seattle Center Redevelopment/ Parks Community Center |
|--|--|-------------------------|--------------------------------|---|--|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 24,233 | \$ - |
| Grants, Shared Revenues, and Contributions | - | - | - | 2,020 | 250 |
| Charges for Services | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | - | - | - | (92) | (4) |
| Total Revenues | - | - | - | 26,161 | 246 |
| EXPENDITURES | | | | | |
| Capital Outlay | | | | | |
| General Government | - | - | - | - | - |
| Public Safety | - | - | - | - | - |
| Transportation | - | - | - | - | - |
| Culture and Recreation | - | - | 63 | 26,633 | 732 |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond Issuance Cost | - | - | - | - | - |
| Total Expenditures | - | - | 63 | 26,633 | 732 |
| Excess (Deficiency) of Revenues over Expenditures | - | - | (63) | (472) | (486) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | - | - |
| Premium on Bonds Issued | - | - | - | - | - |
| Sales of Capital Assets | - | - | - | - | - |
| Transfers In | - | - | - | - | 250 |
| Transfers Out | - | - | - | (192) | - |
| Total Other Financing Sources (Uses) | - | - | - | (192) | 250 |
| Net Change in Fund Balance | - | - | (63) | (664) | (236) |
| Fund Balances - Beginning of Year | 88 | 31 | 122 | 39,385 | 1,611 |
| Fund Balances - End of Year | \$ 88 | \$ 31 | \$ 59 | \$ 38,721 | \$ 1,375 |

The City of Seattle

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES
 Page 3 of 6
 NONMAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECTS
 For the Year Ended December 31, 2013
 (In Thousands)

| | Municipal Civic Center | South Police Stations | Public Safety Information Technology | 2003 Fire Facilities | 2003 Long-Term General Obligation Project |
|--|---------------------------|--------------------------|--|----------------------------|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 98 | \$ - |
| Grants, Shared Revenues, and Contributions | - | - | - | 639 | - |
| Charges for Services | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | (3) | - | - | (49) | - |
| Total Revenues | (3) | - | - | 688 | - |
| EXPENDITURES | | | | | |
| Capital Outlay | | | | | |
| General Government | 1 | - | - | - | - |
| Public Safety | - | - | - | 10,726 | - |
| Transportation | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | - |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond Issuance Cost | - | - | - | - | - |
| Total Expenditures | 1 | - | - | 10,726 | - |
| Excess (Deficiency) of Revenues over Expenditures | (4) | - | - | (10,038) | - |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | - | - |
| Premium on Bonds Issued | - | - | - | - | - |
| Sales of Capital Assets | - | - | - | - | - |
| Transfers In | - | - | - | - | - |
| Transfers Out | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - | - |
| Net Change in Fund Balance | (4) | - | - | (10,038) | - |
| Fund Balances - Beginning of Year | 1,297 | 2 | 535 | 26,809 | 11 |
| Fund Balances - End of Year | \$ 1,293 | \$ 2 | \$ 535 | \$ 16,771 | \$ 11 |

Nonmajor Governmental Funds

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 4 of 6

**IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2013
(In Thousands)**

| | 2006 Multipurpose Long-Term General Obligation Bond | Local Improvement, District No. 6750 | 2007 Multipurpose Long-Term General Obligation Bond | 2008 Multipurpose Long-Term General Obligation Bond | 2009 Multipurpose Long-Term General Obligation Bond |
|--|---|---|---|---|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ 21 | \$ - | \$ - | \$ - |
| Grants, Shared Revenues, and Contributions | - | 1,382 | - | - | - |
| Charges for Services | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | - | 638 | (1) | (2) | (7) |
| Total Revenues | - | 2,041 | (1) | (2) | (7) |
| EXPENDITURES | | | | | |
| Capital Outlay | | | | | |
| General Government | - | - | - | 1,521 | 243 |
| Public Safety | - | - | - | - | - |
| Transportation | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | 1,253 |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | 537 | - | - | - |
| Bond Issuance Cost | - | - | - | - | - |
| Total Expenditures | - | 537 | - | 1,521 | 1,496 |
| Excess (Deficiency) of Revenues over Expenditures | - | 1,504 | (1) | (1,523) | (1,503) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | - | - |
| Premium on Bonds Issued | - | - | - | - | - |
| Sales of Capital Assets | - | - | - | - | - |
| Transfers In | - | - | - | - | - |
| Transfers Out | - | - | - | (4,739) | (243) |
| Total Other Financing Sources (Uses) | - | - | - | (4,739) | (243) |
| Net Change in Fund Balance | - | 1,504 | (1) | (6,262) | (1,746) |
| Fund Balances - Beginning of Year | 64 | 356 | 13 | 8,004 | 3,248 |
| Fund Balances - End of Year | \$ 64 | \$ 1,860 | \$ 12 | \$ 1,742 | \$ 1,502 |

The City of Seattle

D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

Page 5 of 6

**IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2013
(In Thousands)**

| | 2010 Multipurpose Long-Term General Obligation Bond | 2011 Multipurpose Long-Term General Obligation Bond | 2012 Multipurpose Long-Term General Obligation Bond | 2013 Multipurpose Long-Term General Obligation Bond | Alaskan Way Seawall Construction |
|--|---|---|---|---|---|
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Grants, Shared Revenues, and Contributions | - | - | - | - | - |
| Charges for Services | - | - | - | - | - |
| Program Income, Interest, and Miscellaneous Revenues | (28) | 28 | (46) | (45) | (36) |
| Total Revenues | (28) | 28 | (46) | (45) | (36) |
| EXPENDITURES | | | | | |
| Capital Outlay | | | | | |
| General Government | 1,152 | 48 | - | 14,212 | - |
| Public Safety | - | - | - | - | - |
| Transportation | - | - | - | - | - |
| Culture and Recreation | 76 | 337 | 4,701 | 9,958 | - |
| Debt Service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| Bond Issuance Cost | - | - | - | 370 | 162 |
| Total Expenditures | 1,228 | 385 | 4,701 | 24,540 | 162 |
| Excess (Deficiency) of Revenues over Expenditures | (1,256) | (357) | (4,747) | (24,585) | (198) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | - | - | - | 51,115 | 45,071 |
| Premium on Bonds Issued | - | - | - | 3,727 | 5,093 |
| Sales of Capital Assets | - | - | - | - | - |
| Transfers In | - | - | - | - | - |
| Transfers Out | (3,921) | (26,428) | (3,706) | (5,850) | (25,973) |
| Total Other Financing Sources (Uses) | (3,921) | (26,428) | (3,706) | 48,992 | 24,191 |
| Net Change in Fund Balance | (5,177) | (26,785) | (8,453) | 24,407 | 23,993 |
| Fund Balances - Beginning of Year | 10,824 | 41,361 | 18,366 | - | - |
| Fund Balances - End of Year | \$ 5,647 | \$ 14,576 | \$ 9,913 | \$ 24,407 | \$ 23,993 |

Nonmajor Governmental Funds

**D-9 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECTS
For the Year Ended December 31, 2013
(In Thousands)**

| | Central Waterfront Improvement | Comparative Totals | |
|--|--------------------------------------|--------------------|------------|
| | | 2013 | 2012 |
| REVENUES | | | |
| Taxes | \$ - | \$ 24,352 | \$ 31,715 |
| Grants, Shared Revenues, and Contributions | - | 12,101 | 8,433 |
| Charges for Services | - | - | 4 |
| Program Income, Interest, and Miscellaneous Revenues | (22) | 351 | 2,549 |
| Total Revenues | (22) | 36,804 | 42,701 |
| EXPENDITURES | | | |
| Capital Outlay | | | |
| General Government | - | 17,177 | 5,042 |
| Public Safety | - | 10,825 | 20,019 |
| Transportation | - | - | 10 |
| Culture and Recreation | - | 44,505 | 39,647 |
| Debt Service | | | |
| Principal | - | - | 1,300 |
| Interest | - | 537 | 587 |
| Bond Issuance Cost | - | 532 | 258 |
| Total Expenditures | - | 73,576 | 66,863 |
| Excess (Deficiency) of Revenues over Expenditures | (22) | (36,772) | (24,162) |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-Term Debt Issued | - | 96,186 | 26,835 |
| Premium on Bonds Issued | - | 8,820 | 4,816 |
| Sales of Capital Assets | - | - | 1,352 |
| Transfers In | - | 250 | 200 |
| Transfers Out | (7,790) | (78,842) | (68,076) |
| Total Other Financing Sources (Uses) | (7,790) | 26,414 | (34,873) |
| Net Change in Fund Balance | (7,812) | (10,358) | (59,035) |
| Fund Balances - Beginning of Year | (1,528) | 152,152 | 211,187 |
| Fund Balances - End of Year | \$ (9,340) | \$ 141,794 | \$ 152,152 |

The City of Seattle

**D-10 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
PERMANENT
For the Year Ended December 31, 2013
(In Thousands)**

| | H. H. Dearborn | Beach Maintenance Trust | Comparative Totals | |
|--|----------------|-------------------------------|--------------------|----------|
| | | | 2013 | 2012 |
| REVENUES | | | | |
| Program Income, Interest, and Miscellaneous Revenues | \$ - | \$ (5) | \$ (5) | \$ 21 |
| Total Revenues | - | (5) | (5) | 21 |
| EXPENDITURES | | | | |
| Capital Outlay | | | | |
| Culture and Recreation | - | 23 | 23 | 19 |
| Total Expenditures | - | 23 | 23 | 19 |
| Excess (Deficiency) of Revenues over Expenditures | - | (28) | (28) | 2 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | (10) | - | (10) | (10) |
| Total Other Financing Sources (Uses) | (10) | - | (10) | (10) |
| Net Change in Fund Balance | (10) | (28) | (38) | (8) |
| Fund Balances - Beginning of Year | 150 | 2,012 | 2,162 | 2,170 |
| Fund Balances - End of Year | \$ 140 | \$ 1,984 | \$ 2,124 | \$ 2,162 |

Budget and Actual

Budget and Actual

D-11 **GENERAL FUND**
Page 1 of 4 **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|-----------------|------------|--------------|------------|
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 261,000 | \$ 252,682 | \$ - | \$ (8,318) |
| Retail Sales and Use Taxes | 172,207 | 181,171 | - | 8,964 |
| Business Taxes | 251,973 | 251,373 | - | (600) |
| Excise Taxes | 41,521 | 54,159 | - | 12,638 |
| Other Taxes | - | 3,468 | - | 3,468 |
| Interfund Business Taxes | 120,806 | 123,611 | - | 2,805 |
| Total Taxes | 847,507 | 866,464 | - | 18,957 |
| Licenses and Permits | 24,226 | 22,005 | - | (2,221) |
| Grants, Shared Revenues, and Contributions | 66,775 | 43,040 | - | (23,735) |
| Charges for Services | 54,143 | 50,379 | - | (3,764) |
| Fines and Forfeits | 33,856 | 39,488 | - | 5,632 |
| Parking Fees and Space Rent | 34,939 | 38,062 | - | 3,123 |
| Program Income, Interest, and Miscellaneous Revenues | 189,406 | 201,911 | - | 12,505 |
| Total Revenues | 1,250,852 | 1,261,349 | - | 10,497 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| CITY AUDITOR | 2,044 | 1,446 | 411 | 187 |
| CITY BUDGET OFFICE | 4,268 | 4,039 | - | 229 |
| CIVIL SERVICE COMMISSIONS | 373 | 319 | - | 54 |
| CRIMINAL JUSTICE | | | | |
| Jail Services | 16,109 | 14,462 | - | 1,647 |
| Indigent Defense Services | 6,383 | 5,668 | - | 715 |
| Total Criminal Justice | 22,492 | 20,130 | - | 2,362 |
| ETHICS AND ELECTIONS | 931 | 851 | - | 80 |
| EXECUTIVE | | | | |
| Sustainability and Environment | 11,824 | 9,774 | 896 | 1,154 |
| Mayor's Office | 3,943 | 3,785 | 26 | 132 |
| Economic Development | 7,551 | 6,305 | 394 | 852 |
| Intergovernmental Relations | 2,100 | 1,953 | - | 147 |
| Immigrant and Refugee Affairs | 456 | 406 | - | 50 |
| Community Police Commission | 563 | 439 | 59 | 65 |
| Civil Rights | 2,883 | 2,815 | - | 68 |
| Total Executive | 29,320 | 25,477 | 1,375 | 2,468 |
| FINANCE AND ADMINISTRATIVE SERVICES | 222 | 150 | 42 | 30 |

The City of Seattle

D-11 **GENERAL FUND**
Page 2 of 4 **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|-----------------|-----------|--------------|----------|
| FINANCE GENERAL | | | | |
| Appropriations to Special Purpose Funds | \$ 32,185 | \$ 31,871 | \$ - | \$ 314 |
| Reserves | 47,776 | 29,870 | 519 | 17,387 |
| Support to Operating Funds | 37,149 | 37,138 | - | 11 |
| Transferred Programs | 637 | 544 | 93 | - |
| Support to Parks Capital Expenditures | 1 | 1 | - | - |
| Total Finance General | 117,748 | 99,424 | 612 | 17,712 |
| FIRE | | | | |
| Administration | 7,880 | 7,480 | 98 | 302 |
| Resource Management | 11,075 | 11,073 | (7) | 9 |
| Operations | 141,710 | 141,574 | 106 | 30 |
| Fire Prevention | 6,949 | 6,908 | - | 41 |
| Grants and Reimbursables | 16,433 | 11,707 | 1,068 | 3,658 |
| Total Department | 184,047 | 178,742 | 1,265 | 4,040 |
| HEARING EXAMINER | 665 | 624 | - | 41 |
| LAW | | | | |
| Administration | 1,963 | 1,957 | - | 6 |
| Civil Law | 11,458 | 11,106 | - | 352 |
| Criminal Prosecution | 6,618 | 6,491 | - | 127 |
| Precinct Liaison | 547 | 448 | - | 99 |
| Total Department | 20,586 | 20,002 | - | 584 |
| LEGISLATIVE | 13,101 | 11,870 | 421 | 810 |
| LIBRARY | 86 | 66 | - | 20 |
| MUNICIPAL COURT | | | | |
| Court Operations | 16,111 | 16,094 | - | 17 |
| Corporate Services | 6,369 | 6,206 | - | 163 |
| Court Compliance | 5,344 | 5,342 | - | 2 |
| Total Department | 27,824 | 27,642 | - | 182 |
| NEIGHBORHOODS | | | | |
| Director's Office | 470 | 445 | 6 | 19 |
| Customer Service and Operations | 1,422 | 1,389 | - | 33 |
| Community Building | 3,530 | 3,412 | 36 | 82 |
| Office for Education | 92 | 63 | 29 | - |
| Youth Violence Prevention | 5,522 | 4,563 | 474 | 485 |
| Total Department | 11,036 | 9,872 | 545 | 619 |

Budget and Actual

D-11 GENERAL FUND
 Page 3 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2013
 (In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|--------------|----------|--------------|----------|
| PERSONNEL | | | | |
| Employment and Training | \$ 2,913 | \$ 2,877 | \$ - | \$ 36 |
| Employee Health Services | 2,962 | 2,947 | - | 15 |
| Citywide Personnel | 2,649 | 2,620 | - | 29 |
| Labor Relations and Class Compensation | 3,451 | 3,220 | - | 231 |
| Total Department | 11,975 | 11,664 | - | 311 |
| POLICE | | | | |
| Chief of Police | 27,791 | 15,951 | 1,543 | 10,297 |
| Professional Accountability | 2,012 | 1,993 | - | 19 |
| Chief of Staff Program | 26,649 | 26,400 | 40 | 209 |
| Deputy Chief Operations | 2,301 | 2,267 | - | 34 |
| Special Operations Bureau | 53,683 | 51,815 | 12 | 1,856 |
| Patrol Operations Program | 1,408 | 1,402 | - | 6 |
| West Precinct Patrol | 30,288 | 30,245 | - | 43 |
| North Precinct Patrol | 32,745 | 32,722 | - | 23 |
| South Precinct Patrol | 17,683 | 17,659 | - | 24 |
| East Precinct Patrol | 24,244 | 24,217 | - | 27 |
| Southwest Precinct Patrol | 16,023 | 16,017 | - | 6 |
| Criminal Investigation Administration | 8,061 | 8,035 | - | 26 |
| Violent Crimes Investigation | 8,241 | 8,216 | - | 25 |
| Narcotics Investigation | 5,059 | 4,993 | - | 66 |
| Coordinated Criminal Investigations | 4,726 | 4,723 | - | 3 |
| Special Victims Program | 6,447 | 6,423 | - | 24 |
| Field Support | 42,755 | 42,041 | 62 | 652 |
| Total Department | 310,116 | 295,119 | 1,657 | 13,340 |
| JUDGMENTS/CLAIMS | | | | |
| Judgments and Claims | 16,425 | 10,378 | - | 6,047 |
| Total Judgments/Claims | 16,425 | 10,378 | - | 6,047 |
| ARTS ACCOUNT | | | | |
| | 5,763 | 5,186 | 573 | 4 |
| CABLE TELEVISION FRANCHISE | | | | |
| | 8,447 | 8,447 | - | - |
| CUMULATIVE RESERVE | | | | |
| Real Estate Excise Tax I | 35,814 | 7,961 | 5,035 | 22,818 |
| Real Estate Excise Tax II | 16,307 | 8,029 | 901 | 7,377 |
| Capital Projects Asset Preservation | 10,407 | 2,079 | 835 | 7,493 |
| Capital Projects Street Vacation | 2,764 | - | - | 2,764 |
| Unrestricted | 53,920 | 18,073 | 677 | 35,170 |
| Total Cumulative Reserve | 119,212 | 36,142 | 7,448 | 75,622 |

The City of Seattle

D-11 GENERAL FUND
 Page 4 of 4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL
 For the Year Ended December 31, 2013
 (In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|--------------|------------|--------------|------------|
| NEIGHBORHOOD MATCHING | \$ 7,116 | \$ 2,605 | \$ 1,285 | \$ 3,226 |
| EMERGENCY | 68 | - | - | 68 |
| TRANSIT BENEFIT | 4,900 | 4,537 | - | 363 |
| SPECIAL EMPLOYMENT | 200 | 35 | - | 165 |
| INDUSTRIAL INSURANCE | 18,330 | 15,697 | 434 | 2,199 |
| UNEMPLOYMENT COMPENSATION | 1,301 | 1,301 | 3 | (3) |
| HEALTH CARE | 166,726 | 164,689 | 190 | 1,847 |
| GROUP TERM LIFE INSURANCE | 6,112 | 5,802 | - | 310 |
| Total Expenditures and Encumbrances | 1,111,434 | 962,256 | 16,261 | 132,917 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | 139,418 | 299,093 | (16,261) | 143,414 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 26,600 | 22,748 | - | (3,852) |
| Transfers In | 26,404 | 23,462 | - | (2,942) |
| Transfers Out | (318,279) | (312,196) | - | 6,083 |
| Total Other Financing Sources (Uses) | (265,275) | (265,986) | - | (711) |
| Net Change in Fund Balance | \$ (125,857) | 33,107 | \$ (16,261) | \$ 142,703 |
| Fund Balance - Beginning of Year | | 262,336 | | |
| Fund Balance - End of Year | | \$ 295,443 | | |

Budget and Actual

D-12 **TRANSPORTATION FUND**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|---------------------|-------------------------|-----------------|-------------------|
| REVENUES | | | | |
| Taxes | | | | |
| General Property Taxes | \$ 41,487 | \$ 41,774 | \$ - | \$ 287 |
| Business Taxes | 31,291 | 33,930 | - | 2,639 |
| Other Taxes | - | 112 | - | 112 |
| Total Taxes | <u>72,778</u> | <u>75,816</u> | <u>-</u> | <u>3,038</u> |
| Licenses and Permits | 7,893 | 5,130 | - | (2,763) |
| Grants, Shared Revenues, and Contributions | 55,217 | 51,755 | - | (3,462) |
| Charges for Services | 53,892 | 102,475 | - | 48,583 |
| Fines and Forfeits | - | 8 | - | 8 |
| Parking Fees and Space Rent | - | 70 | - | 70 |
| Program Income, Interest, and Miscellaneous Revenues | <u>-</u> | <u>122</u> | <u>-</u> | <u>122</u> |
| Total Revenues | 189,780 | 235,376 | - | 45,596 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Bridges and Structures | 7,576 | 7,405 | 21 | 150 |
| Engineering Services | 1,990 | 1,664 | 120 | 206 |
| Mobility Operations | 41,164 | 34,440 | 604 | 6,120 |
| Right-of-Way Management | 14,598 | 14,576 | - | 22 |
| Street Maintenance | 23,800 | 19,809 | - | 3,991 |
| Urban Forestry | 4,911 | 4,784 | - | 127 |
| Department Management | 1,192 | (155) | 70 | 1,277 |
| General Expense | 5,287 | 5,069 | - | 218 |
| Major Maintenance/Replacement | 102,822 | 56,597 | - | 46,225 |
| Major Projects | 237,970 | 142,249 | - | 95,721 |
| Mobility Capital | <u>98,250</u> | <u>35,341</u> | <u>-</u> | <u>62,909</u> |
| Total Expenditures and Encumbrances | 539,560 | 321,779 | 815 | 216,966 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (349,780) | (86,403) | (815) | 262,562 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | 54 | - | 54 |
| Transfers In | 141,964 | 133,703 | - | (8,261) |
| Transfers Out | <u>(25,633)</u> | <u>(24,739)</u> | <u>-</u> | <u>894</u> |
| Total Other Financing Sources (Uses) | 116,331 | 109,018 | - | (7,313) |
| Net Change in Fund Balance | \$ (233,449) | 22,615 | \$ (815) | \$ 255,249 |
| Fund Balance - Beginning of Year | | <u>51,048</u> | | |
| Fund Balance - End of Year | | <u><u>\$ 73,663</u></u> | | |

The City of Seattle

D-13 **LOW-INCOME HOUSING FUND**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|--------------------|-------------------------|--------------------|------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 18,994 | \$ 17,952 | \$ - | \$ (1,042) |
| Grants, Shared Revenues, and Contributions | 13,094 | 2,088 | - | (11,006) |
| Charges for Services | 4,664 | 810 | - | (3,854) |
| Program Income, Interest, and Miscellaneous Revenues | <u>29,037</u> | <u>11,072</u> | <u>-</u> | <u>(17,965)</u> |
| Total Revenues | 65,789 | 31,922 | - | (33,867) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Community Development | 46 | - | - | 46 |
| Administration and Management | 13,881 | 941 | - | 12,940 |
| Multifamily Production and Preservation | 97,373 | 22,370 | 24,435 | 50,568 |
| Single Family | <u>19,724</u> | <u>7,320</u> | <u>2,954</u> | <u>9,450</u> |
| Total Expenditures and Encumbrances | 131,024 | 30,631 | 27,389 | 73,004 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (65,235) | 1,291 | (27,389) | 39,137 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | 15 | - | - | (15) |
| Total Other Financing Sources (Uses) | 15 | - | - | (15) |
| Net Change in Fund Balance | \$ (65,220) | 1,291 | \$ (27,389) | \$ 39,122 |
| Fund Balance - Beginning of Year | | <u>79,866</u> | | |
| Fund Balance - End of Year | | <u><u>\$ 81,157</u></u> | | |

Budget and Actual

D-14 PARK AND RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|-------------------|-----------------|-----------------|-----------------|
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 258 | \$ 193 | \$ - | \$ (65) |
| Charges for Services | 34,677 | 34,700 | - | 23 |
| Fines and Forfeits | - | 1 | - | 1 |
| Parking Fees and Space Rent | 5,119 | 5,834 | - | 715 |
| Program Income, Interest, and Miscellaneous Revenues | 233 | 184 | - | (49) |
| Total Revenues | 40,287 | 40,912 | - | 625 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Gasworks Park Contamination Remediation | 79 | 23 | - | 56 |
| Swimming, Boating, and Aquatics | 8,474 | 8,460 | - | 14 |
| Recreation Facilities and Programs | 23,545 | 23,486 | 58 | 1 |
| Facility and Structure Maintenance | 14,943 | 14,744 | 98 | 101 |
| Park Cleaning, Landscaping, and Restoration | 29,350 | 29,214 | 1 | 135 |
| Seattle Conservation Corps | 4,134 | 3,273 | 40 | 821 |
| Seattle Aquarium | 3,340 | 2,953 | - | 387 |
| Woodland Park Zoo | 6,730 | 6,728 | - | 2 |
| Planning, Development, and Acquisition | 5,760 | 5,373 | - | 387 |
| Judgments and Claims | 546 | 546 | - | - |
| Finance and Administration | 7,624 | 7,598 | 25 | 1 |
| Policy Direction and Leadership | 13,164 | 13,355 | 41 | (232) |
| Golf | 8,363 | 8,640 | - | (277) |
| Environmental Learning and Programs | 1,463 | 1,401 | - | 62 |
| Natural Resources Management | 7,136 | 6,948 | 144 | 44 |
| Total Expenditures and Encumbrances | 134,651 | 132,742 | 407 | 1,502 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (94,364) | (91,830) | (407) | 2,127 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sales of Capital Assets | - | 102 | - | 102 |
| Transfers In | 91,461 | 90,484 | - | (977) |
| Transfers Out | (3,484) | (2,993) | - | 491 |
| Total Other Financing Sources (Uses) | 87,977 | 87,593 | - | (384) |
| Net Change in Fund Balance | \$ (6,387) | (4,237) | \$ (407) | \$ 1,743 |
| Fund Balance - Beginning of Year | | 8,479 | | |
| Fund Balance - End of Year | | <u>\$ 4,242</u> | | |

The City of Seattle

D-15 LIBRARY FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|--|-------------------|------------------|----------------|-----------------|
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ 6,133 | \$ 5,143 | \$ - | \$ (990) |
| Charges for Services | 409 | 208 | - | (201) |
| Fines and Forfeits | 1,564 | 1,555 | - | (9) |
| Parking Fees and Space Rent | 482 | 485 | - | 3 |
| Program Income, Interest, and Miscellaneous Revenues | 246 | 35 | - | (211) |
| Total Revenues | 8,834 | 7,426 | - | (1,408) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Administrative Services | 9,573 | 8,904 | 58 | 611 |
| City Librarian's Office | 836 | 829 | - | 7 |
| Library Capital Improvements | 144 | 136 | - | 8 |
| Library Services | 45,185 | 43,780 | - | 1,405 |
| Grants, Trusts, and Memorials | 11,607 | 4,890 | - | 6,717 |
| Burn Projects - Principal and Interest | 1,880 | 50 | - | 1,830 |
| Information Technology | 5,445 | 4,169 | - | 1,276 |
| Human Resources | 1,179 | 1,170 | - | 9 |
| Total Expenditures and Encumbrances | 75,849 | 63,928 | 58 | 11,863 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (67,015) | (56,502) | (58) | 10,455 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 60,311 | 57,939 | - | (2,372) |
| Transfers Out | (432) | (376) | - | (144) |
| Total Other Financing Sources (Uses) | 59,879 | 57,363 | - | (2,516) |
| Net Change in Fund Balance | \$ (7,136) | 861 | \$ (58) | \$ 7,939 |
| Fund Balance - Beginning of Year | | 12,656 | | |
| Fund Balance - End of Year | | <u>\$ 13,517</u> | | |

Budget and Actual

D-16 SEATTLE CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|-----------------|-----------------|--------------|-----------------|
| REVENUES | | | | |
| Grants, Shared Revenues, and Contributions | \$ - | \$ 15 | \$ - | \$ 15 |
| Charges for Services | 9,030 | 6,639 | - | (2,391) |
| Parking Fees and Space Rent | 14,057 | 17,662 | - | 3,605 |
| Program Income, Interest, and Miscellaneous Revenues | (520) | 305 | - | 825 |
| Total Revenues | 22,567 | 24,621 | - | 2,054 |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Access | 1,209 | 1,182 | - | 27 |
| Administration | 6,893 | 6,793 | - | 100 |
| Cultural Facilities | 221 | 141 | - | 80 |
| Commercial Events | 892 | 710 | - | 182 |
| Festivals | 1,482 | 1,204 | - | 278 |
| Campus Grounds | 11,679 | 14,064 | - | (2,385) |
| Judgments and Claims | 588 | 588 | - | - |
| Key Arena | 6,517 | 5,571 | - | 946 |
| McCaw Hall | 4,475 | 3,675 | - | 800 |
| Community Programs | 2,060 | 1,989 | - | 71 |
| Total Expenditures and Encumbrances | 36,016 | 35,917 | - | 99 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (13,449) | (11,296) | - | 2,153 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 12,966 | 12,836 | - | (130) |
| Transfers Out | (135) | (135) | - | - |
| Total Other Financing Sources (Uses) | 12,831 | 12,701 | - | (130) |
| Net Change in Fund Balance | \$ (618) | 1,405 | \$ - | \$ 2,023 |
| Fund Balance - Beginning of Year | | 595 | | |
| Fund Balance - End of Year | | \$ 2,000 | | |

The City of Seattle

D-17 HUMAN SERVICES OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|--------------------|-----------------|-----------------|------------------|
| REVENUES | | | | |
| General Property Taxes | \$ 935 | \$ 935 | \$ - | \$ - |
| Grants, Shared Revenues, and Contributions | 55,728 | 50,959 | - | (4,769) |
| Charges for Services | 1,399 | 1,233 | - | (166) |
| Fines and Forfeits | (101) | 55 | - | 156 |
| Program Income, Interest, and Miscellaneous Revenues | 71 | 835 | - | 764 |
| Total Revenues | 58,032 | 54,017 | - | (4,015) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Youth and Family Empowerment | 21,188 | 20,388 | - | 800 |
| Transitional Living and Support | 38,201 | 28,396 | 617 | 9,188 |
| Aging and Disability Services | 35,628 | 33,171 | - | 2,457 |
| Leadership and Administration | 9,291 | 8,468 | 218 | 605 |
| Public Health Services | 12,818 | 12,729 | - | 89 |
| Community Support and Self-Sufficiency | 12,151 | 10,366 | - | 1,785 |
| Total Expenditures and Encumbrances | 129,277 | 113,518 | 835 | 14,924 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (71,245) | (59,501) | (835) | 10,909 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 59,176 | 59,668 | - | 492 |
| Net Change in Fund Balance | \$ (12,069) | 167 | \$ (835) | \$ 11,401 |
| Fund Balance - Beginning of Year | | 5,676 | | |
| Fund Balance - End of Year | | \$ 5,843 | | |

Budget and Actual

D-18

OFFICE OF HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
(In Thousands)

| | Final Budget | Actual | Encumbrances | Variance |
|---|-----------------|----------|--------------|----------|
| REVENUES | | | | |
| General Property Taxes | \$ 1,875 | \$ 1,810 | \$ - | \$ (65) |
| Grants, Shared Revenues, and Contributions | 2,994 | 1,749 | - | (1,245) |
| Charges for Services | 764 | 955 | - | 191 |
| Parking Fees and Space Rent | 27 | 27 | - | - |
| Program Income, Interest, and Miscellaneous Revenues | 274 | 128 | - | (146) |
| Total Revenues | 5,934 | 4,669 | - | (1,265) |
| EXPENDITURES AND ENCUMBRANCES | | | | |
| Office of Housing | 4,829 | 4,394 | 22 | 413 |
| HUD Challenge Grant | 2,761 | 628 | 173 | 1,960 |
| Total Expenditures and Encumbrances | 7,590 | 5,022 | 195 | 2,373 |
| Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances | (1,656) | (353) | (195) | 1,108 |
| Net Change in Fund Balance | \$ (1,656) | (353) | \$ (195) | \$ 1,108 |
| Fund Balance - Beginning of Year | | 1,931 | | |
| Fund Balance - End of Year | | \$ 1,578 | | |

**Nonmajor
Enterprise Funds**

Nonmajor Enterprise Funds

NONMAJOR ENTERPRISE FUNDS

The **Planning and Development Fund** accounts for building permit fees and moneys from the General Fund as well as the cost of enforcing the City's land use and building construction codes.

The **Downtown Parking Garage Fund** accounts for the proceeds from the sale of bonds to pay for the cost of effecting the beneficial transfer to the City of the parking garage at Pacific Place in downtown Seattle. This fund also accounts for the operation of the garage.

The **Fiber Leasing Fund** is used to account for the activities associated with management's use of the City's excess fiber and fiber infrastructure. The Fiber Leasing Fund receives revenues from sponsorship agreements; federal, state, county, or other grants or transfers, private funding, donations or gifts, and property sales proceeds (Ordinance 123931).

The City of Seattle

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Page 1 of 4

COMBINING STATEMENT OF NET POSITION

NONMAJOR ENTERPRISE FUNDS

December 31, 2013

(In Thousands)

| | Planning and Development | | Downtown Parking Garage | |
|--|--------------------------|-----------|-------------------------|------------------|
| | 2013 | 2012 | 2013 | Restated 2012 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 27,573 | \$ 19,134 | \$ 38 | \$ 92 |
| Receivables, Net of Allowances | | | | |
| Accounts | 849 | 632 | 58 | 25 |
| Interest and Dividends | 17 | 9 | - | - |
| Due from Other Funds | 1,067 | 812 | - | - |
| Due from Other Governments | 517 | 432 | - | - |
| Prepayments and Other Current Assets | - | 3 | - | - |
| Total Current Assets | 30,023 | 21,022 | 96 | 117 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 47 | 8 | - | - |
| Capital Assets | | | | |
| Land and Land Rights | - | - | 12,881 | 12,881 |
| Buildings and Improvements | - | - | 60,132 | 60,131 |
| Less Accumulated Depreciation | - | - | (30,066) | (28,061) |
| Machinery and Equipment | 14,388 | 14,329 | 433 | 651 |
| Less Accumulated Depreciation | (13,337) | (12,725) | (13) | (651) |
| Construction in Progress | 2,597 | - | - | - |
| Total Noncurrent Assets | 3,695 | 1,612 | 43,367 | 44,951 |
| Total Assets | 33,718 | 22,634 | 43,463 | 45,068 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 33,718 | \$ 22,634 | \$ 43,463 | \$ 45,068 |

Nonmajor Enterprise Funds

E-1
Page 2 of 4
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
December 31, 2013
(In Thousands)

| | Fiber Leasing | | Comparative Totals | |
|--|---------------|------|--------------------|---------------|
| | 2013 | 2012 | 2013 | Restated 2012 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 17 | \$ - | \$ 27,628 | \$ 19,226 |
| Receivables, Net of Allowances | | | | |
| Accounts | 69 | - | 976 | 657 |
| Interest and Dividends | - | - | 17 | 9 |
| Due from Other Funds | - | - | 1,067 | 812 |
| Due from Other Governments | - | - | 517 | 432 |
| Prepayments and Other Current Assets | - | - | - | 3 |
| Total Current Assets | 86 | - | 30,205 | 21,139 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | - | - | 47 | 8 |
| Capital Assets | | | | |
| Land and Land Rights | - | - | 12,881 | 12,881 |
| Buildings and Improvements | - | - | 60,132 | 60,131 |
| Less Accumulated Depreciation | - | - | (30,066) | (28,061) |
| Machinery and Equipment | - | - | 14,821 | 14,980 |
| Less Accumulated Depreciation | - | - | (13,350) | (13,376) |
| Construction in Progress | - | - | 2,597 | - |
| Total Noncurrent Assets | - | - | 47,062 | 46,563 |
| Total Assets | 86 | - | 77,267 | 67,702 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Assets and Deferred Outflows of Resources | \$ 86 | \$ - | \$ 77,267 | \$ 67,702 |

The City of Seattle

E-1
Page 3 of 4
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
December 31, 2013
(In Thousands)

| | Planning and Development | | Downtown Parking Garage | |
|--|--------------------------|-----------|-------------------------|---------------|
| | 2013 | 2012 | 2013 | Restated 2012 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ 888 | \$ 398 | \$ 1,935 | \$ 1,552 |
| Salaries, Benefits, and Payroll Taxes Payable | 1,323 | 1,055 | - | - |
| Compensated Absences Payable | 224 | 203 | - | - |
| Due to Other Funds | 180 | 158 | 135 | 138 |
| Bond Interest Payable | - | - | 1,509 | 2,100 |
| Taxes Payable | - | - | 81 | 88 |
| General Obligation Bonds Due Within One Year | - | - | 1,857 | 1,262 |
| Claims Payable | 54 | 53 | - | - |
| Total Current Liabilities | 2,669 | 1,867 | 5,517 | 5,140 |
| <i>Noncurrent Liabilities</i> | | | | |
| Compensated Absences Payable | 2,792 | 2,553 | - | - |
| Claims Payable | 128 | 118 | - | - |
| Vendor and Other Deposits Payable | 47 | 8 | - | - |
| General Obligation Bonds, Due Serially | - | - | 58,327 | 59,589 |
| Less Bonds Due Within One Year | - | - | (1,857) | (1,262) |
| Bond Discount and Premium, Net | - | - | 2,970 | 3,209 |
| Bond Interest Payable | - | - | - | 593 |
| Unearned Revenues | 14,075 | 10,110 | - | - |
| Unfunded Other Post Employment Benefits | 1,388 | 1,092 | - | - |
| Advances from Other Funds | - | - | 5,050 | 3,181 |
| Total Noncurrent Liabilities | 18,430 | 13,881 | 64,490 | 65,310 |
| Total Liabilities | 21,099 | 15,748 | 70,007 | 70,450 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | - | - | - | - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 3,648 | 1,603 | (17,931) | (17,847) |
| Unrestricted | 8,971 | 5,283 | (8,613) | (7,535) |
| Total Net Position | 12,619 | 6,886 | (26,544) | (25,382) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 33,718 | \$ 22,634 | \$ 43,463 | \$ 45,068 |

Nonmajor Enterprise Funds

E-1 COMBINING STATEMENT OF NET POSITION
 Page 4 of 4 NONMAJOR ENTERPRISE FUNDS
 December 31, 2013
 (In Thousands)

| | Fiber Leasing | | Comparative Totals | |
|--|---------------|------|--------------------|------------------|
| | 2013 | 2012 | 2013 | Restated 2012 |
| LIABILITIES | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | \$ - | \$ - | \$ 2,823 | \$ 1,950 |
| Salaries, Benefits, and Payroll Taxes Payable | - | - | 1,323 | 1,055 |
| Compensated Absences Payable | - | - | 224 | 203 |
| Due to Other Funds | 64 | - | 379 | 296 |
| Bond Interest Payable | - | - | 1,509 | 2,100 |
| Taxes Payable | - | - | 81 | 88 |
| General Obligation Bonds Due Within One Year | - | - | 1,857 | 1,262 |
| Claims Payable | - | - | 54 | 53 |
| Total Current Liabilities | 64 | - | 8,250 | 7,007 |
| <i>Noncurrent Liabilities</i> | | | | |
| Compensated Absences Payable | - | - | 2,792 | 2,553 |
| Claims Payable | - | - | 128 | 118 |
| Vendor and Other Deposits Payable | - | - | 47 | 8 |
| General Obligation Bonds, Due Serially | - | - | 58,327 | 59,589 |
| Less Bonds Due Within One Year | - | - | (1,857) | (1,262) |
| Bond Discount and Premium, Net | - | - | 2,970 | 3,209 |
| Bond Interest Payable | - | - | - | 593 |
| Unearned Revenues | - | - | 14,075 | 10,110 |
| Unfunded Other Post Employment Benefits | - | - | 1,388 | 1,092 |
| Advances from Other Funds | - | - | 5,050 | 3,181 |
| Total Noncurrent Liabilities | - | - | 82,920 | 79,191 |
| Total Liabilities | 64 | - | 91,170 | 86,198 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | - | - | - | - |
| NET POSITION | | | | |
| Net Investment in Capital Assets | - | - | (14,283) | (16,244) |
| Unrestricted | 22 | - | 380 | (2,252) |
| Total Net Position | 22 | - | (13,903) | (18,496) |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 86 | \$ - | \$ 77,267 | \$ 67,702 |

The City of Seattle

E-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 Page 1 of 2 IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2013
 (In Thousands)

| | Planning and Development | | Downtown Parking Garage | |
|---|--------------------------|-----------|-------------------------|------------------|
| | 2013 | 2012 | 2013 | Restated 2012 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Fees | \$ 49,217 | \$ 42,146 | \$ 7,019 | \$ 6,588 |
| OPERATING EXPENSES | | | | |
| Operations and Maintenance | 43,510 | 36,406 | 3,287 | 2,676 |
| General and Administrative | 10,648 | 10,944 | - | - |
| City Business and Occupation Taxes | - | - | 15 | 14 |
| Other Taxes | - | - | 33 | 31 |
| Depreciation and Amortization | 612 | 968 | 2,010 | 2,004 |
| Total Operating Expenses | 54,770 | 48,318 | 5,345 | 4,725 |
| Operating Income (Loss) | (5,553) | (6,172) | 1,674 | 1,863 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | (75) | 164 | - | - |
| Interest Expense | - | - | (3,074) | (3,182) |
| Amortization of Bonds Premiums | - | - | 238 | 203 |
| Gain (Loss) on Sale of Capital Assets | - | (10) | - | - |
| Contributions and Grants | 501 | 551 | - | - |
| Total Nonoperating Revenues (Expenses) | 426 | 705 | (2,836) | (2,979) |
| Income (Loss) Before Capital Contributions and Grants and Transfers | (5,127) | (5,467) | (1,162) | (1,116) |
| Transfers In | 10,860 | 10,095 | - | - |
| Change in Net Position | 5,733 | 4,628 | (1,162) | (1,116) |
| Net Position - Beginning of Year | 6,886 | 2,258 | (25,382) | (24,075) |
| Prior-Year Adjustment | - | - | - | (191) |
| Net Position - Beginning of Year as Restated | 6,886 | 2,258 | (25,382) | (24,266) |
| Net Position - End of Year | \$ 12,619 | \$ 6,886 | \$ (26,544) | \$ (25,382) |

Nonmajor Enterprise Funds

E-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 Page 2 of 2 IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2013
 (In Thousands)

| | Fiber Leasing | | Comparative Totals | |
|---|---------------|------|--------------------|---------------|
| | 2013 | 2012 | 2013 | Restated 2012 |
| OPERATING REVENUES | | | | |
| Charges for Services and Other Fees | \$ 75 | \$ - | \$ 56,311 | \$ 48,734 |
| OPERATING EXPENSES | | | | |
| Operations and Maintenance | 53 | - | 46,850 | 39,082 |
| General and Administrative | - | - | 10,648 | 10,944 |
| City Business and Occupation Taxes | - | - | 15 | 14 |
| Other Taxes | - | - | 33 | 31 |
| Depreciation and Amortization | - | - | 2,622 | 2,972 |
| Total Operating Expenses | 53 | - | 60,168 | 53,043 |
| Operating Income (Loss) | 22 | - | (3,857) | (4,309) |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment and Interest Income | - | - | (75) | 164 |
| Interest Expense | - | - | (3,074) | (3,182) |
| Amortization of Bonds Premiums | - | - | 238 | 203 |
| Gain (Loss) on Sale of Capital Assets | - | - | - | (10) |
| Contributions and Grants | - | - | 501 | 551 |
| Total Nonoperating Revenues (Expenses) | - | - | (2,410) | (2,274) |
| Income (Loss) Before Capital Contributions and Grants and Transfers | 22 | - | (6,267) | (6,583) |
| Transfers In | - | - | 10,860 | 10,095 |
| Change in Net Position | 22 | - | 4,593 | 3,512 |
| Net Position - Beginning of Year | - | - | (18,496) | (21,817) |
| Prior-Year Adjustment | - | - | - | (191) |
| Net Position - Beginning of Year as Restated | - | - | (18,496) | (22,008) |
| Net Position - End of Year | \$ 22 | \$ - | \$ (13,903) | \$ (18,496) |

The City of Seattle

E-3 COMBINING STATEMENT OF CASH FLOWS
 Page 1 of 4 NONMAJOR ENTERPRISE FUNDS
 For the Year Ended December 31, 2013
 (In Thousands)

| | Planning and Development | | Downtown Parking Garage | |
|--|--------------------------|-----------|-------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 52,690 | \$ 41,652 | \$ 8,529 | \$ 8,108 |
| Cash Paid to Suppliers | (23,158) | (21,901) | (2,898) | (2,149) |
| Cash Paid to Employees | (29,611) | (25,108) | - | - |
| Cash Paid for Taxes | - | - | (1,609) | (1,457) |
| Net Cash from Operating Activities | (79) | (5,357) | 4,022 | 4,502 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants | 435 | 509 | - | - |
| Transfers In | 10,860 | 10,095 | - | - |
| Proceeds from Interfund Loans | - | - | 5,051 | 3,181 |
| Principal Payments on Interfund Loans | - | - | (3,181) | (2,250) |
| Net Cash from Noncapital Financing Activities | 11,295 | 10,604 | 1,870 | 931 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal Paid on Long-Term Debt | - | - | (1,262) | (1,257) |
| Capital Expenditures | (2,656) | (7) | (425) | - |
| Interest Paid on Long-Term Debt | - | - | (4,259) | (4,094) |
| Net Cash from Capital and Related Financing Activities | (2,656) | (7) | (5,946) | (5,315) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and Investment Income (Loss) | (82) | 164 | - | - |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 8,478 | 5,404 | (54) | 82 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | 19,142 | 13,738 | 92 | 10 |
| End of Year | \$ 27,620 | \$ 19,142 | \$ 38 | \$ 92 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 27,573 | \$ 19,134 | \$ 38 | \$ 92 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 47 | 8 | - | - |
| Total Cash at the End of the Year | \$ 27,620 | \$ 19,142 | \$ 38 | \$ 92 |

Nonmajor Enterprise Funds

E-3
Page 2 of 4
**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Fiber Leasing | | Comparative Totals | |
|--|---------------|------|--------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash Received from Customers | \$ 6 | \$ - | \$ 61,225 | \$ 49,760 |
| Cash Paid to Suppliers | (31) | - | (26,087) | (24,050) |
| Cash Paid to Employees | (8) | - | (29,619) | (25,108) |
| Cash Paid for Taxes | - | - | (1,609) | (1,457) |
| Net Cash from Operating Activities | (33) | - | 3,910 | (855) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating Grants | - | - | 435 | 509 |
| Transfers In | - | - | 10,860 | 10,095 |
| Proceeds from Interfund Loans | 50 | - | 5,101 | 3,181 |
| Principal Payments on Interfund Loans | - | - | (3,181) | (2,250) |
| Net Cash from Noncapital Financing Activities | 50 | - | 13,215 | 11,535 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Principal Paid on Long-Term Debt | - | - | (1,262) | (1,257) |
| Capital Expenditures | - | - | (3,081) | (7) |
| Interest Paid on Long-Term Debt | - | - | (4,259) | (4,094) |
| Net Cash from Capital and Related Financing Activities | - | - | (8,602) | (5,358) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest and Investment Income (Loss) | - | - | (82) | 164 |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 17 | - | 8,441 | 5,486 |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | |
| Beginning of Year | - | - | 19,234 | 13,748 |
| End of Year | \$ 17 | \$ - | \$ 27,675 | \$ 19,234 |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | |
| Operating Cash and Equity in Pooled Investments | \$ 17 | \$ - | \$ 27,628 | \$ 19,226 |
| Noncurrent Restricted Cash and Equity in Pooled Investments | - | - | 47 | 8 |
| Total Cash at the End of the Year | \$ 17 | \$ - | \$ 27,675 | \$ 19,234 |

The City of Seattle

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Page 3 of 4
**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2013
(In Thousands)**

| | Planning and Development | | Downtown Parking Garage | |
|---|--------------------------|------------|-------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ (5,553) | \$ (6,172) | \$ 1,674 | \$ 1,863 |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | 612 | 969 | 2,010 | 2,004 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (152) | 200 | (34) | 80 |
| Unbilled Receivables | - | 33 | - | - |
| Due from Other Funds | (254) | (289) | (1) | - |
| Due from Other Governments | (84) | 74 | - | - |
| Accounts Payable | 490 | 34 | 383 | 498 |
| Salaries, Benefits, and Payroll Taxes Payable | 268 | 202 | - | - |
| Compensated Absences Payable | 259 | 36 | - | - |
| Due to Other Funds | 22 | 34 | (3) | 42 |
| Claims Payable | 11 | 2 | (7) | 15 |
| Taxes Payable | - | - | - | - |
| Unearned Revenues | 3,965 | (513) | - | - |
| Other Assets and Liabilities | 337 | 33 | - | - |
| Total Adjustments | 5,474 | 815 | 2,348 | 2,639 |
| Net Cash from Operating Activities | \$ (79) | \$ (5,357) | \$ 4,022 | \$ 4,502 |

Nonmajor Enterprise Funds

E-3
Page 4 of 4
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Fiber Leasing | | Comparative Totals | |
|---|----------------|-------------|--------------------|-----------------|
| | 2013 | 2012 | 2013 | 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) | | | | |
| TO NET CASH FROM OPERATING ACTIVITIES | | | | |
| Operating Income (Loss) | \$ 22 | \$ - | \$ (3,857) | \$ (4,309) |
| Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities | | | | |
| Depreciation and Amortization | - | - | 2,622 | 2,973 |
| Changes in Operating Assets and Liabilities | | | | |
| Accounts Receivable | (69) | - | (255) | 280 |
| Unbilled Receivables | - | - | - | 33 |
| Due from Other Funds | - | - | (255) | (289) |
| Due from Other Governments | - | - | (84) | 74 |
| Accounts Payable | - | - | 873 | 532 |
| Salaries, Benefits, and Payroll Taxes Payable | - | - | 268 | 202 |
| Compensated Absences Payable | - | - | 259 | 36 |
| Due to Other Funds | 14 | - | 33 | 76 |
| Claims Payable | - | - | 11 | 2 |
| Taxes Payable | - | - | (7) | 15 |
| Unearned Revenues | - | - | 3,965 | (513) |
| Other Assets and Liabilities | - | - | 337 | 33 |
| Total Adjustments | (55) | - | 7,767 | 3,454 |
| Net Cash from Operating Activities | <u>\$ (33)</u> | <u>\$ -</u> | <u>\$ 3,910</u> | <u>\$ (855)</u> |

Internal Service Funds

Internal Service Funds

INTERNAL SERVICE FUNDS

The **Finance and Administrative Services Fund** accounts for support services to other City departments in the areas of financial services, business technology, contracting and purchasing services, fleet management; building and related facility operations and maintenance; architecture, engineering, and space planning; and real estate management. Additional services provide for the City are regulatory services and operations; and the customer service bureau.

The **Information Technology Fund** accounts for support services provided by the Department of Information Technology to other City departments. The services include managing the City's information technology resources, including Citywide telecommunications, data communications, and the physical infrastructure that supports them; the City's telephone system, radio system, and fiber optic network; Citywide application infrastructure; and interactive media services.

The City of Seattle

F-1 COMBINING STATEMENT OF NET POSITION INTERNAL SERVICE FUNDS

Page 1 of 2

December 31, 2013

(In Thousands)

| | Finance and Administrative Services | Information Technology | Comparative Totals | |
|--|--|---------------------------|--------------------|-------------------|
| | | | 2013 | Restated 2012 |
| ASSETS | | | | |
| <i>Current Assets</i> | | | | |
| Cash and Equity in Pooled Investments | \$ 26,802 | \$ 227 | \$ 27,029 | \$ 24,779 |
| Restricted Cash and Equity in Pooled Investments | 17,166 | - | 17,166 | 19,193 |
| Receivables, Net of Allowances | - | - | - | - |
| Accounts | 179 | 37 | 216 | 99 |
| Interest and Dividends | 30 | 17 | 47 | 34 |
| Unbilled | 251 | - | 251 | 4 |
| Due from Other Funds | 5,096 | 901 | 5,997 | 6,986 |
| Due from Other Governments | 14 | 540 | 554 | 355 |
| Materials and Supplies Inventory | 2,194 | 301 | 2,495 | 2,179 |
| Prepayments and Other | 199 | 348 | 547 | 324 |
| Total Current Assets | 51,931 | 2,371 | 54,302 | 53,953 |
| <i>Noncurrent Assets</i> | | | | |
| Restricted Cash and Equity in Pooled Investments | 2,057 | 27,360 | 29,417 | 25,081 |
| Capital Assets | - | - | - | - |
| Land and Land Rights | 95,996 | - | 95,996 | 95,996 |
| Buildings and Improvements | 700,213 | 97 | 700,310 | 662,945 |
| Less Accumulated Depreciation | (195,204) | (8) | (195,212) | (179,433) |
| Machinery and Equipment | 155,113 | 53,562 | 208,675 | 203,592 |
| Less Accumulated Depreciation | (94,805) | (30,651) | (125,456) | (120,263) |
| Construction in Progress | 392 | 1,810 | 2,202 | 147 |
| Total Noncurrent Assets | 663,762 | 52,170 | 715,932 | 688,065 |
| Total Assets | 715,693 | 54,541 | 770,234 | 742,018 |
| DEFERRED OUTFLOWS OF RESOURCES | 161 | - | 161 | 28 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 715,854</u> | <u>\$ 54,541</u> | <u>\$ 770,395</u> | <u>\$ 742,046</u> |

Internal Service Funds

F-1 **COMBINING STATEMENT OF NET POSITION**
Page 2 of 2 **INTERNAL SERVICE FUNDS**
December 31, 2013
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|---|-------------------------------------|------------------|------------------------|-------------------|--------------------|---------------|
| | 2013 | Restated 2012 | 2013 | Restated 2012 | 2013 | Restated 2012 |
| LIABILITIES | | | | | | |
| <i>Current Liabilities</i> | | | | | | |
| Accounts Payable | \$ 6,195 | \$ 2,913 | \$ 9,108 | \$ 8,345 | | |
| Salaries, Benefits, and Payroll Taxes Payable | 1,986 | 835 | 2,821 | 2,202 | | |
| Due to Other Funds | 326 | 120 | 446 | 513 | | |
| Due to Other Governments | 6 | - | 6 | 37 | | |
| Interest Payable | 3,152 | 20 | 3,172 | 3,935 | | |
| Taxes Payable | 30 | 2 | 32 | 46 | | |
| Current Portion of Long-Term Debt | | | | | | |
| General Obligation Bonds Due Within One Year | 14,884 | 205 | 15,089 | 14,637 | | |
| Claims Payable | 579 | 19 | 598 | 578 | | |
| Compensated Absences Payable | 361 | 263 | 624 | 533 | | |
| Other Current Liabilities | 10 | 35 | 45 | 1,549 | | |
| Total Current Liabilities | 27,529 | 4,412 | 31,941 | 32,375 | | |
| <i>Noncurrent Liabilities</i> | | | | | | |
| Compensated Absences Payable | 4,075 | 1,478 | 5,553 | 5,352 | | |
| Claims Payable | 1,383 | 44 | 1,427 | 1,281 | | |
| Vendor and Other Deposits Payable | 213 | - | 213 | 165 | | |
| General Obligation Bonds, Due Serially | 237,813 | 2,330 | 240,143 | 245,788 | | |
| Less Bonds Due Within One Year | (14,884) | (205) | (15,089) | (14,637) | | |
| Bond Discount and Premium | 12,345 | 284 | 12,629 | 12,932 | | |
| Unfunded Other Post Employment Benefits | 1,933 | 804 | 2,737 | 2,160 | | |
| Other Noncurrent Liabilities | 2 | - | 2 | 185 | | |
| Total Noncurrent Liabilities | 242,880 | 4,735 | 247,615 | 253,226 | | |
| Total Liabilities | 270,409 | 9,147 | 279,556 | 285,601 | | |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| | - | - | - | - | | |
| NET POSITION | | | | | | |
| Net Investment in Capital Assets | 411,708 | 23,798 | 435,506 | 404,494 | | |
| Unrestricted | 33,737 | 21,596 | 55,333 | 51,951 | | |
| Total Net Position | 445,445 | 45,394 | 490,839 | 456,445 | | |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 715,854 | \$ 54,541 | \$ 770,395 | \$ 742,046 | | |

The City of Seattle

F-2 **COMBINING STATEMENT OF REVENUES, EXPENSES,**
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|--|-------------------------------------|------------------|------------------------|-------------------|--------------------|---------------|
| | 2013 | Restated 2012 | 2013 | Restated 2012 | 2013 | Restated 2012 |
| OPERATING REVENUES | | | | | | |
| Charges for Services | \$ 67,549 | \$ 49,721 | \$ 117,270 | \$ 111,659 | | |
| Rents, Parking, and Concessions | 87,025 | - | 87,025 | 86,528 | | |
| Total Operating Revenues | 154,574 | 49,721 | 204,295 | 198,187 | | |
| OPERATING EXPENSES | | | | | | |
| Operations and Maintenance | 100,047 | 36,639 | 136,686 | 131,902 | | |
| General and Administrative | 9,498 | 8,243 | 17,741 | 15,105 | | |
| City Business and Occupation Taxes | 4 | - | 4 | 4 | | |
| Other Taxes | 410 | 1 | 411 | 342 | | |
| Depreciation and Amortization | 27,868 | 6,009 | 33,877 | 34,667 | | |
| Total Operating Expenses | 137,827 | 50,892 | 188,719 | 182,020 | | |
| Operating Income (Loss) | 16,747 | (1,171) | 15,576 | 16,167 | | |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Investment and Interest Income | (95) | (59) | (154) | 612 | | |
| Interest Expense | (9,656) | (88) | (9,744) | (11,576) | | |
| Amortization of Bonds Premiums | (150) | 87 | (63) | 1,227 | | |
| Amortization of Refunding Loss | (80) | - | (80) | (217) | | |
| Bond Issuance Costs | (44) | (19) | (63) | (99) | | |
| Gain (Loss) on Sale of Capital Assets | 910 | (14) | 896 | (5) | | |
| Contributions and Grants | 13 | 782 | 795 | 1,678 | | |
| Others, Net | - | 8 | 8 | 27 | | |
| Total Nonoperating Revenues (Expenses) | (9,102) | 697 | (8,405) | (8,353) | | |
| Income (Loss) Before Contributions, Grants, and Transfers | 7,645 | (474) | 7,171 | 7,814 | | |
| Capital Contributions and Grants | 31,873 | - | 31,873 | 15,533 | | |
| Transfers In | - | - | - | 1,864 | | |
| Transfers Out | (4,650) | - | (4,650) | (4,000) | | |
| Change in Net Position | 34,868 | (474) | 34,394 | 21,211 | | |
| Net Position - Beginning of Year | 410,577 | 45,868 | 456,445 | 436,132 | | |
| Prior-Year Adjustment | - | - | - | (898) | | |
| Net Position - Beginning of Year as Restated | 410,577 | 45,868 | 456,445 | 435,234 | | |
| Net Position - End of Year | \$ 445,445 | \$ 45,394 | \$ 490,839 | \$ 456,445 | | |

Internal Service Funds

F-3 **COMBINING STATEMENT OF CASH FLOWS**
Page 1 of 2 **INTERNAL SERVICE FUNDS**
For the Year Ended December 31, 2013
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|--|-------------------------------------|-----------|------------------------|------------|--------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash Received from Customers | \$ 154,352 | \$ 50,449 | \$ 204,801 | \$ 197,887 | | |
| Cash Paid to Suppliers | (60,783) | (19,631) | (80,414) | (72,718) | | |
| Cash Paid to Employees | (49,258) | (24,642) | (73,900) | (73,760) | | |
| Cash Paid for Taxes | (420) | (9) | (429) | (380) | | |
| Net Cash from Operating Activities | 43,891 | 6,167 | 50,058 | 51,029 | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Loans Provided to Other Funds | - | (50) | (50) | - | | |
| Operating Grants and Contributions Received | 12 | 782 | 794 | 1,678 | | |
| Transfers In | - | - | - | 1,864 | | |
| Transfers Out | (4,650) | - | (4,650) | (4,000) | | |
| Net Cash from Noncapital Financing Activities | (4,638) | 732 | (3,906) | (458) | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Proceeds from Long-Term Debt | - | 2,643 | 2,643 | - | | |
| Principal Payments on Long-Term Debt | (12,497) | (2,140) | (14,637) | (16,002) | | |
| Capital Fees and Grants Received | - | - | - | 55 | | |
| Capital Expenditures and Other Charges Paid | (12,606) | (7,172) | (19,778) | (10,534) | | |
| Interest Paid on Long-Term Debt | (10,414) | (92) | (10,506) | (12,086) | | |
| Debt Issuance Costs | (44) | (19) | (63) | - | | |
| Proceeds from Sale of Capital Assets | 910 | 5 | 915 | (5) | | |
| Net Cash from Capital and Related Financing Activities | (34,651) | (6,775) | (41,426) | (38,572) | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Interest and Investment Income (Loss) | (105) | (62) | (167) | 620 | | |
| Net Increase (Decrease) in Cash and Equity in Pooled Investments | 4,497 | 62 | 4,559 | 12,619 | | |
| CASH AND EQUITY IN POOLED INVESTMENTS | | | | | | |
| Beginning of Year | 41,528 | 27,525 | 69,053 | 56,434 | | |
| End of Year | \$ 46,025 | \$ 27,587 | \$ 73,612 | \$ 69,053 | | |
| CASH AT THE END OF THE YEAR CONSISTS OF | | | | | | |
| Current Assets Cash and Equity in Pooled Investments | \$ 26,802 | \$ 227 | \$ 27,029 | \$ 24,779 | | |
| Current Restricted Cash and Equity in Pooled Investments | 17,166 | - | 17,166 | 19,193 | | |
| Noncurrent Restricted Cash and Equity in Pooled Investments | 2,057 | 27,360 | 29,417 | 25,081 | | |
| Total Cash at the End of the Year | \$ 46,025 | \$ 27,587 | \$ 73,612 | \$ 69,053 | | |

The City of Seattle

F-3 **COMBINING STATEMENT OF CASH FLOWS**
Page 2 of 2 **INTERNAL SERVICE FUNDS**
For the Year Ended December 31, 2013
(In Thousands)

| | Finance and Administrative Services | | Information Technology | | Comparative Totals | |
|---|-------------------------------------|------------|------------------------|-----------|--------------------|------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES | | | | | | |
| Operating Income (Loss) | \$ 16,747 | \$ (1,171) | \$ 15,576 | \$ 16,167 | | |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities | | | | | | |
| Depreciation and Amortization | 27,868 | 6,009 | 33,877 | 34,667 | | |
| Nonoperating Revenues and Expenses | - | 2 | 2 | - | | |
| Changes in Operating Assets and Liabilities | | | | | | |
| Accounts Receivable | (131) | 14 | (117) | 636 | | |
| Unbilled Receivables | (247) | - | (247) | 80 | | |
| Due from Other Funds | 43 | 995 | 1,038 | (1,212) | | |
| Due from Other Governments | 113 | (312) | (199) | 236 | | |
| Materials and Supplies Inventory | (332) | 16 | (316) | 192 | | |
| Accounts Payable | 361 | 402 | 763 | (681) | | |
| Salaries, Benefits, and Payroll Taxes Payable | 492 | 127 | 619 | 312 | | |
| Compensated Absences Payable | 287 | 4 | 291 | 74 | | |
| Due to Other Funds | (10) | (57) | (67) | 2 | | |
| Due to Other Governments | (31) | - | (31) | 29 | | |
| Claims Payable | 164 | 2 | 166 | 49 | | |
| Taxes Payable | (6) | (7) | (13) | (35) | | |
| Other Assets and Liabilities | (1,427) | 143 | (1,284) | 513 | | |
| Total Adjustments | 27,144 | 7,338 | 34,482 | 34,862 | | |
| Net Cash from Operating Activities | \$ 43,891 | \$ 6,167 | \$ 50,058 | \$ 51,029 | | |
| NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES | | | | | | |
| In-Kind Capital Contributions | \$ 31,873 | \$ - | \$ 31,873 | \$ 15,478 | | |
| Amortization of Debt Related Costs, Net | (230) | 87 | (143) | 1,010 | | |
| Settlement from Nextel | - | 5 | 5 | 27 | | |

Fiduciary Funds

Fiduciary Funds

FIDUCIARY FUNDS

PENSION TRUST FUNDS

The **Employees' Retirement Fund** receives employees' payroll deductions for retirement and the City's matching contributions. It pays pension benefits to retired City employees. It also accounts for the investments and related earnings in the City's employee retirement plan.

The **Firemen's Pension Fund** receives General Fund contributions and a portion of the state-levied fire insurance premium tax. These moneys pay for fire fighters' medical and pension benefits which are not covered by the State's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

The **Police Relief and Pension Fund** receives support almost entirely from the General Fund. The General Fund contributions pay for sworn police personnel's medical and pension benefits which are not covered by the state's Law Enforcement Officers' and Fire Fighters' Retirement System and/or industrial insurance.

AGENCY FUNDS

The **Guaranty Deposits Fund** holds temporary deposits of moneys from individuals or entities pending fulfillment of contractual agreements with the City.

The **Payroll Withholding Fund** receives City contributions and/or employee deductions for payroll taxes, such as Social Security (FICA), Medicare, and federal income tax; state retirement (LEOFF); savings bonds; and dependent child care. The contributions and deductions are paid to federal and state agencies and to other City funds.

The **Multifamily Rental Housing Improvement Fund** (MRHF) accounts for monies arising from a settlement agreement, and duly ordered by the Superior Court of the State of Washington to be administered by the City. Disbursements are made, upon approval of the MRHF Committee, to improve building maintenance for the multifamily rental housing stock in the City; and to provide educational services and resources on landlord and tenant rights and responsibilities.

The **Salary Fund** pays salaries to all active City employees. The funds that record the expenditures transfer moneys into this fund.

The **Voucher Fund** pays for all expenditures of the City except payroll, retirement benefits, and certain payments made by check or wire transfer. The funds that record the expenditures transfer moneys into this fund.

The **Pass-Through Grants Fund** was established in 2006 to account for grants which are the equivalent of pure cash conduits. The City has no administrative and no direct involvement with the grant programs.

Fiduciary Funds

G-1 **COMBINING STATEMENT OF FIDUCIARY NET POSITION**
PENSION TRUST FUNDS
December 31, 2013
(In Thousands)

| | Employees' Retirement | Firemen's Pension | Police Relief and Pension | Comparative Totals | |
|---|--------------------------|----------------------|------------------------------|--------------------|--------------|
| | | | | 2013 | 2012 |
| ASSETS | | | | | |
| Cash and Equity in Pooled Investments | \$ 42 | \$ 6,688 | \$ 4,544 | \$ 11,274 | \$ 21,577 |
| Short-Term Investments | 42,433 | - | - | 42,433 | 47,639 |
| Securities Lending Collateral | 13,595 | - | - | 13,595 | 10,155 |
| Investments at Fair Value | | | | | |
| U.S. Government Obligations | 170,501 | - | - | 170,501 | 97,032 |
| Mortgage-Backed Securities | 115,344 | - | - | 115,344 | 150,552 |
| Government Related and Other | 63,253 | - | - | 63,253 | 113,394 |
| Domestic Corporate Bonds | 168,108 | - | - | 168,108 | 20,593 |
| Domestic Stocks | 700,187 | 6,923 | - | 707,110 | 581,330 |
| International Stocks | 624,912 | - | - | 624,912 | 554,959 |
| Real Estate | 231,617 | - | - | 231,617 | 216,761 |
| Alternative/Venture Capital | 106,263 | - | - | 106,263 | 179,703 |
| Total Investments at Fair Value | 2,180,185 | 6,923 | - | 2,187,108 | 1,914,324 |
| Receivables | | | | | |
| Members | 2,737 | - | - | 2,737 | 2,453 |
| Employers | 2,992 | - | - | 2,992 | 2,230 |
| Due from Other Funds | - | - | - | - | 1,125 |
| Other | - | 345 | 403 | 748 | 712 |
| Interest and Dividends | 4,172 | 6 | - | 4,178 | 2,758 |
| Sales Proceeds | 5,727 | - | - | 5,727 | 3,087 |
| Total Receivables | 15,628 | 351 | 403 | 16,382 | 12,365 |
| Total Assets | 2,251,883 | 13,962 | 4,947 | 2,270,792 | 2,006,060 |
| LIABILITIES | | | | | |
| Accounts Payable and Other Liabilities | 1,878 | 1,231 | 1,745 | 4,854 | 4,502 |
| Securities Lending Collateral | 16,750 | - | - | 16,750 | 13,405 |
| Investment Commitments Payable | 16,347 | - | - | 16,347 | 19,150 |
| Total Liabilities | 34,975 | 1,231 | 1,745 | 37,951 | 37,057 |
| Net Position Held in Trust for Pension Benefits | \$ 2,216,908 | \$ 12,731 | \$ 3,202 | \$ 2,232,841 | \$ 1,969,003 |

The City of Seattle

G-2 **COMBINING STATEMENT OF CHANGES**
Page 1 of 2 **IN FIDUCIARY NET POSITION**
PENSION TRUST FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Defined Benefit | | |
|--|--------------------------|----------------------|------------------------------|
| | Employees' Retirement | Firemen's Pension | Police Relief and Pension |
| ADDITIONS | | | |
| Contributions | | | |
| Employer | \$ 77,073 | \$ 7,123 | \$ 7,016 |
| Plan Member | 60,343 | - | - |
| Total Contributions | 137,416 | 7,123 | 7,016 |
| Investment Income | | | |
| From Investment Activities | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 267,444 | (49) | - |
| Interest | 8,378 | 977 | - |
| Dividends | 22,328 | 36 | - |
| Total Investment Activities Income | 298,150 | 964 | - |
| Investment Activities Expenses | | | |
| Investment Management Fees | 7,606 | - | - |
| Investment Consultant Fees | 499 | - | - |
| Investment Custodial Fees | 284 | - | - |
| Total Investment Activities Expenses | 8,389 | - | - |
| Net Income from Investment Activities | 289,761 | 964 | - |
| From Securities Lending Activities | | | |
| Securities Lending Income | 12 | - | - |
| Borrower Rebates | 64 | - | - |
| Total Securities Lending Income | 76 | - | - |
| Securities Lending Expenses | | | |
| Management Fees | 19 | - | - |
| Total Securities Lending Expenses | 19 | - | - |
| Net Income from Securities Lending Activities | 57 | - | - |
| Total Net Investment Income | 289,818 | 964 | - |
| Other Income | - | - | 606 |
| Total Additions | 427,234 | 8,087 | 7,622 |
| DEDUCTIONS | | | |
| Benefits | 141,424 | 7,661 | 8,528 |
| Refund of Contributions | 15,278 | - | - |
| Administrative Expense | 5,059 | 638 | 517 |
| Total Deductions | 161,761 | 8,299 | 9,045 |
| Change in Net Position | 265,473 | (212) | (1,423) |
| Net Position - Beginning of Year | 1,951,435 | 12,943 | 4,625 |
| Net Position - End of Year | \$ 2,216,908 | \$ 12,731 | \$ 3,202 |

Fiduciary Funds

G-2 **COMBINING STATEMENT OF CHANGES**
Page 2 of 2 **IN FIDUCIARY NET POSITION**
PENSION TRUST FUNDS
For the Year Ended December 31, 2013
(In Thousands)

| | Postemployment Healthcare | | Comparative Totals | |
|--|---------------------------|---------------------------|--------------------|--------------|
| | Firemen's Pension | Police Relief and Pension | 2013 | 2012 |
| ADDITIONS | | | | |
| Contributions | | | | |
| Employer | \$ 9,899 | \$ 11,972 | \$ 113,083 | \$ 101,578 |
| Plan Member | - | - | 60,343 | 57,086 |
| Total Contributions | 9,899 | 11,972 | 173,426 | 158,664 |
| Investment Income | | | | |
| From Investment Activities | | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | - | - | 267,395 | 204,271 |
| Interest | - | - | 9,355 | 9,858 |
| Dividends | - | - | 22,364 | 23,654 |
| Total Investment Activities Income | - | - | 299,114 | 237,783 |
| Investment Activities Expenses | | | | |
| Investment Management Fees | - | - | 7,606 | 6,314 |
| Investment Consultant Fees | - | - | 499 | 499 |
| Investment Custodial Fees | - | - | 284 | 250 |
| Total Investment Activities Expenses | - | - | 8,389 | 7,063 |
| Net Income from Investment Activities | - | - | 290,725 | 230,720 |
| From Securities Lending Activities | | | | |
| Securities Lending Income | - | - | 12 | 16 |
| Borrower Rebates | - | - | 64 | 83 |
| Total Securities Lending Income | - | - | 76 | 99 |
| Securities Lending Expenses | | | | |
| Management Fees | - | - | 19 | 25 |
| Total Securities Lending Expenses | - | - | 19 | 25 |
| Net Income from Securities Lending Activities | - | - | 57 | 74 |
| Total Net Investment Income | - | - | 290,782 | 230,794 |
| Other Income | - | - | 606 | 2,044 |
| Total Additions | 9,899 | 11,972 | 464,814 | 391,502 |
| DEDUCTIONS | | | | |
| Benefits | 9,899 | 11,972 | 179,484 | 171,219 |
| Refund of Contributions | - | - | 15,278 | 14,914 |
| Administrative Expense | - | - | 6,214 | 4,513 |
| Total Deductions | 9,899 | 11,972 | 200,976 | 190,646 |
| Change in Net Position | - | - | 263,838 | 200,856 |
| Net Position - Beginning of Year | - | - | 1,969,003 | 1,768,147 |
| Net Position - End of Year | \$ - | \$ - | \$ 2,232,841 | \$ 1,969,003 |

The City of Seattle

G-3 **COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**
Page 1 of 2 **AGENCY FUNDS**
For the Year Ended December 31, 2013
(In Thousands)

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|-------------------|------------|------------|---------------------|
| GUARANTY DEPOSITS FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 7,686 | \$ 12,812 | \$ 12,600 | \$ 7,898 |
| Total Assets | \$ 7,686 | \$ 12,812 | \$ 12,600 | \$ 7,898 |
| <i>Liabilities</i> | | | | |
| Deposits Payable | \$ 7,686 | \$ 9,652 | \$ 9,440 | \$ 7,898 |
| Total Liabilities | \$ 7,686 | \$ 9,652 | \$ 9,440 | \$ 7,898 |
| PAYROLL WITHHOLDING FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 3,481 | \$ 271,859 | \$ 272,978 | \$ 2,362 |
| Total Assets | \$ 3,481 | \$ 271,859 | \$ 272,978 | \$ 2,362 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 166 | \$ 220 | \$ 229 | \$ 157 |
| Salaries, Benefits, and Payroll Taxes Payable | 3,305 | 271,717 | 272,828 | 2,194 |
| Claims/Judgments Payable | 10 | 1 | - | 11 |
| Total Liabilities | \$ 3,481 | \$ 271,938 | \$ 273,057 | \$ 2,362 |
| MULTIFAMILY RENTAL HOUSING IMPROVEMENT FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 169 | \$ - | \$ 138 | \$ 31 |
| Total Assets | \$ 169 | \$ - | \$ 138 | \$ 31 |
| <i>Liabilities</i> | | | | |
| Deposits Payable | \$ 169 | \$ - | \$ 138 | \$ 31 |
| Total Liabilities | \$ 169 | \$ - | \$ 138 | \$ 31 |
| SALARY FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ (11) | \$ 625,169 | \$ 625,101 | \$ 57 |
| Accounts Receivable | 123 | 42 | 125 | 40 |
| Total Assets | \$ 112 | \$ 625,211 | \$ 625,226 | \$ 97 |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ - | \$ 608,102 | \$ 608,102 | \$ - |
| Salaries, Benefits, and Payroll Taxes Payable | 112 | 26,117 | 26,132 | 97 |
| Total Liabilities | \$ 112 | \$ 634,219 | \$ 634,234 | \$ 97 |

Fiduciary Funds

G-3 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Page 2 of 2

AGENCY FUNDS

For the Year Ended December 31, 2013

(In Thousands)

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|----------------------|---------------------|---------------------|------------------------|
| VOUCHER FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ 1,000 | \$ 3,309,081 | \$ 3,309,572 | \$ 509 |
| Total Assets | <u>\$ 1,000</u> | <u>\$ 3,309,081</u> | <u>\$ 3,309,572</u> | <u>\$ 509</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 1,000 | \$ 3,328,923 | \$ 3,329,414 | \$ 509 |
| Total Liabilities | <u>\$ 1,000</u> | <u>\$ 3,328,923</u> | <u>\$ 3,329,414</u> | <u>\$ 509</u> |
| PASS-THROUGH GRANTS FUND | | | | |
| <i>Assets</i> | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTALS - ALL AGENCY FUNDS | | | | |
| <i>Assets</i> | | | | |
| Cash and Equity in Pooled Investments | \$ 12,325 | \$ 4,218,921 | \$ 4,220,389 | \$ 10,857 |
| Accounts Receivable | 123 | 42 | 125 | 40 |
| Total Assets | <u>\$ 12,448</u> | <u>\$ 4,218,963</u> | <u>\$ 4,220,514</u> | <u>\$ 10,897</u> |
| <i>Liabilities</i> | | | | |
| Accounts Payable | \$ 1,166 | \$ 3,937,245 | \$ 3,937,745 | \$ 666 |
| Salaries, Benefits, and Payroll Taxes Payable | 3,417 | 297,834 | 298,960 | 2,291 |
| Deposits Payable | 7,855 | 9,652 | 9,578 | 7,929 |
| Claims/Judgments Payable | 10 | 1 | - | 11 |
| Total Liabilities | <u>\$ 12,448</u> | <u>\$ 4,244,732</u> | <u>\$ 4,246,283</u> | <u>\$ 10,897</u> |

Capital Assets

Capital Assets

H-1 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
December 31, 2013
(In Thousands)

| | <u>2013</u> | <u>Restated 2012</u> |
|--|---------------------|--------------------------|
| CAPITAL ASSETS | | |
| Land | \$ 446,842 | \$ 441,727 |
| Buildings | 873,801 | 832,995 |
| Improvements Other than Buildings | 706,105 | 686,133 |
| Equipment | 129,816 | 116,279 |
| Infrastructure | 1,790,329 | 1,672,909 |
| Construction in Progress | 381,387 | 307,847 |
| Other Capital Assets | <u>17,457</u> | <u>15,911</u> |
| Total Capital Assets | <u>\$ 4,345,737</u> | <u>\$ 4,093,801</u> |
| INVESTMENT IN CAPITAL ASSETS FROM | | |
| General Fund | \$ 297,855 | \$ 278,712 |
| Special Revenue Funds | 3,000,955 | 2,796,459 |
| Capital Project Funds | 941,675 | 913,687 |
| Donations | <u>105,252</u> | <u>104,943</u> |
| Total Investment in Capital Assets | <u>\$ 4,345,737</u> | <u>\$ 4,093,801</u> |

The City of Seattle

H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Page 1 of 2 SCHEDULE BY FUNCTION
December 31, 2013
(In Thousands)

| | <u>Land</u> | <u>Buildings</u> | <u>Improvements</u> |
|----------------------------------|-------------------|-------------------|---------------------|
| General Government | \$ 22,604 | \$ 103,365 | \$ 151 |
| Security of Persons and Property | - | - | - |
| Transportation | 116,828 | 63,839 | 181 |
| Economic Environment | 910 | - | - |
| Judicial | - | - | - |
| Culture and Recreation | <u>306,500</u> | <u>706,597</u> | <u>705,773</u> |
| Total | <u>\$ 446,842</u> | <u>\$ 873,801</u> | <u>\$ 706,105</u> |

Capital Assets

H-2 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Page 2 of 2 SCHEDULE BY FUNCTION
December 31, 2013
(In Thousands)

| | <u>Equipment</u> | <u>Infrastructure</u> | <u>Other Capital Assets</u> | <u>Total</u> |
|------------------------------------|-------------------|-----------------------|-----------------------------|---------------------|
| General Government | \$ 27,071 | \$ - | \$ - | \$ 153,191 |
| Security of Persons and Property | 72,578 | - | - | 72,578 |
| Transportation | 11,324 | 1,790,329 | 1,580 | 1,984,081 |
| Economic Environment | 95 | - | - | 1,005 |
| Judicial | 82 | - | - | 82 |
| Culture and Recreation | 18,666 | - | 15,877 | 1,753,413 |
| Total | <u>\$ 129,816</u> | <u>\$ 1,790,329</u> | <u>\$ 17,457</u> | <u>3,964,350</u> |
| Construction in Progress | | | | <u>381,387</u> |
| Total Investment in Capital Assets | | | | <u>\$ 4,345,737</u> |

The City of Seattle

H-3 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
For the Year Ended December 31, 2013
(In Thousands)

| | <u>Restated Balance January 1</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31</u> |
|------------------------------------|-----------------------------------|-------------------|-------------------|----------------------------|
| General Government | \$ 154,794 | \$ 6 | \$ 1,609 | \$ 153,191 |
| Security of Persons and Property | 53,595 | 24,393 | 5,410 | 72,578 |
| Transportation | 1,840,608 | 143,498 | 25 | 1,984,081 |
| Economic Environment | 1,005 | - | - | 1,005 |
| Judicial | 82 | - | - | 82 |
| Culture and Recreation | 1,735,870 | 33,879 | 16,336 | 1,753,413 |
| Total | 3,785,954 | 201,776 | 23,380 | 3,964,350 |
| Construction in Progress | 307,847 | 297,515 | 223,975 | 381,387 |
| Total Investment in Capital Assets | <u>\$ 4,093,801</u> | <u>\$ 499,291</u> | <u>\$ 247,355</u> | <u>\$ 4,345,737</u> |

Statistics

Statistics

STATISTICAL INFORMATION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

Financial Trends

These tables contain information to help the reader understand how the City's financial performance and well-being have changed over time.

- S-1 Net Position by Component
- S-2 Changes in Net Position
- S-3 Fund Balances of Governmental Funds
- S-4 Changes in Fund Balances of Governmental Funds

Revenue Capacity

These tables contain information to help the reader assess the City's most significant local revenue sources.

- S-5 Tax Revenues by Source
- S-6 Assessed Value and Estimated Actual Value of Taxable Property
- S-7 Direct and Overlapping Property Tax Rates
- S-8 Principal Property Taxpayers
- S-9 Principal Revenue Sources
- S-10 Property Tax Levies and Collections

Debt Capacity

These tables contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- S-11 Ratios of Outstanding Debt by Type
- S-12 Ratios of Net General Bonded Debt Outstanding
- S-13 Direct and Overlapping Governmental Activities Debt
- S-14 Legal Debt Margin Information
- S-15 Pledged-Revenue Coverage

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- S-16 Demographic and Economic Statistics
- S-17 Principal Industries

Operating Information

These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

- S-18 Full-Time-Equivalent City Government Employees by Department/Office
- S-19 Operating Indicators by Department/Office
- S-20 Capital Asset Statistics by Department/Office
- Miscellaneous Statistics

The City of Seattle

Table S-1

NET POSITION BY COMPONENT ^a

Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|--------------|--------------|--------------|--------------|--------------|
| GOVERNMENTAL ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 2,880,124 | \$ 2,783,738 | \$ 2,627,462 | \$ 2,513,808 | \$ 2,350,564 |
| Restricted | 460,885 | 406,454 | 419,675 | 372,289 | 225,157 |
| Unrestricted | 36,212 | (35,593) | (101,021) | (98,786) | 146,711 |
| Total Governmental Activities Net Position | \$ 3,377,221 | \$ 3,154,599 | \$ 2,946,116 | \$ 2,787,311 | \$ 2,722,432 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 1,508,831 | \$ 1,391,130 | \$ 1,243,622 | \$ 1,228,030 | \$ 1,257,195 |
| Restricted | 57,404 | 56,210 | 81,904 | 79,372 | 71,801 |
| Unrestricted | 274,388 | 215,405 | 205,493 | 106,013 | 49,827 |
| Total Business-Type Activities Net Position | \$ 1,840,623 | \$ 1,662,745 | \$ 1,531,019 | \$ 1,413,415 | \$ 1,378,823 |
| PRIMARY GOVERNMENT | | | | | |
| Net Investment in Capital Assets | \$ 4,388,955 | \$ 4,174,868 | \$ 3,871,084 | \$ 3,741,838 | \$ 3,607,759 |
| Restricted | 518,289 | 462,664 | 501,579 | 451,661 | 296,958 |
| Unrestricted | 310,600 | 179,812 | 104,472 | 7,227 | 196,538 |
| Total Primary Government Net Position | \$ 5,217,844 | \$ 4,817,344 | \$ 4,477,135 | \$ 4,200,726 | \$ 4,101,255 |
| <hr/> | | | | | |
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 2,184,161 | \$ 2,011,575 | \$ 1,825,203 | \$ 1,679,338 | \$ 1,584,694 |
| Restricted | 271,204 | 194,618 | 183,340 | 142,509 | 101,326 |
| Unrestricted | 194,962 | 322,784 | 273,696 | 211,426 | 137,995 |
| Total Governmental Activities Net Position | \$ 2,650,327 | \$ 2,528,977 | \$ 2,282,239 | \$ 2,033,273 | \$ 1,824,015 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Net Investment in Capital Assets | \$ 1,128,319 | \$ 967,028 | \$ 813,091 | \$ 664,469 | \$ 641,015 |
| Restricted | 63,913 | 48,561 | 59,161 | 147,980 | 114,795 |
| Unrestricted | 166,634 | 195,226 | 234,582 | 125,159 | 90,616 |
| Total Business-Type Activities Net Position | \$ 1,358,866 | \$ 1,210,815 | \$ 1,106,834 | \$ 937,608 | \$ 846,426 |
| PRIMARY GOVERNMENT | | | | | |
| Net Investment in Capital Assets | \$ 3,312,480 | \$ 2,978,603 | \$ 2,638,294 | \$ 2,343,807 | \$ 2,225,709 |
| Restricted | 335,117 | 243,179 | 242,501 | 290,489 | 216,121 |
| Unrestricted | 361,596 | 518,010 | 508,278 | 336,585 | 228,611 |
| Total Primary Government Net Position | \$ 4,009,193 | \$ 3,739,792 | \$ 3,389,073 | \$ 2,970,881 | \$ 2,670,441 |

^a In 2011, the City recognized its interpretation of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, relating to financial statement Net Position classifications was incorrect. A restatement was made for 2010 to allow for comparability to 2011. Restatements were not made to the presentation for years 2004-2009.

Statistics

Table S-2
Page 1 of 4

CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|------------|------------|------------|------------|------------|
| EXPENSES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| General Government | \$ 161,041 | \$ 164,040 | \$ 179,498 | \$ 182,058 | \$ 106,732 |
| Judicial | 33,517 | 26,121 | 25,623 | 26,298 | 27,526 |
| Public Safety | 515,129 | 475,747 | 471,205 | 476,861 | 473,527 |
| Physical Environment | 10,740 | 6,357 | 10,697 | 8,346 | 32,543 |
| Transportation | 165,742 | 133,511 | 111,038 | 122,376 | 137,015 |
| Economic Environment | 125,191 | 125,917 | 101,242 | 119,595 | 98,940 |
| Health and Human Services | 71,256 | 65,266 | 71,399 | 72,680 | 75,788 |
| Culture and Recreation | 267,043 | 239,003 | 245,671 | 258,639 | 249,160 |
| Interest on Long-Term Debt | 26,417 | 39,998 | 40,425 | 38,929 | 36,825 |
| Total Governmental Activities Expenses | 1,376,076 | 1,275,960 | 1,256,798 | 1,305,782 | 1,238,056 |
| <i>Business-Type Activities</i> | | | | | |
| Light | 780,930 | 731,459 | 723,665 | 730,758 | 733,405 |
| Water | 215,600 | 203,610 | 198,929 | 209,554 | 200,921 |
| Drainage and Wastewater | 290,147 | 272,423 | 269,224 | 245,589 | 244,295 |
| Solid Waste | 156,653 | 150,115 | 149,157 | 141,852 | 145,526 |
| Planning and Development | 53,080 | 46,542 | 44,087 | 47,699 | 55,954 |
| Downtown Parking Garage | 8,159 | 7,701 | 7,740 | 7,648 | 7,824 |
| Fiber Leasing | 54 | - | - | - | - |
| Total Business-Type Activities Expenses | 1,504,623 | 1,411,850 | 1,392,802 | 1,383,100 | 1,387,925 |
| Total Primary Government Expenses | 2,880,699 | 2,687,810 | 2,649,600 | 2,688,882 | 2,625,981 |
| PROGRAM REVENUES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Charges for Services | | | | | |
| General Government | 85,923 | 79,048 | 73,960 | 60,333 | 58,127 |
| Judicial | 40,545 | 33,748 | 33,048 | 31,078 | 28,976 |
| Public Safety | 19,245 | 19,277 | 18,939 | 18,848 | 22,740 |
| Physical Environment | 47 | - | 2 | 1,985 | 1,745 |
| Transportation | 100,830 | 81,972 | 64,331 | 55,680 | 62,230 |
| Economic Environment | 12,250 | 7,303 | 7,299 | 4,419 | 11,922 |
| Health and Human Services | 8 | - | 1,276 | 9 | 9 |
| Culture and Recreation | 67,116 | 53,450 | 50,273 | 54,886 | 58,977 |
| Operating Grants and Contributions | 135,407 | 130,377 | 136,679 | 118,619 | 104,382 |
| Capital Grants and Contributions | 42,468 | 48,092 | 47,503 | 56,377 | 36,834 |
| Total Governmental Activities Program Revenues | 503,839 | 453,267 | 433,310 | 402,234 | 385,342 |
| <i>Business-Type Activities</i> | | | | | |
| Charges for Services | | | | | |
| Light | 839,767 | 797,445 | 769,316 | 729,650 | 717,775 |
| Water | 235,114 | 213,164 | 194,342 | 194,987 | 190,283 |
| Drainage and Wastewater | 329,386 | 297,443 | 274,553 | 245,959 | 244,773 |
| Solid Waste | 159,741 | 156,927 | 154,139 | 146,944 | 135,393 |
| Planning and Development | 48,016 | 40,869 | 35,087 | 28,627 | 33,379 |
| Downtown Parking Garage | 7,019 | 6,588 | 5,937 | 6,580 | 6,862 |
| Fiber Leasing | 75 | - | - | - | - |
| Operating Grants and Contributions | 7,055 | 6,749 | 5,518 | 5,953 | 4,789 |
| Capital Grants and Contributions | 63,760 | 48,438 | 51,522 | 41,846 | 59,983 |
| Total Business-Type Activities Program Revenues | 1,689,933 | 1,567,623 | 1,490,334 | 1,400,546 | 1,393,237 |
| Total Primary Government Program Revenues | 2,193,772 | 2,020,890 | 1,923,744 | 1,802,780 | 1,778,579 |
| NET (EXPENSE) REVENUE | | | | | |
| Governmental Activities | (872,237) | (822,693) | (823,488) | (903,548) | (852,714) |
| Business-Type Activities | 185,310 | 155,773 | 97,632 | 17,446 | 5,312 |
| Total Primary Government Net Expense | (686,927) | (666,920) | (725,856) | (886,102) | (847,402) |

The City of Seattle

Table S-2
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CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|------------|------------|------------|------------|------------|
| EXPENSES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| General Government | \$ 143,855 | \$ 103,323 | \$ 128,758 | \$ 102,362 | \$ 104,281 |
| Judicial | 26,762 | 20,430 | 20,344 | 18,429 | 19,169 |
| Public Safety | 455,701 | 396,669 | 354,083 | 325,416 | 322,244 |
| Physical Environment | 7,707 | 9,991 | 7,331 | 6,614 | 5,530 |
| Transportation | 127,872 | 124,493 | 87,610 | 87,542 | 88,606 |
| Economic Environment | 104,660 | 98,357 | 78,957 | 91,060 | 78,455 |
| Health and Human Services | 69,181 | 63,276 | 56,904 | 56,572 | 51,565 |
| Culture and Recreation | 257,578 | 224,455 | 215,081 | 199,169 | 196,280 |
| Interest on Long-Term Debt | 39,336 | 34,048 | 35,399 | 39,539 | 41,499 |
| Total Governmental Activities Expenses | 1,232,652 | 1,078,622 | 984,467 | 926,703 | 907,629 |
| <i>Business-Type Activities</i> | | | | | |
| Light | 791,837 | 764,786 | 699,164 | 683,476 | 772,827 |
| Water | 180,855 | 169,631 | 161,943 | 148,992 | 127,865 |
| Drainage and Wastewater | 231,318 | 225,833 | 199,378 | 178,447 | 168,689 |
| Solid Waste | 120,941 | 119,714 | 114,527 | 110,044 | 112,920 |
| Planning and Development | 56,882 | 56,139 | 50,203 | 43,487 | 45,320 |
| Downtown Parking Garage | 8,545 | 8,336 | 8,035 | 8,414 | 8,421 |
| Fiber Leasing | - | - | - | - | - |
| Total Business-Type Activities Expenses | 1,390,378 | 1,344,439 | 1,233,250 | 1,173,860 | 1,236,042 |
| Total Primary Government Expenses | 2,623,030 | 2,423,061 | 2,217,717 | 2,099,563 | 2,143,671 |
| PROGRAM REVENUES | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Charges for Services | | | | | |
| General Government | 102,697 | 69,636 | 51,071 | 47,054 | 43,857 |
| Judicial | 22,052 | 19,851 | 17,852 | 16,794 | 18,162 |
| Public Safety | 16,254 | 21,850 | 14,422 | 12,788 | 10,372 |
| Physical Environment | 1,632 | 1,660 | 1,587 | 1,220 | 1,064 |
| Transportation | 44,093 | 28,860 | 25,306 | 28,936 | 17,970 |
| Economic Environment | 17,440 | 25,100 | 7,519 | 12,765 | 11,072 |
| Health and Human Services | 12 | 17 | 62 | 4 | 5 |
| Culture and Recreation | 59,586 | 57,283 | 62,768 | 50,192 | 49,925 |
| Operating Grants and Contributions | 95,236 | 93,184 | 93,850 | 93,656 | 86,701 |
| Capital Grants and Contributions | 31,527 | 31,577 | 52,174 | 66,991 | 55,051 |
| Total Governmental Activities Program Revenues | 390,509 | 349,018 | 326,611 | 330,400 | 294,179 |
| <i>Business-Type Activities</i> | | | | | |
| Charges for Services | | | | | |
| Light | 872,099 | 829,679 | 817,310 | 733,865 | 763,793 |
| Water | 163,996 | 159,967 | 153,171 | 145,865 | 141,305 |
| Drainage and Wastewater | 216,957 | 201,139 | 186,118 | 175,782 | 162,126 |
| Solid Waste | 124,353 | 121,913 | 112,474 | 111,238 | 115,144 |
| Planning and Development | 42,929 | 49,471 | 44,655 | 37,695 | 32,449 |
| Downtown Parking Garage | 6,530 | 6,805 | 6,608 | 6,180 | 6,185 |
| Fiber Leasing | - | - | - | - | - |
| Operating Grants and Contributions | 4,099 | 6,208 | 2,412 | 2,973 | 2,618 |
| Capital Grants and Contributions | 81,425 | 53,063 | 49,437 | 30,750 | 21,014 |
| Total Business-Type Activities Program Revenues | 1,512,388 | 1,428,245 | 1,372,185 | 1,244,338 | 1,244,634 |
| Total Primary Government Program Revenues | 1,902,897 | 1,777,263 | 1,698,796 | 1,574,738 | 1,538,813 |
| NET (EXPENSE) REVENUE | | | | | |
| Governmental Activities | (842,143) | (729,604) | (657,856) | (596,303) | (613,450) |
| Business-Type Activities | 122,010 | 83,806 | 138,935 | 71,478 | 8,592 |
| Total Primary Government Net Expense | (720,133) | (645,798) | (518,921) | (524,825) | (604,858) |

Statistics

Table S-2
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CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------------|------------|------------|------------|------------|
| GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Taxes | | | | | |
| Property Taxes | \$ 423,927 | \$ 412,872 | \$ 397,288 | \$ 391,798 | \$ 388,341 |
| Sales Taxes | 181,171 | 169,681 | 158,582 | 146,970 | 150,515 |
| Business Taxes | 408,913 | 358,931 | 339,703 | 331,570 | 329,572 |
| Excise Taxes | 61,524 | 54,637 | 35,203 | 28,815 | 27,710 |
| Other Taxes | 11,240 | 44,352 | 39,014 | 31,119 | 28,582 |
| Penalties and Interest on Delinquent Taxes | 3,596 | 2,795 | 3,240 | 3,475 | 3,867 |
| Unrestricted Investment Earnings (Loss) | (1,663) | 6,458 | 5,536 | 4,685 | 8,898 |
| Gain (Loss) on Sale of Capital Assets | 17,012 | 1,502 | 14,224 | 40,095 | (2,422) |
| Transfers | (10,861) | (10,095) | (9,373) | (10,100) | (10,245) |
| Total Governmental Activities | 1,094,859 | 1,041,133 | 983,417 | 968,427 | 924,818 |
| <i>Business-Type Activities</i> | | | | | |
| Unrestricted Investment Earnings | 4,204 | 11,789 | 11,078 | 8,796 | 4,837 |
| Gain on Sale of Capital Assets | 1,672 | 619 | 924 | 198 | 4,495 |
| Special Item - Environmental Remediation | (24,169) | (37,066) | 538 | (1,948) | (4,289) |
| Transfers | 10,861 | 10,095 | 9,373 | 10,100 | 10,245 |
| Total Business-Type Activities | (7,432) | (14,563) | 21,913 | 17,146 | 15,288 |
| Total Primary Government | 1,087,427 | 1,026,570 | 1,005,330 | 985,573 | 940,106 |
| CHANGES IN NET POSITION | | | | | |
| Governmental Activities | 222,622 | 218,440 | 159,929 | 64,879 | 72,104 |
| Business-Type Activities | 177,878 | 141,210 | 119,545 | 34,592 | 20,600 |
| Total Primary Government | \$ 400,500 | \$ 359,650 | \$ 279,474 | \$ 99,471 | \$ 92,704 |

The City of Seattle

Table S-2
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CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(In Thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|------------|------------|------------|------------|------------|
| GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS | | | | | |
| <i>Governmental Activities</i> | | | | | |
| Taxes | | | | | |
| Property Taxes | \$ 368,515 | \$ 359,651 | \$ 318,490 | \$ 311,613 | \$ 296,789 |
| Sales Taxes | 171,917 | 171,846 | 155,311 | 146,060 | 130,961 |
| Business Taxes | 330,369 | 332,238 | 311,015 | 280,139 | 253,733 |
| Excise Taxes | 36,091 | 76,918 | 58,397 | 55,507 | 43,766 |
| Other Taxes | 25,395 | 12,765 | 4,929 | 4,636 | 4,196 |
| Penalties and Interest on Delinquent Taxes | 2,410 | 4,276 | 3,349 | 2,125 | 1,941 |
| Unrestricted Investment Earnings (Loss) | 24,140 | 33,155 | 22,021 | 10,288 | 5,366 |
| Gain (Loss) on Sale of Capital Assets | 15,461 | 891 | 35,353 | 2,921 | 2,296 |
| Transfers | (10,803) | (10,612) | (9,260) | (8,456) | (9,738) |
| Total Governmental Activities | 963,495 | 981,128 | 899,605 | 804,833 | 729,310 |
| <i>Business-Type Activities</i> | | | | | |
| Unrestricted Investment Earnings | 13,530 | 19,106 | 16,241 | 10,811 | 4,269 |
| Gain on Sale of Capital Assets | 1,708 | 276 | 1,823 | 438 | 2,100 |
| Special Item - Environmental Remediation | - | - | - | - | - |
| Transfers | 10,803 | 10,612 | 9,260 | 8,456 | 9,738 |
| Total Business-Type Activities | 26,041 | 29,994 | 27,324 | 19,705 | 16,107 |
| Total Primary Government | 989,536 | 1,011,122 | 926,929 | 824,538 | 745,417 |
| CHANGES IN NET POSITION | | | | | |
| Governmental Activities | 121,352 | 251,524 | 241,749 | 208,530 | 115,860 |
| Business-Type Activities | 148,051 | 113,800 | 166,259 | 91,183 | 24,699 |
| Total Primary Government | \$ 269,403 | \$ 365,324 | \$ 408,008 | \$ 299,713 | \$ 140,559 |

Statistics

Table S-3 FUND BALANCES OF GOVERNMENTAL FUNDS ^a
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------------|------------|------------|------------|------------|
| GENERAL FUND | | | | | |
| Nonspendable | \$ 375 | \$ 555 | \$ 572 | \$ 401 | \$ - |
| Restricted | 99,659 | 82,520 | 58,917 | 63,695 | - |
| Committed | 83,155 | 79,508 | 58,713 | 44,240 | - |
| Assigned | 5,325 | 6,417 | 6,808 | 17,958 | - |
| Unassigned | 120,446 | 105,992 | 79,765 | 53,147 | - |
| Reserved | - | - | - | - | 78,835 |
| Unreserved | - | - | - | - | 118,611 |
| Total General Fund | \$ 308,960 | \$ 274,992 | \$ 204,775 | \$ 179,441 | \$ 197,446 |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | |
| Nonspendable | \$ 3,959 | \$ 2,618 | \$ 2,714 | \$ 2,447 | \$ - |
| Restricted | 359,172 | 321,884 | 358,710 | 306,545 | - |
| Committed | 49,829 | 40,248 | 60,156 | 41,379 | - |
| Assigned | 7,661 | 12,583 | 8,816 | 7,910 | - |
| Unassigned | (22,328) | (13,991) | (12,064) | (11,911) | - |
| Reserved | - | - | - | - | 319,104 |
| Unreserved, Reported in Special Revenue Funds | - | - | - | - | 40,157 |
| Capital Projects Funds | - | - | - | - | - |
| Permanent Funds | - | - | - | - | 101 |
| Total All Other Governmental Funds | \$ 398,293 | \$ 363,342 | \$ 418,332 | \$ 346,370 | \$ 359,362 |
| GENERAL FUND | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Reserved | 140,325 | 129,350 | 91,018 | 95,855 | 91,507 |
| Unreserved | 131,085 | 197,678 | 150,280 | 107,817 | 40,669 |
| Total General Fund | \$ 271,410 | \$ 327,028 | \$ 241,298 | \$ 203,672 | \$ 132,176 |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| Reserved | 261,463 | 226,965 | 218,682 | 185,917 | 185,176 |
| Unreserved, Reported in Special Revenue Funds | 96,337 | 39,589 | 41,694 | 31,368 | 18,391 |
| Capital Projects Funds | - | (1,846) | (3,125) | - | (3,138) |
| Permanent Funds | 121 | 83 | - | - | 19 |
| Total All Other Governmental Funds | \$ 357,921 | \$ 264,791 | \$ 257,251 | \$ 217,285 | \$ 200,448 |

^a Beginning in fiscal year 2010, fund balance categories were changed to conform to the requirements of GASB Statement No. 54. Fund balance was not restated to the new categories for prior years.

The City of Seattle

Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Page 1 of 2
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|--------------|--------------|------------|-------------|-------------|
| REVENUES | | | | | |
| Taxes | \$ 1,083,499 | \$ 1,044,608 | \$ 973,181 | \$ 933,641 | \$ 927,287 |
| Licenses and Permits | 27,135 | 25,238 | 22,966 | 26,514 | 28,298 |
| Grants, Shared Revenues, and Contributions | 184,784 | 177,775 | 167,813 | 179,842 | 173,231 |
| Charges for Services | 200,847 | 182,595 | 167,644 | 171,509 | 157,081 |
| Fines and Forfeits | 41,107 | 34,340 | 34,066 | 32,300 | 29,645 |
| Parking Fees and Space Rent | 62,463 | 57,107 | 51,004 | 46,858 | 42,404 |
| Program Income, Interest, and Miscellaneous Revenues | 45,462 | 43,649 | 39,706 | 26,037 | 34,011 |
| Total Revenues | 1,645,297 | 1,565,312 | 1,456,380 | 1,416,701 | 1,391,957 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 191,829 | 180,187 | 193,697 | 203,607 | 202,974 |
| Judicial | 27,642 | 26,654 | 25,855 | 26,300 | 26,812 |
| Public Safety | 494,011 | 461,235 | 451,734 | 445,002 | 431,413 |
| Physical Environment | 11,935 | 7,748 | 11,190 | 9,058 | 16,528 |
| Transportation | 97,676 | 92,212 | 90,966 | 93,381 | 111,531 |
| Economic Environment | 128,644 | 128,711 | 106,234 | 123,430 | 103,462 |
| Health and Human Services | 73,151 | 67,103 | 67,100 | 73,956 | 76,471 |
| Culture and Recreation | 231,694 | 216,508 | 211,523 | 233,284 | 223,340 |
| Capital Outlay | | | | | |
| General Government | 22,220 | 10,684 | 13,862 | 16,799 | 24,651 |
| Judicial | - | - | - | - | - |
| Public Safety | 21,100 | 27,743 | 8,320 | 21,815 | 20,781 |
| Physical Environment | - | - | - | - | - |
| Transportation | 234,188 | 228,272 | 167,590 | 169,636 | 179,231 |
| Economic Environment | - | 69 | - | 5 | 28 |
| Culture and Recreation | 85,690 | 55,507 | 50,383 | 63,521 | 72,905 |
| Debt Service | | | | | |
| Principal | 56,194 | 53,523 | 47,909 | 45,826 | 43,064 |
| Advance Refunding to Escrow | - | - | - | - | 6 |
| Interest | 26,206 | 25,339 | 26,754 | 24,596 | 24,191 |
| Bond Issuance Cost | 822 | 258 | 369 | 1,303 | 727 |
| Other | - | 305 | - | - | - |
| Total Expenditures | 1,703,002 | 1,582,058 | 1,479,486 | 1,551,519 | 1,558,115 |
| Excess (Deficiency) of Revenues over Expenditures | (57,705) | (16,746) | (23,106) | (134,818) | (166,158) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | 101,115 | 108,085 | 79,433 | 85,325 | 87,810 |
| Refunding Debt Issued | 43,945 | - | - | 115,185 | 4,390 |
| Premium on Bonds Issued | 9,377 | 21,140 | 5,181 | 13,270 | 8,152 |
| Capital Leases Issued | - | - | - | - | 20 |
| Payment to Refunded Bond Escrow Agent | (44,503) | (91,574) | - | (125,170) | (4,735) |
| Sales of Capital Assets | 22,904 | 2,282 | 41,161 | 21,310 | 624 |
| Transfers In | 375,772 | 334,611 | 292,224 | 298,519 | 371,345 |
| Transfers Out | (381,986) | (342,571) | (297,597) | (304,618) | (373,971) |
| Total Other Financing Sources (Uses) | 126,624 | 31,973 | 120,402 | 103,821 | 93,635 |
| Net Change in Fund Balance | \$ 68,919 | \$ 15,227 | \$ 97,296 | \$ (30,997) | \$ (72,523) |
| Debt Service as a Percentage of Noncapital Expenditures | | | | | |
| | 5.93% | 6.26% | 5.91% | 5.28% | 5.28% |

Statistics

Table S-4 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Page 2 of 2
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|------------------|------------------|------------------|------------------|--------------------|
| REVENUES | | | | | |
| Taxes | \$ 934,544 | \$ 957,242 | \$ 851,366 | \$ 799,928 | \$ 731,373 |
| Licenses and Permits | 29,091 | 33,439 | 28,348 | 25,612 | 19,028 |
| Grants, Shared Revenues, and Contributions | 133,772 | 130,869 | 158,922 | 155,130 | 140,551 |
| Charges for Services | 142,797 | 149,049 | 125,245 | 127,436 | 112,690 |
| Fines and Forfeits | 25,572 | 22,701 | 21,230 | 19,759 | 20,795 |
| Parking Fees and Space Rent | 37,961 | 38,029 | 44,742 | 42,703 | 49,548 |
| Program Income, Interest, and Miscellaneous Revenues | 102,077 | 81,200 | 46,892 | 68,968 | 32,497 |
| Total Revenues | 1,405,814 | 1,412,529 | 1,276,745 | 1,239,536 | 1,106,482 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | 195,947 | 154,672 | 160,282 | 136,309 | 135,100 |
| Judicial | 26,584 | 24,142 | 20,569 | 19,229 | 19,057 |
| Public Safety | 421,105 | 377,367 | 352,395 | 333,548 | 310,112 |
| Physical Environment | 8,454 | 10,752 | 7,574 | 6,902 | 5,814 |
| Transportation | 107,532 | 95,474 | 82,612 | 94,806 | 69,448 |
| Economic Environment | 109,903 | 103,350 | 83,327 | 95,186 | 82,525 |
| Health and Human Services | 70,032 | 64,490 | 58,723 | 57,017 | 51,177 |
| Culture and Recreation | 215,458 | 199,214 | 191,618 | 181,318 | 182,128 |
| Capital Outlay | | | | | |
| General Government | 12,953 | 16,823 | 42,691 | 36,885 | 50,014 |
| Judicial | - | - | - | 6 | - |
| Public Safety | 12,643 | 38,345 | 3,928 | 4,829 | 5,804 |
| Physical Environment | 5 | 10 | - | - | - |
| Transportation | 100,636 | 105,079 | 80,913 | 61,555 | 43,788 |
| Economic Environment | 22 | 270 | 16 | - | - |
| Culture and Recreation | 72,322 | 88,641 | 85,438 | 77,023 | 97,426 |
| Debt Service | | | | | |
| Principal | 51,855 | 61,236 | 71,672 | 92,198 | 50,736 |
| Advance Refunding to Escrow | 35,152 | 6,270 | - | 9,596 | 4,558 |
| Interest | 35,738 | 34,923 | 37,599 | 36,462 | 40,254 |
| Bond Issuance Cost | 632 | 256 | 380 | 438 | 799 |
| Other | - | - | 177 | 40 | 160 |
| Total Expenditures | 1,476,973 | 1,381,314 | 1,279,914 | 1,243,347 | 1,148,900 |
| Excess (Deficiency) of Revenues over Expenditures | (71,159) | 31,215 | (3,169) | (3,811) | (42,418) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-Term Debt Issued | 84,960 | 36,365 | 49,635 | 60,840 | - |
| Refunding Debt Issued | 54,870 | 60,870 | 2,195 | 71,450 | 91,805 |
| Premium on Bonds Issued | 7,545 | 4,178 | 378 | 7,837 | 4,322 |
| Capital Leases Issued | - | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | (56,920) | (62,535) | (2,253) | (75,412) | (92,833) |
| Sales of Capital Assets | 408 | 4,348 | 35,756 | 27,218 | 2,980 |
| Transfers In | 350,078 | 306,914 | 282,578 | 290,069 | 231,518 |
| Transfers Out | (332,266) | (288,087) | (287,529) | (289,857) | (242,663) |
| Total Other Financing Sources (Uses) | 108,675 | 62,053 | 80,760 | 92,145 | (4,871) |
| Net Change in Fund Balance | \$ 37,516 | \$ 93,268 | \$ 77,591 | \$ 88,334 | \$ (47,289) |
| Debt Service as a Percentage of Noncapital Expenditures | 6.72% | 8.39% | 10.16% | 11.98% | 9.45% |

The City of Seattle

Table S-5 TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

| Year | General Property Tax | Retail Sales and Use Tax | Business Tax | Excise Tax | Other Taxes | Total Taxes |
|------|----------------------|--------------------------|--------------|------------|-------------|-------------|
| 2004 | \$ 296,775 | \$ 130,961 | \$ 253,733 | \$ 43,766 | \$ 6,137 | \$ 731,372 |
| 2005 | 311,461 | 146,060 | 280,163 | 55,507 | 6,737 | 799,928 |
| 2006 | 318,366 | 155,311 | 311,015 | 58,572 | 8,103 | 851,367 |
| 2007 | 359,651 | 171,846 | 332,238 | 76,918 | 16,589 | 957,242 |
| 2008 | 368,362 | 171,917 | 332,779 | 36,091 | 25,395 | 934,544 |
| 2009 | 387,041 | 150,515 | 329,572 | 27,710 | 32,449 | 927,287 |
| 2010 | 391,692 | 146,970 | 331,570 | 28,815 | 34,594 | 933,641 |
| 2011 | 397,439 | 158,582 | 339,703 | 35,203 | 42,254 | 973,181 |
| 2012 | 420,763 | 169,681 | 358,931 | 54,637 | 44,352 | 1,048,364 |
| 2013 | 423,928 | 181,171 | 408,913 | 61,525 | 11,240 | 1,086,777 |

Table S-6 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

| Fiscal Year | Assessed and Estimated Actual Value ^a (In Thousands) | | | Total Direct Tax Rate | Average Annual Growth | Assessed Value Per Capita |
|-------------|---|-------------------|---------------|-----------------------|-----------------------|---------------------------|
| | Real Property | Personal Property | Total | | | |
| 2004 | \$ 79,724,601 | \$ 4,213,495 | \$ 83,938,096 | \$ 3.597 | 4.75 % | \$ 146,591 |
| 2005 | 84,157,435 | 4,120,671 | 88,278,106 | 3.585 | 5.17 | 154,063 |
| 2006 | 91,625,334 | 4,081,299 | 95,706,633 | 3.378 | 8.41 | 165,382 |
| 2007 | 101,522,467 | 4,686,021 | 106,208,488 | 3.221 | 10.97 | 181,312 |
| 2008 | 116,641,027 | 4,980,103 | 121,621,130 | 2.774 | 14.51 | 205,164 |
| 2009 | 132,576,786 | 5,254,068 | 137,830,854 | 2.581 | 13.33 | 228,955 |
| 2010 | 118,370,062 | 5,314,253 | 123,684,315 | 2.925 | (10.26) | 202,099 |
| 2011 | 114,979,131 | 5,137,695 | 120,116,826 | 3.061 | (2.88) | 196,237 |
| 2012 | 111,723,359 | 5,073,531 | 116,796,890 | 3.276 | (2.76) | 189,451 |
| 2013 | 111,788,855 | 5,206,658 | 116,995,513 | 3.286 | 0.17 | 186,715 |

^a Real property has been assessed at 100 percent of estimated actual value.

Statistics

Table S-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES ^a
Last Ten Fiscal Years
(In Mills or Dollars per Thousand of Assessed Value)

| Year of Levy | City of Seattle | | | | Overlapping | | | | Total | Dollars Levied ^c (\$1,000) | Annual Growth |
|--------------|-----------------|-----------------------|--------------------|-------|-------------|---------------------|--------|-----------------|--------|---------------------------------------|---------------|
| | General Fund | Special Revenue Funds | Debt Service Funds | City | State | County ^b | School | Port of Seattle | | | |
| 2004 | 2.402 | 0.880 | 0.315 | 3.597 | 2.757 | 1.431 | 2.360 | 0.254 | 10.399 | \$ 872,872 | 5.7 % |
| 2005 | 2.351 | 0.933 | 0.301 | 3.585 | 2.690 | 1.382 | 2.302 | 0.253 | 10.212 | 901,496 | 3.3 |
| 2006 | 2.230 | 0.870 | 0.278 | 3.378 | 2.498 | 1.329 | 2.192 | 0.233 | 9.630 | 921,573 | 2.2 |
| 2007 | 1.878 | 1.091 | 0.252 | 3.221 | 2.325 | 1.496 | 2.006 | 0.232 | 9.280 | 985,615 | 6.9 |
| 2008 | 1.697 | 0.904 | 0.173 | 2.774 | 2.132 | 1.663 | 1.895 | 0.224 | 8.688 | 1,056,632 | 7.2 |
| 2009 | 1.551 | 0.896 | 0.134 | 2.581 | 1.963 | 1.513 | 1.718 | 0.197 | 7.972 | 1,098,723 | 4.0 |
| 2010 | 1.784 | 1.005 | 0.136 | 2.925 | 2.222 | 1.694 | 1.985 | 0.216 | 9.042 | 1,118,329 | 2.0 |
| 2011 | 1.875 | 1.038 | 0.148 | 3.061 | 2.280 | 1.751 | 2.342 | 0.224 | 9.658 | 1,160,092 | 3.7 |
| 2012 | 1.968 | 1.161 | 0.147 | 3.276 | 2.422 | 1.837 | 2.400 | 0.230 | 10.165 | 1,187,240 | 2.3 |
| 2013 | 1.902 | 1.246 | 0.138 | 3.286 | 2.567 | 1.976 | 2.447 | 0.233 | 10.509 | 1,229,506 | 3.6 |

^a Source: King County Assessor and City of Seattle Budget Office.

^b For the purposes of this table the City's share of the Countywide Emergency Medical Service (EMS) levy is included in the County's tax levy rate. EMS rate is 0.300 in 2013.

^c Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

Table S-8 PRINCIPAL PROPERTY TAXPAYERS ^d
Current Year and Nine Years Ago

| Taxpayer ^e | 2013 | | | 2004 | | |
|--|---|----------------------------------|------|---|----------------------------------|------|
| | Assessed Valuation ^f (In Millions) | Percentage of Assessed Valuation | Rank | Assessed Valuation ^f (In Millions) | Percentage of Assessed Valuation | Rank |
| Union Square Limited Partnership | \$ 570.5 | 0.44 % | 1 | \$ 373.6 | 0.42 % | 3 |
| 1201 Tab Owner LLC (formerly Wright Runstad) | 436.4 | 0.33 | 2 | 265.2 | 0.30 | 7 |
| FSP-RIC LLC (formerly Northwestern Mutual Life Ins.) | 418.0 | 0.32 | 3 | | | |
| The Boeing Company | 399.8 | 0.31 | 4 | 330.6 | 0.37 | 5 |
| City Centre Associates JV | 365.1 | 0.28 | 5 | 226.7 | 0.26 | 9 |
| Columbia Center Property | 312.8 | 0.24 | 6 | | | |
| Martin Selig | 274.8 | 0.21 | 7 | 325.3 | 0.37 | 6 |
| Puget Sound Energy-Gas/Electric | 247.1 | 0.19 | 8 | 172.9 | 0.20 | 10 |
| Seattle Sheraton | 236.6 | 0.18 | 9 | | | |
| Qwest Corporation | 236.3 | 0.18 | 10 | 607.5 | 0.69 | 1 |
| EOP Northwest Properties | | | | 387.0 | 0.44 | 2 |
| Bank of America | | | | 366.7 | 0.42 | 4 |
| Starwood Hotel & Resorts (Westin Hotel) | | | | 236.6 | 0.27 | 8 |

^d Source: King County Assessor.

^e The above listing includes taxpayers paying real and personal property taxes as property owners. It does not include taxpayers paying leasehold excise taxes based on rental payments for property they lease from other entities.

^f Assessed valuations for taxes collected in the succeeding year.

The City of Seattle

Table S-9 PRINCIPAL REVENUE SOURCES
Page 1 of 2
Current Year and Nine Years Ago
(In Thousands)

| Customer Name | CITY LIGHT ^a | | | | | |
|------------------------------------|-------------------------|--------------------|------|------------------|--------------------|------|
| | 2013 | | | 2004 | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| University of Washington | \$ 20,370 | 2.95 % | 1 | \$ 15,217 | 2.63 % | 2 |
| Nucor Corporation | 20,097 | 2.91 | 2 | 16,281 | 2.81 | 1 |
| City of Seattle | 19,479 | 2.82 | 3 | 6,014 | 1.04 | 6 |
| Boeing Company | 14,336 | 2.08 | 4 | 13,774 | 2.38 | 3 |
| King County ^b | 10,024 | 1.45 | 5 | | | |
| International Gateway/Sabey | 9,666 | 1.40 | 6 | | | |
| US Government | 6,654 | 0.96 | 7 | 6,670 | 1.15 | 5 |
| 2001 Sixth LLC | 6,154 | 0.89 | 8 | | | |
| Saint Gobain | 5,611 | 0.81 | 9 | 7,577 | 1.31 | 4 |
| Swedish Hospital | 4,238 | 0.61 | 10 | 4,832 | 0.83 | 7 |
| Unico Properties/Union Square Ltd. | | | | 4,196 | 0.72 | 8 |
| Equity Office Properties | | | | 4,141 | 0.72 | 9 |
| Martin Selig Properties | | | | 3,388 | 0.59 | 10 |
| Total Top Ten | \$ 116,629 | 16.88 % | | \$ 82,090 | 14.18 % | |

^a Source: Seattle City Light billing records.

^b Revenue for King County included Metro Transit due to the merger of King County and Metro Transit in 2004.

| Customer Name | WATER ^c | | | | | |
|-------------------------------------|--------------------|--------------------|------|-------------------|--------------------|------|
| | 2013 | | | 2006 ^d | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| Cascade Water Alliance | \$ 24,101 | 10.23 % | 1 | \$ 14,148 | 15.41 % | 1 |
| Northshore Utility District | 4,967 | 2.11 | 2 | 4,351 | 4.74 | 2 |
| Highline Water District | 3,640 | 1.55 | 3 | 3,385 | 3.69 | 3 |
| Woodinville Water District | 3,596 | 1.53 | 4 | 2,141 | 2.33 | 6 |
| Soos Creek Water and Sewer District | 3,375 | 1.43 | 5 | 3,357 | 3.66 | 4 |
| University of Washington | 3,314 | 1.41 | 6 | 2,076 | 2.26 | 7 |
| City of Seattle | 3,193 | 1.36 | 7 | 2,297 | 2.50 | 5 |
| Port of Seattle | 2,572 | 1.09 | 8 | 1,583 | 1.72 | 10 |
| City of Mercer Island | 2,395 | 1.02 | 9 | | | |
| King County Water District #20 | 2,354 | 1.00 | 10 | 1,866 | 2.03 | 8 |
| Cedar River Water & Sewer District | | | | 1,784 | 1.94 | 9 |
| Total Top Ten | \$ 53,507 | 22.73 % | | \$ 36,988 | 40.28 % | |

^c Source: Seattle Public Utilities (SPU) billing records.

^d Using 2006 data, the latest and closest available in 2006 CAFR.

Statistics

Table S-9 PRINCIPAL REVENUE SOURCES
Page 2 of 2 Current Year and Nine Years Ago
(In Thousands)

| Customer Name | DRAINAGE AND WASTEWATER ^a | | | 2006 ^b | | |
|----------------------------------|--------------------------------------|--------------------|------|-------------------|--------------------|------|
| | 2013 | | | 2006 ^b | | |
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| University of Washington | \$ 7,713 | 2.35 % | 1 | \$ 5,020 | 3.88 % | 1 |
| City of Seattle | 7,213 | 2.19 | 2 | 3,469 | 2.68 | 2 |
| Port of Seattle | 4,788 | 1.46 | 3 | 1,883 | 1.46 | 3 |
| Seattle Housing Authority | 3,937 | 1.20 | 4 | 1,845 | 1.43 | 4 |
| King County | 2,909 | 0.89 | 5 | 1,522 | 1.18 | 5 |
| Seattle Public Schools | 2,399 | 0.73 | 6 | 1,312 | 1.01 | 6 |
| BNSF Railway Co. | 1,226 | 0.37 | 7 | 507 | 0.39 | 10 |
| Dairgold | 1,081 | 0.33 | 8 | | | |
| Swedish Medical Center | 954 | 0.29 | 9 | 651 | 0.50 | 8 |
| Virginia Mason | 901 | 0.27 | 10 | | | |
| Boeing Commercial Airplane Group | | | | 712 | 0.55 | 7 |
| Harborview Medical Center | | | | 556 | 0.43 | 9 |
| Total Top Ten | \$ 33,121 | 10.08 % | | \$ 17,477 | 13.51 % | |

^a Source: Seattle Public Utilities (SPU) billing records.

^b Using 2006 data, the latest and closest available in 2006 CAFR.

SOLID WASTE ^c

| Customer Name | 2013 | | | 2006 ^d | | |
|------------------------------------|-----------------|--------------------|--------|-------------------|--------------------|--------|
| | Amount | Percent of Revenue | Rank | Amount | Percent of Revenue | Rank |
| | City of Seattle | \$ 910 | 0.57 % | 1 | \$ 474 | 0.42 % |
| Fred Meyer/QFC | 831 | 0.52 | 2 | | | |
| Starbucks | 649 | 0.41 | 3 | | | |
| Goodwill Industries | 648 | 0.41 | 4 | 287 | 0.26 | 3 |
| Seattle Housing Authority | 531 | 0.33 | 5 | 323 | 0.29 | 2 |
| Swedish Medical Center | 453 | 0.28 | 6 | 222 | 0.20 | 5 |
| Pike Place Market | 417 | 0.26 | 7 | 211 | 0.19 | 6 |
| Vigor Marine | 395 | 0.25 | 8 | | | |
| University of Washington | 389 | 0.24 | 9 | | | |
| Safeway | 334 | 0.21 | 10 | | | |
| VW Vender Haul | | | | 243 | 0.22 | 4 |
| Harbor View Environmental Services | | | | 198 | 0.18 | 7 |
| Virginia Mason Hospital | | | | 182 | 0.16 | 8 |
| Associated Grocers | | | | 152 | 0.14 | 9 |
| Pacific Place | | | | 150 | 0.13 | 10 |
| Total Top Ten | \$ 5,557 | 3.48 % | | \$ 2,442 | 2.19 % | |

^c Source: Seattle Public Utilities (SPU) billing records.

^d Using 2006 data, the latest and closest available in 2006 CAFR.

The City of Seattle

Table S-10 PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

| Fiscal Year | Original Levy | Adjusted Levy ^a | Collected within the Fiscal Year of the Levy | | | | Total Collections to Date | | |
|-------------|---------------|----------------------------|--|-----------------------------|--------------------------------|------------------|---------------------------|-------------|------------------------|
| | | | Amount | Percentage of Adjusted Levy | Subsequent Adjustments to Date | Net Levy to Date | Subsequent Collections | Amount | Percentage of Net Levy |
| | | | | | | | | | |
| 2005 | 314,357,618 | 313,008,315 | 307,392,432 | 98.21 | (164,595) | 312,843,720 | 1,407,361 | 308,799,793 | 98.71 |
| 2006 | 321,085,515 | 320,407,560 | 314,611,894 | 98.19 | (278,157) | 320,129,403 | 5,541,771 | 320,153,665 | 100.01 |
| 2007 | 361,810,037 | 360,253,854 | 354,036,495 | 98.27 | (185,735) | 360,068,119 | 5,939,228 | 359,975,723 | 99.97 |
| 2008 | 371,971,172 | 370,579,618 | 363,923,901 | 98.20 | (45,352) | 370,534,266 | 6,501,973 | 370,425,874 | 99.97 |
| 2009 | 391,665,366 | 389,564,212 | 382,220,305 | 98.11 | (89,111) | 389,475,101 | 7,207,572 | 389,427,877 | 99.99 |
| 2010 | 396,716,770 | 394,203,623 | 387,023,382 | 98.18 | 97,995 | 394,301,618 | 7,140,512 | 394,163,894 | 99.97 |
| 2011 | 401,332,061 | 399,082,252 | 392,544,843 | 98.36 | (112,527) | 398,969,725 | 5,658,032 | 398,202,875 | 99.81 |
| 2012 | 417,706,022 | 415,720,650 | 408,919,797 | 98.36 | (84,496) | 415,636,154 | 5,000,446 | 413,920,243 | 99.59 |
| 2013 | 419,470,830 | 418,268,215 | 411,963,480 | 98.49 | - | 418,268,215 | - | 411,963,480 | 98.49 |

^a Net of initial adjustments in year of levy.

Statistics

Table S-11 RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands, except Per Capita)

| Fiscal Year | Governmental Activities | | | | | | Business-Type Activities | | |
|-------------|--------------------------|--|------------------------------|--------------------------|---------------------|----------------|--------------------------|--|--|
| | General Obligation Bonds | Premiums, Discounts, and Other Adjustments | Net General Obligation Bonds | Special Assessment Bonds | Notes and Contracts | Capital Leases | Revenue Bonds | Premiums, Discounts, and Other Adjustments | Net General Obligation Bonds and Revenue Bonds |
| 2004 | \$ 835,020 | \$ 9,433 | \$ 844,453 | \$ - | \$ 21,233 | \$ - | \$ 58,491 | \$ 2,790,201 | |
| 2005 | 794,075 | 15,249 | 809,324 | - | 21,890 | 61,080 | 1,080 | 2,698,009 | |
| 2006 | 746,365 | 13,992 | 760,357 | 21,925 | 24,494 | 70,489 | 2,763,347 | | |
| 2007 | 720,025 | 16,540 | 736,565 | 20,545 | 21,923 | 72,489 | 2,739,591 | | |
| 2008 | 721,160 | 22,222 | 743,382 | 19,205 | 19,738 | 74,336 | 3,182,755 | | |
| 2009 | 771,065 | 27,622 | 798,687 | 17,705 | 18,854 | 80,470 | 3,013,017 | | |
| 2010 | 801,695 | 37,260 | 838,955 | 15,735 | 16,582 | 87,005 | 3,303,095 | | |
| 2011 | 822,110 | 38,185 | 860,295 | 14,305 | 14,662 | 78,491 | 3,453,339 | | |
| 2012 | 772,950 | 56,070 | 829,020 | 13,005 | 18,748 | 126,463 | 3,639,285 | | |
| 2013 | 809,060 | 53,919 | 862,979 | 13,005 | 16,631 | 115,875 | 3,664,824 | | |

| Fiscal Year | Solid Waste Revenue | | | Notes and Contracts | |
|-------------|---------------------|--------------------|----------|---------------------|---------------------|
| | Fiscal Year | Anticipation Notes | Notes | Notes and Contracts | Notes and Contracts |
| 2004 | | \$ 7,976 | \$ 1,832 | | |
| 2005 | | 11,976 | 14,781 | | |
| 2006 | | 23,576 | 10,942 | | |
| 2007 | | - | 7,048 | | |
| 2008 | | - | 20,240 | | |
| 2009 | | - | 23,861 | | |
| 2010 | | - | 34,107 | | |
| 2011 | | - | 36,222 | | |
| 2012 | | - | 34,753 | | |
| 2013 | | - | 35,606 | | |

| Fiscal Year | Primary Government | | | |
|-------------|--------------------|--|-----------------|------------------------------------|
| | Total | Percentage of Personal Income ^a | Debt Per Capita | Total Personal Income ^a |
| 2004 | \$ 3,665,757 | 14.15 % | \$ 6,243 | \$ 25,905,569 |
| 2005 | 3,556,009 | 13.75 | 6,009 | 25,857,198 |
| 2006 | 3,604,656 | 12.84 | 6,022 | 28,079,681 |
| 2007 | 3,525,675 | 11.33 | 5,813 | 31,104,558 |
| 2008 | 3,985,320 | 13.84 | 6,493 | 28,803,559 |
| 2009 | 3,872,142 | 13.26 | 6,200 | 29,201,816 |
| 2010 | 4,208,488 | 14.50 | 6,537 | 29,019,204 |
| 2011 | 4,378,833 | 14.60 | 6,802 | 29,987,391 |
| 2012 | 4,534,817 | 12.04 | 6,879 | 37,652,394 |
| 2013 | 4,593,047 | N/A | 6,901 | N/A |

^a Personal income data is not available for 2013.

The City of Seattle

Table S-12 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | Per Capita |
|-------------|--|---|--|---|------------|
| | General Bonded Debt Outstanding (In Thousands) | Externally Restricted Fund Balance (In Thousands) | Net General Bonded Debt Outstanding (In Thousands) | Percentage of Actual Taxable Value of Property ^a | |
| 2004 | \$ 835,020 | \$ 14,252 | \$ 820,768 | 0.99 % | \$ 1,458 |
| 2005 | 794,075 | 12,428 | 781,647 | 12.90 | 1,386 |
| 2006 | 746,365 | 15,724 | 730,641 | 0.78 | 1,290 |
| 2007 | 720,025 | 15,216 | 704,809 | 0.68 | 1,228 |
| 2008 | 721,160 | 14,288 | 706,872 | 0.59 | 1,216 |
| 2009 | 771,065 | 11,220 | 759,845 | 0.56 | 1,281 |
| 2010 | 801,695 | 9,804 | 791,891 | 0.65 | 1,310 |
| 2011 | 822,110 | 9,653 | 812,457 | 0.70 | 1,343 |
| 2012 | 772,950 | 9,719 | 763,231 | 0.66 | 1,254 |
| 2013 | 809,060 | 9,775 | 799,285 | 0.63 | 1,291 |

| Fiscal Year | Business-Type Activities | | | | Per Capita |
|-------------|--|---|--|---|------------|
| | General Bonded Debt Outstanding (In Thousands) | Externally Restricted Fund Balance (In Thousands) | Net General Bonded Debt Outstanding (In Thousands) | Percentage of Actual Taxable Value of Property ^a | |
| 2004 | \$ 72,174 | \$ - | \$ 72,174 | 0.09 % | \$ 126 |
| 2005 | 71,124 | - | 71,124 | 0.08 | 124 |
| 2006 | 70,023 | - | 70,023 | 0.07 | 121 |
| 2007 | 65,702 | - | 65,702 | 0.06 | 112 |
| 2008 | 64,524 | - | 64,524 | 0.05 | 109 |
| 2009 | 63,319 | - | 63,319 | 0.05 | 105 |
| 2010 | 62,093 | - | 62,093 | 0.05 | 101 |
| 2011 | 60,846 | - | 60,846 | 0.05 | 99 |
| 2012 | 59,589 | - | 59,589 | 0.05 | 97 |
| 2013 | 58,327 | - | 58,327 | 0.05 | 93 |

| Fiscal Year | Business-Type Activities | | Percentage of Debt Service to Net Operating Income ^c |
|-------------|------------------------------|-----------------------------------|---|
| | Annual Debt Service Payments | Net Operating Income ^c | |
| 2004 | \$ 4,859 | \$ 4,174 | 116.41 % |
| 2005 | 4,885 | 4,154 | 117.60 |
| 2006 | 4,907 | 4,462 | 109.97 |
| 2007 | 5,151 | 4,599 | 112.00 |
| 2008 | 4,654 | 4,119 | 112.99 |
| 2009 | 4,625 | 4,351 | 106.30 |
| 2010 | 4,578 | 4,097 | 111.74 |
| 2011 | 4,520 | 3,282 | 137.72 |
| 2012 | 4,438 | 3,866 | 114.80 |
| 2013 | 4,337 | 3,863 | 112.27 |

| Fiscal Year | Primary Government | | |
|-------------|--|---|--|
| | General Bonded Debt Outstanding (In Thousands) | Externally Restricted Fund Balance (In Thousands) | Net General Bonded Debt Outstanding (In Thousands) |
| 2004 | \$ 907,194 | \$ 14,252 | \$ 892,942 |
| 2005 | 865,199 | 12,428 | 852,771 |
| 2006 | 816,388 | 15,724 | 800,664 |
| 2007 | 785,727 | 15,216 | 770,511 |
| 2008 | 785,684 | 14,288 | 771,396 |
| 2009 | 834,384 | 11,220 | 823,164 |
| 2010 | 863,788 | 9,804 | 853,984 |
| 2011 | 882,956 | 9,653 | 873,303 |
| 2012 | 832,539 | 9,719 | 822,820 |
| 2013 | 867,387 | 9,775 | 857,612 |

^a Starting in 2011, estimated actual value of taxable property in the succeeding year is used for calculation.

^b General obligation bond debt service for the Downtown Parking Garage is being paid for by user fee revenues derived from the garage. The ultimate recourse for the payment of these bonds remains with the City's General Fund.

^c Excludes amortization.

Statistics

Table S-13

DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
December 31, 2013

| Governmental Unit | Net Debt Outstanding (In Thousands) | Percentage Applicable to Seattle ^a | Amount Applicable to Seattle (In Thousands) |
|--|--|---|--|
| Debt Repaid with Property Taxes | | | |
| King County ^b | \$ 813,680 | 37.81 % | \$ 307,652 |
| Port of Seattle | 283,815 | 37.81 | 107,310 |
| Seattle School District No. 001 | 47,519 | 99.36 | 47,215 |
| Highline School District No. 01 | 263,630 | 0.01 | 26 |
| Subtotal Overlapping Debt | 1,408,644 | | 462,203 |
| City of Seattle Direct Debt | 892,617 | 100.00 | 892,617 |
| Total Direct and Overlapping Debt | \$ 2,301,261 | | \$ 1,354,820 |

^a Percentage rates were provided by King County except for City of Seattle.

^b Excludes proprietary fund debt, public facilities debt financed from special taxes and hotel and motel tax-financed debt.

The City of Seattle

Table S-14

LEGAL DEBT MARGIN INFORMATION

| | General Capacity ^a | | Special Purpose Capacity ^a | | Total Capacity |
|--|---|---|---|--|-------------------------|
| | Councilmanic (1.5% of Assessed Value) | Voter-Approved (2.5% of Assessed Value) | Open Spaces and Parks (2.5% of Assessed Value) | Utility Purposes (2.5% of Assessed Value) | |
| Latest Certified Assessed Value - \$128,814,234,965^b | | | | | |
| 2.50% of Assessed Value | \$ - | \$ 3,220,355,874 | \$ 3,220,355,874 | \$ 3,220,355,874 | \$ 9,661,067,622 |
| 1.50% of Assessed Value | 1,932,216,524 | (1,932,216,524) | - | - | - |
| | 1,932,216,524 | 1,288,139,350 | 3,220,355,874 | 3,220,355,874 | 9,661,067,622 |
| Statutory Debt Limit Less Debt Outstanding^c | | | | | |
| Bonds | (739,762,662) ^d | (128,410,000) | - | - | (868,172,662) |
| Guarantee on PDA Bonds ^e | (70,255,000) | - | - | - | (70,255,000) |
| Contingent Loans ^f | (5,805,000) | - | - | - | (5,805,000) |
| Public Works Trust Fund Loans ^g | (16,630,724) | - | - | - | (16,630,724) |
| Compensated Absences ^h | (74,334,707) | - | - | - | (74,334,707) |
| Total Debt Outstanding | (906,788,093) | (128,410,000) | - | - | (1,035,198,093) |
| Add: | | | | | |
| Available Net Position In Redemption Funds ⁱ | 9,774,732 | 5,000,285 | - | - | 14,775,017 |
| Compensated Absences for Sick Leave ^h | 9,983,054 | - | - | - | 9,983,054 |
| Net Debt Outstanding | (887,030,307) | (123,409,715) | - | - | (1,010,440,022) |
| LEGAL DEBT MARGIN | \$ 1,045,186,218 | \$ 1,164,729,634 | \$ 3,220,355,874 | \$ 3,220,355,874 | \$ 8,650,627,600 |

| Fiscal Year | Debt Limit | Total Net Debt Applicable to Limit | Legal Debt Margin | Percentage of Net Debt to Debt Limit |
|-------------|------------------|---------------------------------------|-------------------|---|
| 2004 | \$ 6,620,857,929 | \$ 978,203,235 | \$ 5,642,354,694 | 14.77 % |
| 2005 | 7,177,997,496 | 992,974,845 | 6,185,022,651 | 13.83 |
| 2006 | 7,965,636,558 | 943,898,454 | 7,021,738,104 | 11.85 |
| 2007 | 9,121,584,301 | 923,986,450 | 8,197,598,351 | 10.13 |
| 2008 | 10,337,314,041 | 925,481,168 | 9,411,832,873 | 8.95 |
| 2009 | 9,276,323,568 | 976,777,408 | 8,299,546,160 | 10.53 |
| 2010 | 9,008,761,941 | 1,005,384,736 | 8,003,377,205 | 11.16 |
| 2011 | 8,812,740,984 | 1,019,769,381 | 7,792,971,603 | 11.57 |
| 2012 | 8,826,489,180 | 986,832,122 | 7,839,657,058 | 11.18 |
| 2013 | 9,661,067,622 | 1,010,440,022 | 8,650,627,600 | 10.46 |

^a Legal debt limits are established by the state constitution and by statutes, including RCW 39.36.020 and 35.42.200. The prescribed limits prohibit the City's debt from exceeding 1.5 percent of assessed value of taxable property without a vote of the people, and a total of 2.5 percent (statutory) and 5.0 percent (constitutional) of assessed value of taxable property for general municipal purposes with a vote of the people.

^b RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued as of January 22, 2014 for taxes payable in 2013.

^c State law and the State Auditor's Office require that the liabilities for warrants outstanding and other miscellaneous obligations of the General Fund, other tax-supported funds, and internal service funds be included as debt in calculating the legal debt margin, except when cash, investments, and other cash-equivalent assets in any of these individual funds exceed current liabilities.

^d \$1,482,661, the accreted value of the 1998, Series E, bonds as of December 31, 2013, and not its par value outstanding of \$696,920, is recognized in this table.

^e The City guarantees Public Development Authority bonds which create contingent obligations. Currently the City is contingently liable on debt issued by the Museum Development Authority, the Pike Place Market Preservation and Development Authority, the Seattle-Chinatown International District Preservation Development Authority, and the Seattle Indian Service Commission.

^f Contingent loan supporting the Washington State Housing Finance Commission Multifamily Revenue Bonds (Lowman Building Project), Series 2004.

^g Includes City Obligations to repay loans from the Washington State Public Works Assistance Account despite accounting procedures prescribed by the State Auditor that currently do not include amounts loaned by the State and federal governments in calculating debt capacity. However, the City's bond counsel does include State and federal loans to the City, including Public Works Assistance Account indebtedness, as within the applicable statutory and constitutional debt limits.

^h The State Auditor requires that the liability for compensated absences, to the extent that it is a certain obligation of a determined amount or employee vested, be included as debt in calculating the legal debt margin. All compensated absences except the sick leave estimate meet this criterion. The City's bond counsel does include compensated absences as debt for the purpose of calculating the City's debt capacity.

ⁱ Does not include available net position in the Local Improvement Guaranty Fund, Interfund Notes Payable Fund, and Local Improvement District No. 6750 Fund because special assessment bonds related to them, if any, are not included in the computation of legal debt margin.

Statistics

Table S-15 PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(In Thousands)

| CITY LIGHT PARITY AND JUNIOR LIEN BONDS ^a | | | | | | |
|--|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Interest | Principal | |
| 2004 | \$ 775,245 | \$ 579,866 | \$ 195,379 | \$ 73,668 | \$ 49,705 | 1.58 |
| 2005 | 749,289 | 500,372 | 248,917 | 68,932 | 64,596 | 1.86 |
| 2006 | 835,005 | 512,882 | 322,123 | 72,408 | 63,435 | 2.37 |
| 2007 | 783,775 | 527,353 | 256,422 | 69,858 | 66,755 | 1.88 |
| 2008 | 798,108 | 519,471 | 278,637 | 65,218 | 70,460 | 2.05 |
| 2009 | 690,760 | 491,065 | 199,695 | 70,514 | 74,350 | 1.38 |
| 2010 | 702,053 | 491,641 | 210,412 | 51,012 | 67,360 | 1.78 |
| 2011 | 754,391 | 484,529 | 269,862 | 85,038 | 61,650 | 1.84 |
| 2012 | 795,238 | 489,099 | 306,139 | 80,129 | 88,995 | 1.81 |
| 2013 | 833,834 | 514,269 | 319,565 | 80,960 | 91,840 | 1.85 |

| WATER ^b | | | | | | |
|--------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Interest | Principal | |
| 2004 | \$ 141,313 | \$ 54,806 | \$ 86,507 | \$ 31,891 | \$ 19,200 | 1.69 |
| 2005 | 146,119 | 55,026 | 91,093 | 34,347 | 19,970 | 1.68 |
| 2006 | 155,175 | 64,312 | 90,863 | 31,030 | 21,490 | 1.73 |
| 2007 | 160,161 | 67,058 | 93,103 | 35,030 | 17,185 | 1.78 |
| 2008 | 164,405 | 81,909 | 82,496 | 36,266 | 19,985 | 1.47 |
| 2009 | 191,370 | 76,073 | 115,297 | 41,883 | 28,495 | 1.64 |
| 2010 | 195,204 | 79,487 | 115,717 | 47,325 | 25,425 | 1.59 |
| 2011 | 194,573 | 78,141 | 116,432 | 49,412 | 29,140 | 1.48 |
| 2012 | 213,474 | 78,339 | 135,135 | 47,245 | 31,425 | 1.72 |
| 2013 | 235,594 | 89,291 | 146,303 | 44,793 | 32,630 | 1.89 |

| DRAINAGE AND WASTEWATER ^c | | | | | | |
|--------------------------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Interest | Principal | |
| 2004 | \$ 162,118 | \$ 123,369 | \$ 38,749 | \$ 7,987 | \$ 9,689 | 2.19 |
| 2005 | 176,482 | 126,763 | 49,719 | 8,055 | 10,168 | 2.73 |
| 2006 | 186,832 | 141,866 | 44,966 | 8,049 | 10,794 | 2.39 |
| 2007 | 202,408 | 164,246 | 38,162 | 7,824 | 10,849 | 2.04 |
| 2008 | 224,109 | 167,338 | 56,771 | 9,872 | 13,401 | 2.44 |
| 2009 | 250,194 | 183,127 | 67,067 | 17,102 | 12,915 | 2.23 |
| 2010 | 249,734 | 188,250 | 61,484 | 17,234 | 12,541 | 2.06 |
| 2011 | 278,957 | 196,454 | 82,503 | 12,129 | 17,379 | 2.80 |
| 2012 | 304,002 | 199,592 | 104,410 | 18,017 | 12,472 | 3.42 |
| 2013 | 333,760 | 213,918 | 119,842 | 18,113 | 12,011 | 3.98 |

| SOLID WASTE ^d | | | | | | |
|--------------------------|-------------------------|-------------------------|-----------------------|--------------|-----------|----------|
| Fiscal Year | Utility Service Charges | Less Operating Expenses | Net Available Revenue | Debt Service | | Coverage |
| | | | | Interest | Principal | |
| 2004 | \$ 112,168 | \$ 86,457 | \$ 25,711 | \$ 1,580 | \$ 3,770 | 4.81 |
| 2005 | 111,231 | 86,768 | 24,463 | 1,382 | 3,965 | 4.58 |
| 2006 | 112,474 | 89,980 | 22,494 | 1,175 | 4,170 | 4.21 |
| 2007 | 121,931 | 93,562 | 28,369 | 978 | 4,390 | 5.28 |
| 2008 | 124,353 | 90,616 | 33,737 | 3,048 | 4,690 | 4.36 |
| 2009 | 135,641 | 116,262 | 19,379 | 4,206 | 6,535 | 1.80 |
| 2010 | 146,980 | 118,270 | 28,710 | 3,865 | 1,980 | 4.91 |
| 2011 | 154,200 | 121,558 | 32,642 | 3,773 | 2,075 | 5.58 |
| 2012 | 156,927 | 121,980 | 34,947 | 6,079 | 2,960 | 3.87 |
| 2013 | 159,742 | 125,991 | 33,751 | 5,708 | 3,330 | 3.73 |

^a Debt coverage ratios prior to 2005 were based on debt service amounts on parity bonds only; beginning in 2005 the debt service for Junior Lien bonds was included. In 2008, all Junior Lien bonds were redeemed. Starting in 2009, calculation of debt coverage ratios was based again on debt service amounts on parity bonds. Operating expenses do not include interest, depreciation, or amortization expenses, except in 2002, 2003, and 2004 when the effect of \$100 million amortization of deferred power costs were also considered in the calculation of coverage ratio.

^b Operating expenses do not include City public utility taxes, depreciation and amortization, interest paid on revenue bonds, and drawdowns on the Bonneville Power Administration account. Coverage ratio was calculated based on the annual debt service requirement on senior lien bonds only.

^c Debt service coverage ratio was based on average annual debt service. Interest and principal shown were calculated to match the requirements of bond covenants. Operating expenses do not include City utility taxes, depreciation and amortization, interest, and claims.

^d Debt service requirements for outstanding bond anticipation notes (BAN) were not included in calculating bond coverage ratio. There were outstanding BANS in 2003-2006. Operating expenses does not include city public utility taxes, depreciation and amortization, interest paid on revenue bonds, amortization of debt expenses and loss, capitalized interest, and amortization of landfill and postclosure costs.

The City of Seattle

Table S-16 DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| Year | Population ^a | | Per Capita Income ^b | | Median Age ^d King County | Public School Enrollment ^e | King County Average Annual Unemployment Rate ^f |
|------|-------------------------|---------|--------------------------------|--------------------------|--|---------------------------------------|--|
| | King County | Seattle | King County | Region PMSA ^c | | | |
| 2004 | 1,788,300 | 572,600 | \$ 49,533 | \$ 45,122 | 36.60 | 46,418 | 4.6 % |
| 2005 | 1,808,300 | 573,000 | 49,488 | 45,680 | 36.83 | 46,239 | 4.8 |
| 2006 | 1,835,300 | 578,700 | 53,488 | 49,275 | 36.93 | 45,654 | 4.2 |
| 2007 | 1,861,300 | 586,200 | 57,710 | 53,061 | 36.97 | 45,262 | 3.7 |
| 2008 | 1,884,200 | 592,800 | 58,141 | 53,999 | 37.00 | 45,574 | 4.3 |
| 2009 | 1,909,300 | 602,000 | 53,933 | 50,644 | 37.08 | 45,944 | 7.9 |
| 2010 | 1,933,400 | 608,660 | 54,927 | 51,370 | 37.05 | 47,008 | 8.8 |
| 2011 | 1,942,600 | 612,100 | 57,837 | 53,931 | 37.40 | 48,496 | 8.1 |
| 2012 | 1,957,000 | 616,500 | 60,090 | 52,267 | 37.72 | 49,864 | 6.8 |
| 2013 | 1,981,900 | 626,600 | N/A | N/A | 37.70 | 51,010 | 8.1 |

^a As of April 1. Source: Washington State Office of Financial Management, "2013 Population Trends for Washington State" estimates only.

^b Source: U. S. Bureau of Economic Analysis.

^c Source: U. S. Bureau of Economic Analysis includes Seattle, Bellevue, and Everett.

^d Source: Washington State Office of Financial Management.

^e Source: Seattle Public Schools.

^f Source: Washington State Employment Security Department, February 4, 2014.

Table S-17 PRINCIPAL INDUSTRIES ^{g,h}
Current Year and Nine Years Ago

| Industry | 2013 | | | 2004 | | |
|------------------------------------|---------------------|--------------------------|------|---------------------|--------------------------|------|
| | Number of Employees | Percentage of Employment | Rank | Number of Employees | Percentage of Employment | Rank |
| Professional and Business Services | 224,525 | 14.9 % | 1 | 181,717 | 13.5 % | 1 |
| Educational and Health Services | 193,167 | 12.8 | 2 | 152,950 | 11.3 | 2 |
| Manufacturing | 171,050 | 11.4 | 3 | 145,433 | 10.8 | 3 |
| Retail Trade | 153,583 | 10.2 | 4 | 140,258 | 10.4 | 4 |
| Leisure and Hospitality | 145,050 | 9.6 | 5 | 122,967 | 9.1 | 5 |
| Total Local Government | 119,092 | 7.9 | 6 | 113,733 | 8.4 | 6 |
| Information | 88,350 | 5.9 | 7 | 72,633 | 5.4 | 9 |
| Financial Activities | 83,258 | 5.5 | 8 | 91,482 | 6.8 | 7 |
| Construction | 71,467 | 4.7 | 9 | 76,650 | 5.7 | 8 |
| Wholesale Trade | 68,758 | 4.6 | 10 | 67,350 | 5.0 | 10 |
| Total Top Ten Industries | 1,318,300 | 87.5 % | | 1,165,173 | 86.4 % | |

^g Source: Washington Employment Security Department Labor Market and Economic Analysis.

^h Data is provided for King County, which includes the Seattle Metropolitan Area.

Statistics

Table S-18
Page 1 of 2

FULL-TIME-EQUIVALENT^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|-----------|-----------|-----------|-----------|-----------|
| PUBLIC SAFETY | | | | | |
| Fire | 1,150.55 | 1,152.55 | 1,151.55 | 1,155.55 | 1,163.05 |
| Firemen's Pension Board | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Law | 159.10 | 160.60 | 155.10 | 156.10 | 154.10 |
| Municipal Court | 212.60 | 214.10 | 214.10 | 222.10 | 235.60 |
| Police | 1,947.35 | 1,930.85 | 1,934.85 | 1,922.25 | 1,859.75 |
| Police Relief and Pension Board | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Public Safety | - | - | 1.00 | 1.00 | 1.00 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Arts and Cultural Affairs | 28.09 | 19.85 | 20.60 | 23.10 | 25.10 |
| Library | 558.40 | 509.00 | 503.20 | 511.82 | 527.46 |
| Parks and Recreation | 853.57 | 863.09 | 890.89 | 1,002.49 | 1,002.90 |
| Seattle Center | 241.62 | 245.12 | 245.12 | 257.77 | 271.53 |
| HEALTH AND HUMAN SERVICES | | | | | |
| Human Services | 341.35 | 316.10 | 322.60 | 326.35 | 337.85 |
| Educational and Developmental Services Levy | 9.00 | 9.00 | - | - | - |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Economic Development | 22.50 | 24.00 | 22.00 | 20.00 | 19.50 |
| Housing | 37.50 | 37.50 | 38.50 | 40.50 | 41.00 |
| Neighborhoods | 42.50 | 40.50 | 74.75 | 86.50 | 88.00 |
| Neighborhood Matching Subfund | 6.00 | 6.00 | - | - | - |
| Planning and Development | 397.25 | 393.26 | 398.01 | 409.00 | 437.00 |
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | 1,830.25 | 1,810.50 | 1,810.50 | 1,839.10 | 1,881.83 |
| Seattle Public Utilities | 1,401.05 | 1,411.05 | 1,420.75 | 1,449.25 | 1,481.00 |
| Transportation | 727.50 | 721.00 | 768.50 | 792.00 | 798.50 |
| ADMINISTRATION | | | | | |
| City Auditor | 9.50 | 9.00 | 8.00 | 8.00 | 8.00 |
| City Budget | 28.50 | 27.50 | 28.50 | - | 36.00 |
| Civil Rights | 23.00 | 22.50 | 21.50 | 22.50 | 22.50 |
| Civil Service Commission | 2.60 | - | 1.80 | 1.80 | 1.80 |
| Employees' Retirement System | 18.00 | 18.00 | 15.50 | 15.50 | 15.50 |
| Ethics and Elections Commission | 6.20 | 5.20 | 5.20 | 5.20 | 5.20 |
| Finance and Administrative Services ^b | 528.75 | 521.75 | 523.75 | 579.00 | 601.00 |
| Hearing Examiner | 4.63 | 4.63 | 4.63 | 4.63 | 4.75 |
| Immigrant and Refugee Affairs | 3.00 | 2.00 | - | - | - |
| Information Technology | 192.25 | 190.25 | 195.00 | 205.00 | 216.00 |
| Intergovernmental Relations | 10.50 | 10.50 | 11.50 | 11.50 | 10.50 |
| Legislative | 86.50 | 86.00 | 86.00 | 89.00 | 88.00 |
| Mayor | 28.50 | 28.50 | 28.50 | 28.50 | 24.50 |
| Personnel | 103.75 | 103.25 | 104.25 | 115.00 | 128.00 |
| Policy and Management ^c | - | - | - | - | 18.00 |
| Sustainability and Environment | 10.00 | 14.75 | 11.00 | 8.00 | 7.00 |
| Total Full-Time Equivalents | 11,028.86 | 10,914.90 | 11,024.15 | 11,315.51 | 11,518.92 |

^a Source: City of Seattle Adopted Budgets.

^b Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

^c The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

The City of Seattle

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FULL-TIME-EQUIVALENT^a
CITY GOVERNMENT EMPLOYEES
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|-----------|-----------|-----------|-----------|-----------|
| PUBLIC SAFETY | | | | | |
| Fire | 1,163.05 | 1,146.05 | 1,142.80 | 1,127.05 | 1,117.00 |
| Firemen's Pension Board | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Law | 155.10 | 152.10 | 147.60 | 137.60 | 146.10 |
| Municipal Court | 234.60 | 235.60 | 234.60 | 226.10 | 229.35 |
| Police | 1,851.75 | 1,851.25 | 1,840.25 | 1,805.75 | 1,823.75 |
| Police Relief and Pension Board | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Public Safety | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Arts and Cultural Affairs | 25.10 | 24.10 | 23.10 | 22.10 | 19.85 |
| Library | 533.41 | 529.03 | 506.17 | 478.56 | 452.31 |
| Parks and Recreation | 1,002.95 | 989.45 | 979.44 | 941.75 | 940.72 |
| Seattle Center | 278.30 | 278.30 | 264.80 | 253.90 | 284.82 |
| HEALTH AND HUMAN SERVICES | | | | | |
| Human Services | 323.85 | 323.60 | 314.85 | 305.10 | 324.35 |
| Educational and Developmental Services Levy | - | - | - | - | - |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Economic Development | 24.60 | 10.50 | 21.60 | 21.00 | 23.00 |
| Housing | 41.50 | 41.75 | 41.75 | 41.75 | 43.25 |
| Neighborhoods | 87.00 | 85.00 | 86.50 | 86.25 | 87.00 |
| Neighborhood Matching Subfund | - | - | - | - | - |
| Planning and Development | 441.00 | 434.00 | 394.50 | 374.00 | 370.25 |
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | 1,821.33 | 1,752.33 | 1,752.10 | 1,734.10 | 1,778.10 |
| Seattle Public Utilities | 1,458.06 | 1,367.94 | 1,402.40 | 1,399.40 | 1,392.90 |
| Transportation | 778.00 | 675.50 | 642.25 | 622.50 | 631.50 |
| ADMINISTRATION | | | | | |
| City Auditor | 9.00 | 9.00 | 9.00 | 9.00 | 11.00 |
| City Budget | 38.00 | - | - | - | - |
| Civil Rights | 22.50 | 22.50 | 22.50 | 22.50 | 21.50 |
| Civil Service Commission | 1.80 | 1.80 | 1.60 | 1.60 | 1.60 |
| Employees' Retirement System | 14.50 | 14.50 | 12.50 | 12.50 | 13.50 |
| Ethics and Elections Commission | 5.20 | 5.20 | 5.20 | 5.20 | 5.20 |
| Finance and Administrative Services ^b | 597.00 | 588.50 | 579.50 | 562.95 | 594.45 |
| Hearing Examiner | 4.75 | 4.50 | 4.50 | 4.90 | 4.90 |
| Immigrant and Refugee Affairs | - | - | - | - | - |
| Information Technology | 217.00 | 216.00 | 203.50 | 191.50 | 190.50 |
| Intergovernmental Relations | 10.50 | 10.50 | 10.50 | 10.50 | 11.50 |
| Legislative | 88.00 | 87.00 | 85.00 | 83.70 | 81.70 |
| Mayor | 25.50 | 24.50 | 22.50 | 22.50 | 23.50 |
| Personnel | 123.50 | 121.50 | 105.00 | 101.50 | 128.00 |
| Policy and Management ^c | 18.50 | 18.50 | 16.00 | 15.00 | 16.00 |
| Sustainability and Environment | 7.00 | 6.00 | 5.00 | 4.00 | 4.00 |
| Total Full-Time Equivalents | 11,410.35 | 11,034.50 | 10,885.01 | 10,632.26 | 10,779.60 |

^a Source: City of Seattle Adopted Budgets.

^b Department of Executive Administration, Department of Finance, and Fleets and Facilities Department were merged and created the Department of Finance and Administrative Services in 2010.

^c The Office of Policy and Management was disbanded in 2010. The Full-Time-Equivalents (FTEs) were transferred to the Office of the Mayor, Department of Executive Administration, Department of Neighborhoods, Legislative Department, and Seattle Fire Department. Three FTEs were abrogated.

Statistics

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OPERATING INDICATORS
BY DEPARTMENT/OFFICE

| | Last Ten Fiscal Years | | | | |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Property fire loss | | | | | |
| Total City | \$8,887,550 | \$11,340,687 | \$11,476,891 | \$11,021,455 | \$22,217,971 |
| Per capita | \$14.18 | \$18.40 | \$18.86 | \$18.11 | \$36.91 |
| Police | | | | | |
| Municipal Court filings and citations | | | | | |
| Non-traffic criminal filings | 7,573 | 8,162 | 8,481 | 9,908 | 10,724 |
| Traffic criminal filings | 1,048 | 953 | 1,109 | 4,752 | 5,344 |
| DUI filings | 1,111 | 1,369 | 1,667 | 1,343 | 1,422 |
| Non-traffic infraction filings | 2,190 | 3,122 | 4,787 | 5,501 | 6,111 |
| Traffic infraction filings | 42,091 | 36,872 | 46,136 | 55,108 | 57,960 |
| Parking infractions | 631,388 | 578,507 | 580,841 | 600,543 | 568,616 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Library | | | | | |
| Library cards in force | 458,644 | 453,000 | 456,534 | 502,903 | 465,325 |
| Parks and Recreation | | | | | |
| Park use permits issued | | | | | |
| Number | 651 | 646 | 670 | 614 | 639 |
| Amount | \$511,114 | \$493,691 | \$454,327 | \$302,690 | \$204,527 |
| Facility use permits issued including pools | | | | | |
| Number | 24,740 | 25,944 | 26,051 | 27,384 | 26,922 |
| Amount | \$6,973,400 | \$6,502,337 | \$6,147,176 | \$5,014,973 | \$4,957,236 |
| Facility use permits issued excluding pools | | | | | |
| Number | 24,182 | 25,353 | 25,472 | 26,661 | 26,190 |
| Amount | \$6,313,899 | \$5,935,997 | \$5,573,454 | \$4,480,703 | \$4,469,322 |
| Picnic permits issued | | | | | |
| Number | 3,967 | 3,664 | 3,463 | 3,658 | 3,547 |
| Amount | \$381,309 | \$363,842 | \$345,209 | \$303,075 | \$249,110 |
| Ball field usage | | | | | |
| Scheduled hours | 161,571 | 147,142 | 128,352 | 125,891 | 161,937 |
| Amount | \$2,477,333 | \$2,668,292 | \$2,480,476 | \$1,909,705 | \$1,457,708 |
| Weddings | | | | | |
| Number | 258 | 250 | 233 | 272 | 268 |
| Amount | \$94,845 | \$94,295 | \$80,900 | \$89,350 | \$91,238 |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Planning and Development | | | | | |
| Permits | | | | | |
| Number issued | 8,350 | 7,316 | 7,075 | 6,287 | 5,917 |
| Value of issued permits | \$3,064,690,426 | \$2,450,807,519 | \$2,144,525,229 | \$1,582,129,040 | \$1,987,486,066 |
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | | | | | |
| Customers | 408,055 | 402,608 | 400,351 | 398,858 | 394,731 |
| Operating revenues | \$842,229,890 | \$800,273,311 | \$771,464,570 | \$732,977,819 | \$723,128,042 |
| Water | | | | | |
| Population served | 1,326,000 | 1,314,932 | 1,303,847 | 1,292,994 | 1,280,557 |
| Billed water consumption, daily average, in gallons | 113,107,019 | 112,036,939 | 110,200,000 | 110,424,484 | 122,038,356 |
| Operating revenues | \$235,593,735 | \$213,474,169 | \$194,572,652 | \$195,203,465 | \$191,369,588 |
| Drainage and Wastewater | | | | | |
| Operating revenues | \$333,760,233 | \$304,001,717 | \$278,956,907 | \$249,733,795 | \$250,194,607 |
| Solid Waste | | | | | |
| Customers | | | | | |
| Residential garbage customers | 163,413 | 164,241 | 166,637 | 165,541 | 167,047 |
| Residential dumpsters customers | 135,499 | 129,761 | 127,678 | 126,593 | 127,971 |
| Commercial garbage customers | 8,156 | 8,148 | 8,179 | 8,248 | 8,462 |
| Operating revenues | \$159,741,503 | \$156,926,774 | \$154,200,068 | \$150,905,931 | \$135,641,160 |

The City of Seattle

Table S-19
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OPERATING INDICATORS
BY DEPARTMENT/OFFICE

| | Last Ten Fiscal Years | | | | |
|---|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Property fire loss | | | | | |
| Total City | \$16,351,377 | \$17,664,500 | \$18,340,656 | \$16,657,222 | \$45,790,140 |
| Per capita | \$27.52 | \$32.76 | \$31.69 | \$29.13 | \$80.07 |
| Police | | | | | |
| Municipal Court filings and citations | | | | | |
| Non-traffic criminal filings | 9,461 | 12,003 | 12,882 | 12,098 | 10,704 |
| Traffic criminal filings | 5,124 | 5,100 | 4,156 | 2,098 | N/A |
| DUI filings | 1,167 | 1,390 | 1,496 | 1,437 | N/A |
| Non-traffic infraction filings | 6,437 | 7,880 | 7,310 | 7,416 | 6,715 |
| Traffic infraction filings | 69,949 | 74,490 | 59,828 | 59,120 | 56,556 |
| Parking infractions | 477,024 | 430,240 | 385,852 | 438,303 | 505,790 |
| ARTS, CULTURE, AND RECREATION | | | | | |
| Library | | | | | |
| Library cards in force | 432,790 | 448,104 | 403,415 | 454,990 | 386,127 |
| Parks and Recreation | | | | | |
| Park use permits issued | | | | | |
| Number | 599 | 529 | 667 | 649 | 658 |
| Amount | \$212,403 | \$75,459 | \$217,782 | \$229,420 | \$371,419 |
| Facility use permits issued including pools | | | | | |
| Number | 24,977 | 23,487 | N/A | N/A | N/A |
| Amount | \$2,571,854 | \$2,374,230 | N/A | N/A | N/A |
| Facility use permits issued excluding pools | | | | | |
| Number | 23,577 | 22,113 | 2,314 | N/A | N/A |
| Amount | \$2,127,367 | \$1,997,402 | \$790,551 | \$567,975 | \$377,523 |
| Picnic permits issued | | | | | |
| Number | 3,420 | 3,469 | 3,253 | 3,273 | 3,028 |
| Amount | \$228,965 | \$229,715 | \$220,595 | \$218,045 | \$194,404 |
| Ball field usage | | | | | |
| Scheduled hours | 147,911 | 145,481 | 144,760 | 142,360 | 147,482 |
| Amount | \$1,444,393 | \$1,600,578 | \$1,413,035 | \$1,474,107 | \$1,236,699 |
| Weddings | | | | | |
| Number | 235 | 254 | 238 | 197 | 165 |
| Amount | \$80,955 | \$87,900 | \$82,079 | \$69,670 | \$36,770 |
| NEIGHBORHOODS AND DEVELOPMENT | | | | | |
| Planning and Development | | | | | |
| Permits | | | | | |
| Number issued | 7,890 | 8,865 | 8,576 | 7,178 | 7,209 |
| Value of issued permits | \$2,580,055,297 | \$3,097,812,568 | \$2,021,878,195 | \$1,681,651,482 | \$1,597,232,563 |
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | | | | | |
| Customers | 387,715 | 383,127 | 379,230 | 375,869 | 372,818 |
| Operating revenues | \$877,392,652 | \$832,524,784 | \$831,810,233 | \$748,552,561 | \$777,918,589 |
| Water | | | | | |
| Population served | 1,265,878 | 1,251,998 | 1,236,849 | 1,221,601 | 1,216,705 |
| Billed water consumption, daily average, in gallons | 117,406,451 | 120,690,660 | 124,955,842 | 118,854,138 | 127,725,423 |
| Operating revenues | \$164,405,030 | \$160,161,307 | \$155,175,008 | \$146,118,856 | \$141,313,235 |
| Drainage and Wastewater | | | | | |
| Operating revenues | \$224,109,335 | \$202,407,690 | \$186,832,412 | \$176,482,071 | \$162,117,805 |
| Solid Waste | | | | | |
| Customers | | | | | |
| Residential garbage customers | 166,914 | 166,052 | 165,551 | 165,561 | 163,977 |
| Residential dumpsters customers | 122,503 | 119,667 | 117,899 | 115,838 | 155,581 |
| Commercial garbage customers | 9,747 | 8,505 | 8,481 | 8,697 | 8,618 |
| Operating revenues | \$124,353,043 | \$121,930,923 | \$112,474,339 | \$111,230,835 | \$112,167,705 |

Statistics

Table S-20
Page 1 of 4
CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE

| | Last Ten Fiscal Years | | | | |
|---|-----------------------|------------|------------|------------|------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 |
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Boats | 6 | 3 | 3 | 3 | 3 |
| Fire-fighting apparatus | 184 | 164 | 163 | 162 | 162 |
| Stations | 33 | 33 | 33 | 33 | 33 |
| Training towers | 2 | 2 | 2 | 2 | 2 |
| Alarm center | 1 | 1 | 1 | 1 | 1 |
| Utility shop | 1 | 1 | 1 | 1 | 1 |
| Police | | | | | |
| Precincts | 5 | 5 | 5 | 5 | 5 |
| Detached units | 7 | 7 | 7 | 7 | 7 |
| Vehicles | | | | | |
| Patrol cars | 272 | 273 | 270 | 270 | 270 |
| Motorcycles | 37 | 37 | 37 | 37 | 37 |
| Scooters | 75 | 73 | 67 | 63 | 58 |
| Trucks, vans, minibuses | 89 | 87 | 88 | 86 | 84 |
| Automobiles | 194 | 194 | 194 | 194 | 194 |
| Patrol boats | 10 | 10 | 10 | 10 | 10 |
| Bicycles | 154 | 154 | 154 | 154 | 146 |
| Horses | 7 | 7 | 7 | 8 | 8 |
| ARTS, CULTURE AND RECREATION | | | | | |
| Library | | | | | |
| Central and branch libraries | 27 | 27 | 27 | 27 | 27 |
| Mobile units | 4 | 4 | 4 | 4 | 4 |
| Books, audio and video materials, newspapers, and magazines - circulated | 11,856,180 | 11,435,302 | 10,932,677 | 11,376,194 | 11,914,050 |
| Collection, print and non-print | 2,377,231 | 2,435,520 | 2,403,693 | 2,280,511 | 2,294,601 |
| Parks and Recreation | | | | | |
| Major parks | 14 | 14 | 14 | 14 | 13 |
| Open space acres acquired since 1989 | 718 | 711 | 695 | 665 | 663 |
| Total acreage | 6,314 | 6,298 | 6,251 | 6,188 | 6,185 |
| Children's play areas | 150 | 138 | 136 | 135 | 133 |
| Neighborhood playgrounds | 40 | 43 | 41 | 40 | 38 |
| Community playfields | 38 | 38 | 38 | 38 | 38 |
| Community recreation centers | 27 | 25 | 24 | 26 | 26 |
| Visual and performing arts centers | 5 | 5 | 6 | 6 | 6 |
| Theaters | 1 | 1 | 2 | 2 | 2 |
| Community indoor swimming pools | 8 | 8 | 8 | 8 | 8 |
| Outdoor heated pools (one saltwater) | 2 | 2 | 2 | 2 | 2 |
| Boulevards | 18 | 18 | 18 | 18 | 18 |
| Golf courses (includes one pitch and putt) | 5 | 5 | 5 | 5 | 5 |
| Squares, plazas, triangles | 64 | 64 | 64 | 64 | 64 |
| Viewpoints | 11 | 11 | 11 | 11 | 9 |
| Bathing beaches (life-guarded) | 9 | 9 | 9 | 9 | 9 |
| Bathing beaches | 9 | 9 | 9 | 9 | 9 |
| Aquarium specimens on exhibit ^a | - | - | - | - | 10,588 |

^a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

The City of Seattle

Table S-20
Page 2 of 4
CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE

| | Last Ten Fiscal Years | | | | |
|---|-----------------------|-----------|-----------|-----------|-----------|
| | 2008 | 2007 | 2006 | 2005 | 2004 |
| PUBLIC SAFETY | | | | | |
| Fire | | | | | |
| Boats | 3 | 2 | 2 | 2 | 2 |
| Fire-fighting apparatus | 162 | 163 | 163 | 163 | 163 |
| Stations | 33 | 33 | 33 | 33 | 33 |
| Training towers | 2 | 1 | 1 | 1 | 1 |
| Alarm center | 1 | 1 | 1 | 1 | 1 |
| Utility shop | 1 | 1 | 1 | 1 | 1 |
| Police | | | | | |
| Precincts | 5 | 5 | 5 | 5 | 5 |
| Detached units | 7 | 7 | 7 | 7 | 7 |
| Vehicles | | | | | |
| Patrol cars | 270 | 265 | 252 | 252 | 252 |
| Motorcycles | 37 | 45 | 50 | 48 | 48 |
| Scooters | 58 | 50 | 53 | 55 | 58 |
| Trucks, vans, minibuses | 84 | 81 | 81 | 79 | 69 |
| Automobiles | 194 | 197 | 194 | 189 | 187 |
| Patrol boats | 10 | 10 | 10 | 9 | 7 |
| Bicycles | 146 | 137 | 137 | 137 | 126 |
| Horses | 8 | 8 | 8 | 8 | 9 |
| ARTS, CULTURE AND RECREATION | | | | | |
| Library | | | | | |
| Central and branch libraries | 27 | 24 | 24 | 24 | 24 |
| Mobile units | 4 | 4 | 4 | 4 | 4 |
| Books, audio and video materials, newspapers, and magazines - circulated | 10,025,029 | 9,085,490 | 8,661,263 | 7,449,761 | 6,575,866 |
| Collection, print and non-print | 2,446,355 | 2,352,381 | 2,273,440 | 2,173,903 | 1,889,599 |
| Parks and Recreation | | | | | |
| Major parks | 13 | 13 | 13 | 13 | 13 |
| Open space acres acquired since 1989 | 654 | 638 | 630 | 630 | 630 |
| Total acreage | 6,171 | 6,155 | 6,036 | 6,036 | 6,036 |
| Children's play areas | 131 | 130 | 130 | 130 | 130 |
| Neighborhood playgrounds | 38 | 38 | 38 | 38 | 38 |
| Community playfields | 33 | 33 | 33 | 33 | 33 |
| Community recreation centers | 26 | 26 | 26 | 25 | 25 |
| Visual and performing arts centers | 6 | 6 | 6 | 6 | 6 |
| Theaters | 2 | 2 | 2 | 2 | 2 |
| Community indoor swimming pools | 8 | 8 | 8 | 8 | 8 |
| Outdoor heated pools (one saltwater) | 2 | 2 | 2 | 2 | 2 |
| Boulevards | 18 | 18 | 18 | 18 | 18 |
| Golf courses (includes one pitch and putt) | 5 | 5 | 5 | 5 | 5 |
| Squares, plazas, triangles | 62 | 62 | 62 | 62 | 62 |
| Viewpoints | 8 | 8 | 8 | 8 | 8 |
| Bathing beaches (life-guarded) | 9 | 9 | 9 | 9 | 7 |
| Bathing beaches | 9 | 9 | 9 | 9 | 9 |
| Aquarium specimens on exhibit ^a | 10,216 | 10,655 | 10,655 | 14,600 | 14,577 |

^a As of 2010 the Parks and Recreation Department no longer manages aquarium specimens.

Statistics

Table S-20
Page 3 of 4

CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|------------|------------|------------|-----------|------------|
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | | | | | |
| Plant capacity (KW) | 1,911,600 | 1,991,600 | 1,991,600 | 1,920,700 | 1,920,700 |
| Maximum system load (KW) | 1,831,672 | 1,796,728 | 1,739,238 | 1,841,255 | 1,858,735 |
| Total system energy (1,000 KW) (firm load) | 10,003,772 | 10,016,469 | 10,121,611 | 9,865,376 | 10,139,898 |
| Meters | 415,850 | 406,274 | 407,614 | 406,195 | 402,854 |
| Water | | | | | |
| Reservoirs, standpipes, tanks | 26 | 26 | 27 | 27 | 27 |
| Fire hydrants | 19,000 | 18,655 | 18,550 | 18,503 | 18,473 |
| Water mains | | | | | |
| Supply, in miles | 193 | 182 | 182 | 187 | 187 |
| Water storage, in thousand gallons | 354,500 | 398,369 | 338,869 | 338,869 | 302,880 |
| Meters | 190,416 | 187,159 | 188,883 | 188,457 | 188,226 |
| Drainage and Wastewater | | | | | |
| Combined sewers, life-to-date, in miles | 474 | 472 | 471 | 471 | 472 |
| Sanitary sewers, life-to-date, in miles | 947 | 949 | 948 | 957 | 956 |
| Storm drains, life-to-date, in miles | 481 | 479 | 474 | 473 | 470 |
| Pumping stations | 68 | 67 | 67 | 66 | 67 |
| Solid Waste | | | | | |
| Transfer stations | 2 | 2 | 2 | 2 | 2 |
| Transportation | | | | | |
| Arterial streets, in miles | 1,540 | 1,540 | 1,540 | 1,537 | 1,531 |
| Non-arterial streets (paved and unpaved), in miles | 2,412 | 2,412 | 2,412 | 2,411 | 2,412 |
| Sidewalks, in miles | 2,230 | 2,230 | 2,256 | 2,262 | 2,262 |
| Stairways | 509 | 505 | 507 | 507 | 498 |
| Length of stairways, in feet | 35,172 | 35,112 | 35,122 | 35,061 | 35,181 |
| Number of stairway treads | 24,056 | 24,050 | 24,050 | 24,009 | 23,950 |
| Street trees | | | | | |
| City-maintained | 41,000 | 41,000 | 41,000 | 40,000 | 40,000 |
| Maintained by property owners | 125,000 | 125,000 | 125,000 | 125,000 | 125,000 |
| Total platted streets, in miles | 1,677 | 1,677 | 1,677 | 1,666 | 1,666 |
| Traffic signals | 1,043 | 1,070 | 1,060 | 1,053 | 1,040 |
| Parking meters | | | | | |
| Downtown | - | 6 | 93 | 231 | 941 |
| Outlying | - | 4 | 26 | 85 | 97 |
| Parking pay stations | | | | | |
| Downtown ^b | 827 | 961 | 973 | 998 | 856 |
| Outlying ^b | 1,214 | 1,174 | 1,198 | 1,227 | 1,315 |
| Bridges (movable) - City-owned and -operated | 4 | 4 | 4 | 4 | 4 |
| Bridges (fixed) | | | | | |
| City maintenance | 89 | 99 | 95 | 90 | 88 |
| Partial City maintenance | 54 | 32 | 44 | 44 | 54 |
| Retaining walls/seawalls | 614 | 592 | 592 | 592 | 592 |

^b City redefined areas starting in 2008.

The City of Seattle

Table S-20
Page 4 of 4

CAPITAL ASSET STATISTICS
BY DEPARTMENT/OFFICE
Last Ten Fiscal Years

| | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|------------|------------|-----------|-----------|-----------|
| UTILITIES AND TRANSPORTATION | | | | | |
| City Light | | | | | |
| Plant capacity (KW) | 1,920,700 | 1,920,700 | 1,920,700 | 1,920,700 | 1,920,700 |
| Maximum system load (KW) | 1,900,878 | 1,767,805 | 1,822,342 | 1,714,080 | 1,798,926 |
| Total system energy (1,000 KW) (firm load) | 10,323,915 | 10,203,415 | 9,990,486 | 9,703,046 | 9,560,928 |
| Meters | 394,455 | 391,022 | 385,621 | 382,436 | 379,599 |
| Water | | | | | |
| Reservoirs, standpipes, tanks | 30 | 30 | 29 | 38 | 68 |
| Fire hydrants | 18,436 | 18,398 | 18,347 | 18,475 | 18,762 |
| Water mains | | | | | |
| Supply, in miles | 224 | 182 | 182 | 181 | 181 |
| Water storage, in thousand gallons | 370,000 | 377,080 | 377,080 | 494,080 | 494,080 |
| Meters | 187,154 | 185,395 | 183,699 | 182,037 | 181,038 |
| Drainage and Wastewater | | | | | |
| Combined sewers, life-to-date, in miles | 473 | 444 | 444 | 464 | 451 |
| Sanitary sewers, life-to-date, in miles | 958 | 985 | 985 | 968 | 972 |
| Storm drains, life-to-date, in miles | 473 | 472 | 472 | 474 | 467 |
| Pumping stations | 65 | 68 | 68 | 68 | 68 |
| Solid Waste | | | | | |
| Transfer stations | 2 | 2 | 2 | 2 | 2 |
| Transportation | | | | | |
| Arterial streets, in miles | 1,531 | 1,531 | 1,534 | 1,534 | 1,534 |
| Non-arterial streets (paved and unpaved), in miles | 2,412 | 2,412 | 2,412 | 2,412 | 2,412 |
| Sidewalks, in miles | 2,258 | 2,256 | 1,956 | 1,956 | 1,954 |
| Stairways | 494 | 482 | 482 | 482 | 479 |
| Length of stairways, in feet | 35,215 | 34,775 | 34,643 | 34,643 | 33,683 |
| Number of stairway treads | 23,666 | 23,407 | 23,211 | 23,211 | 22,471 |
| Street trees | | | | | |
| City-maintained | 40,000 | 35,000 | 34,000 | 34,000 | 34,000 |
| Maintained by property owners | 125,000 | 105,000 | 100,000 | 100,000 | 100,000 |
| Total platted streets, in miles | 1,666 | 1,666 | 1,666 | 1,666 | 1,666 |
| Traffic signals | 1,030 | 1,001 | 991 | 1,000 | 1,000 |
| Parking meters | | | | | |
| Downtown | 941 | 700 | 747 | 2,819 | 4,298 |
| Outlying | 97 | 300 | 353 | 904 | 1,967 |
| Parking pay stations | | | | | |
| Downtown ^b | 850 | 1,215 | 925 | 758 | 500 |
| Outlying ^b | 1,127 | 630 | 565 | 318 | N/A |
| Bridges (movable) - City-owned and -operated | 4 | 4 | 4 | 4 | 4 |
| Bridges (fixed) | | | | | |
| City maintenance | 88 | 88 | 84 | 84 | 85 |
| Partial City maintenance | 55 | 55 | 55 | 61 | 58 |
| Retaining walls/seawalls | 582 | 582 | 582 | 582 | 561 |

^b City redefined areas starting in 2008.

Statistics

MISCELLANEOUS STATISTICS

December 31, 2013 - Unless Otherwise Indicated

CITY GOVERNMENT

Date of incorporation December 2, 1869
 Present charter adopted March 12, 1946
 Form: Mayor-Council (Nonpartisan)

GEOGRAPHICAL DATA

Location:
 Between Puget Sound and Lake Washington
 125 nautical miles from Pacific Ocean
 110 miles south of Canadian border

Altitude:
 Sea level 521 feet
 Average elevation 10 feet

Land area 83.1 square miles

Climate
 Temperature
 30-year average, mean annual 52.4
 January 2013 average high 47.5
 January 2013 average low 30.0
 July 2013 average high 77.0
 July 2013 average low 61.5
 Rainfall
 30-year average, in inches 37.41
 2013-in inches 32.56

POPULATION

| Year | City of Seattle | Seattle Metropolitan Area ^{ab} |
|------|-----------------|---|
| 1940 | 368,302 | N/A |
| 1950 | 467,591 | 844,572 |
| 1960 | 557,087 | 1,107,203 |
| 1970 | 530,831 | 1,424,611 |
| 1980 | 493,846 | 1,607,618 |
| 1990 | 516,259 | 1,972,947 |
| 2000 | 563,374 | 2,279,100 |
| 2001 | 568,100 | 2,376,900 |
| 2002 | 570,800 | 2,402,300 |
| 2003 | 571,900 | 2,416,800 |
| 2004 | 572,600 | 2,433,100 |
| 2005 | 573,000 | 2,464,100 |
| 2006 | 578,700 | 2,507,100 |
| 2007 | 586,200 | 2,547,600 |
| 2008 | 592,800 | 2,580,800 |
| 2009 | 602,000 | 2,613,600 |
| 2010 | 608,660 | 2,644,500 |
| 2011 | 612,100 | 2,659,600 |
| 2012 | 616,500 | 2,679,900 |
| 2013 | 626,600 | 2,712,400 |

King County 1,981,900
 Percentage in Seattle 31.6%

^a Source: Washington State Office of Financial Management.

^b Based on population in King and Snohomish Counties.

ELECTIONS (November 5)

Active registered voters 410,572
 Percentage voted last general election 53.46
 Total voted 219,496

PENSION BENEFICIARIES

Employees' Retirement 5,880
 Firemen's Pension 747
 Police Pension 1,007

VITAL STATISTICS

Rates per thousand of residents
 Births (2012) 12.8
 Deaths (2012) 6.9

PUBLIC EDUCATION (2013-14 School Year)

Enrollment (October 1) 51,010
 Teachers and other certified employees (October 1) 3,780
 School programs
 Regular elementary programs 59
 Regular middle school programs 9
 Regular high school programs 12
 K-8 school programs 10
 Alternative/Non-traditional school programs 5
 Total number of school programs 95

PROPERTY TAXES

Assessed valuation (January 2013) \$117,886,533,416
 Tax levy (City) \$390,707,880

EXAMPLE - PROPERTY TAX ASSESSMENTS

Real value of property \$348,000
 Assessed value \$348,000

| Property Tax Levied By | Dollars per Thousand | Tax Due |
|--------------------------------|----------------------|------------|
| City of Seattle | \$3,28556 | \$1,143.37 |
| Emergency Medical Services | 0.30000 | 104.40 |
| State of Washington | 2.56720 | 893.39 |
| School District No. 1 | 2.44752 | 851.74 |
| King County | 1.54051 | 536.10 |
| Port of Seattle | 0.23324 | 81.17 |
| King County Ferry District | 0.00378 | 1.32 |
| King County Flood Control Zone | 0.13210 | 45.97 |
| Totals | \$10.50991 | \$3,657.45 |

PORT OF SEATTLE

Bonded Indebtedness
 General obligation bonds \$ 283,815,000
 Revenue bonds 2,691,175,000
 Passenger facility charges bonds 146,395,000
 Commercial Paper 42,655,000

Waterfront (mileage)

Salt water 13.4
 Fresh water 0.7

Value of Land Facilities

Waterfront \$2,175,427,723
 Sea-Tac International Airport \$5,202,027,399

Marine Container Facilities/Capacities

4 container terminals with 11 berths covering 526 acres
 1.59 million TEU's (20-ft. equivalent unit containers)
 1 grain facility, 1 general cargo facility, 1 barge terminal
 2 cruise terminals

Sea-Tac International Airport

Scheduled passenger airlines 24
 Cargo airlines 3
 Charter airlines 4
 Loading bridges 74

2013 Port Activity (in millions)

Import \$21,167
 Export \$7,374

City of Seattle 2013 Comprehensive Annual Financial Report

Department of Finance and Administrative Services
CAFR Production Staff

Janice Marsters
Director of Accounting and Payroll Services

Brandon Johns
Citywide Accounting Manager

Principal Accountants:

Jacqui Anderson
 Fon Chang
 Cam Huynh
 Scott Leong
 Hannah Mitchell-Shapiro
 Jake Yoon

Senior Accountants:

Conrad Magbalot
 Mena Nguyen

Accountant:

Grace Chou

Sr. Management Systems Analyst:

Steve Spada

Management Systems Analyst:

Marie Tschirgi

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APPENDIX C
DEMOGRAPHIC AND ECONOMIC INFORMATION

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DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Population

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

| POPULATION | | | |
|---------------------|-------------------|--------------------|----------------|
| Year | Washington | King County | Seattle |
| 1980 ⁽¹⁾ | 4,130,163 | 1,269,749 | 493,846 |
| 1990 ⁽¹⁾ | 4,866,692 | 1,507,319 | 516,259 |
| 2000 ⁽¹⁾ | 5,894,121 | 1,737,034 | 563,374 |
| 2007 ⁽²⁾ | 6,488,800 | 1,861,300 | 586,200 |
| 2008 ⁽²⁾ | 6,587,600 | 1,884,200 | 592,800 |
| 2009 ⁽²⁾ | 6,668,200 | 1,909,300 | 602,000 |
| 2010 ⁽¹⁾ | 6,724,540 | 1,931,249 | 608,660 |
| 2011 ⁽²⁾ | 6,767,900 | 1,942,600 | 612,100 |
| 2012 ⁽²⁾ | 6,817,770 | 1,957,000 | 616,500 |
| 2013 ⁽²⁾ | 6,882,400 | 1,981,900 | 626,600 |
| 2014 ⁽²⁾ | 6,968,170 | 2,017,250 | 640,500 |

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

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

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division (the cities of Seattle, Bellevue, and Everett), the County, the State, and the U.S.

| PER CAPITA INCOME | | | | | |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 |
| Seattle MD | \$ 50,676 | \$ 51,167 | \$ 54,029 | \$ 57,825 | \$ 58,483 |
| King County | 53,739 | 54,395 | 57,400 | 61,911 | 62,770 |
| State of Washington | 42,137 | 42,547 | 44,565 | 47,055 | 47,717 |
| United States | 39,379 | 40,144 | 42,332 | 44,200 | 44,765 |

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

Construction

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

CITY OF SEATTLE RESIDENTIAL BUILDING PERMIT VALUES

| Year | New Single Family Units | | New Multifamily Units | | Total Value(\$) |
|---------------------|-------------------------|---------------|-----------------------|----------------|-----------------|
| | Number | Value(\$) | Number | Value(\$) | |
| 2010 | 241 | \$ 53,269,934 | 2,456 | \$ 192,261,935 | \$ 245,531,869 |
| 2011 | 316 | 71,808,767 | 2,857 | 376,591,834 | 448,400,601 |
| 2012 | 498 | 120,592,378 | 6,799 | 984,110,088 | 1,104,702,466 |
| 2013 | 822 | 205,297,350 | 5,855 | 805,297,482 | 1,010,594,832 |
| 2014 ⁽¹⁾ | 898 | 227,307,102 | 6,547 | 881,734,102 | 1,109,041,204 |
| 2014 ⁽²⁾ | 229 | 56,821,358 | 1,050 | 146,021,653 | 202,843,011 |
| 2015 ⁽²⁾ | 200 | 52,430,862 | 4,081 | 652,739,678 | 705,170,540 |

(1) Preliminary.

(2) Estimates through March.

Source: U.S. Bureau of the Census

Retail Activity

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

KING COUNTY AND THE CITY OF SEATTLE TAXABLE RETAIL SALES

| Year | King County | Seattle |
|---------------------|-------------------|-------------------|
| 2008 | \$ 45,711,920,389 | \$ 17,096,581,492 |
| 2009 | 39,594,903,520 | 15,101,407,742 |
| 2010 | 39,275,353,140 | 14,783,168,932 |
| 2011 | 40,846,118,928 | 15,751,585,856 |
| 2012 | 43,506,804,227 | 17,162,539,275 |
| 2013 | 46,601,198,766 | 18,258,200,683 |
| 2013 ⁽¹⁾ | 33,710,427,840 | 13,389,465,105 |
| 2014 ⁽¹⁾ | 36,236,439,424 | 14,591,277,196 |

(1) Through third quarter.

Source: Washington State Department of Revenue

Industry and Employment

The following table presents major Puget Sound-area employers and their State-wide employment data in 2014.

PUGET SOUND AREA MAJOR EMPLOYERS

| Employer | Employees⁽¹⁾ |
|--------------------------------|--------------------------------|
| The Boeing Company | 81,900 |
| Joint Base Lewis-McChord | 56,000 |
| Microsoft Corp. | 43,000 |
| Navy Region Northwest | 43,000 |
| University of Washington | 30,200 |
| Amazon.com Inc. | 24,700 ⁽²⁾ |
| Providence Health and Services | 19,500 |
| Wal-Mart Stores, Inc. | 19,350 |
| Fred Meyer Stores | 15,450 |
| King County Government | 13,400 |
| Franciscan Health System | 12,440 |
| U.S. Postal Service | 11,670 |
| Starbucks Corp. | 11,240 |
| MultiCare Health System | 10,760 |
| Swedish Health Services | 10,700 |
| City of Seattle | 10,100 ⁽³⁾ |
| Costco Wholesale Corp. | 9,300 |
| Nordstrom, Inc. | 9,000 |
| PeaceHealth | 8,800 |
| Group Health Cooperative | 7,300 |

(1) Does not include part-time or seasonal employment figures.

(2) Estimated employee count based on company square footage.

(3) Source: City of Seattle. Figure includes temporary workers.

Source: *Puget Sound Business Journal Book of Lists, 2015*

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

| | Annual Average | | | | |
|--------------------------------------|-----------------------|-------------|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 |
| Civilian Labor Force | 1,113,290 | 1,115,790 | 1,129,670 | 1,139,610 | 1,158,230 |
| Total Employment | 1,011,940 | 1,025,070 | 1,055,000 | 1,079,950 | 1,104,930 |
| Total Unemployment | 101,350 | 90,720 | 74,670 | 59,660 | 53,300 |
| Percent of Labor Force | 9.1% | 8.1% | 6.6% | 5.2% | 4.6% |
| NAICS INDUSTRY | | | | | |
| Total Nonfarm | 1,148,633 | 1,168,100 | 1,196,042 | 1,237,217 | 1,278,033 |
| Total Private | 981,675 | 1,003,175 | 1,030,608 | 1,069,975 | 1,108,425 |
| Goods Producing | 148,158 | 148,942 | 154,283 | 162,508 | 168,283 |
| Mining and Logging | 467 | 525 | 425 | 458 | 425 |
| Construction | 49,675 | 48,258 | 50,625 | 55,883 | 60,792 |
| Manufacturing | 98,017 | 100,192 | 103,225 | 106,167 | 107,025 |
| Service Providing | 1,000,475 | 1,019,158 | 1,041,758 | 1,074,708 | 1,109,750 |
| Trade, Transportation, and Utilities | 206,025 | 210,850 | 216,167 | 225,167 | 235,758 |
| Information | 79,408 | 80,183 | 81,017 | 82,617 | 85,583 |
| Financial Activities | 68,750 | 68,175 | 68,850 | 70,892 | 72,000 |
| Professional and Business Services | 176,675 | 184,567 | 192,525 | 201,042 | 207,933 |
| Educational and Health Services | 152,817 | 157,008 | 159,275 | 162,633 | 167,983 |
| Leisure and Hospitality | 108,700 | 111,075 | 114,850 | 120,575 | 124,883 |
| Other Services | 41,142 | 42,375 | 43,642 | 44,542 | 46,000 |
| Government | 166,958 | 164,925 | 165,433 | 167,242 | 169,608 |
| Workers in Labor/Management Disputes | 0 | 0 | 0 | 0 | 0 |
| Mar 2015 | | | | | |
| Civilian Labor Force | 1,183,530 | | | | |
| Total Employment | 1,135,380 | | | | |
| Total Unemployment | 48,150 | | | | |
| Percent of Labor Force | 4.1% | | | | |

(1) Columns may not add to totals due to rounding.

Source: Washington State Employment Security Department

APPENDIX D
BOOK-ENTRY TRANSFER SYSTEM

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BOOK-ENTRY TRANSFER SYSTEM

The following information has been provided by DTC. The City makes no representation as to the accuracy or completeness thereof. Purchasers of the Bonds (the “Beneficial Owners”) should confirm the following with DTC or its participants (the “Participants”).

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of each Series of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial

Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

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

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

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

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

The following information has been provided by the City.

The City and the Bond Registrar may treat DTC (or its nominee) as the sole and exclusive Registered Owner of the Bonds registered in such name for the purposes of payment of the principal of, premium, if any, or interest with respect to those Bonds, selecting Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Registered Owners of Bonds under the Bond Legislation, registering the transfer of Bonds, obtaining any consent or other action to be taken by Registered Owners of Bonds, and for all other purposes whatsoever; and the City and the Bond Registrar shall not be affected by any notice to the contrary. The City and the Bond Registrar shall not have any responsibility or obligation to any direct or indirect DTC participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any such participant, or any other person which is not shown on the Bond Register as being a Registered Owner of Bonds, with respect to: (i) the Bonds; (ii) any records maintained by DTC or any such participant; (iii) the payment by DTC or such participant of any amount in respect of the principal of, premium, if any, or interest with respect to the Bonds; (iv) any notice which is permitted or required to be given to Registered Owners of Bonds under the Bond Legislation; (v) the selection by DTC or any such participant of any person to receive payment in the event of a partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner of the Bonds.

