

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 8, 2024**

**NEW ISSUE—BOOK-ENTRY ONLY  
NOT BANK QUALIFIED**

**RATING: S&P Global Ratings: AAA  
(See “RATING” and “THE CITY” herein)**

*In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the 2024 Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the 2024 Bonds may affect the federal alternative minimum tax applicable to certain corporations. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.*

**\$18,860,000\***

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE  
Special Obligation Refunding Bonds, 2024**

**Dated: Date of Delivery**

**Due: April 1, as shown on the inside cover**

The Museum Development Authority of Seattle (the “Authority”), a public corporation chartered by The City of Seattle (the “City”), is issuing its Special Obligation Refunding Bonds, 2024 (the “2024 Bonds”), pursuant to an Indenture of Trust dated as of April 1, 2014, as supplemented by a Supplemental Indenture of Trust, dated as of July 1, 2024 (as supplemented, the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The proceeds of the 2024 Bonds are to be applied by the Authority to defease and refund all of the outstanding Museum Development Authority of Seattle Special Obligation Refunding Bonds, 2014 (the “2014 Bonds”) and to pay costs of issuance. The 2014 Bonds were issued to defease and refund all of the outstanding Museum Development Authority of Seattle Special Obligation Bonds, 2005 (the “2005 Bonds”). The 2005 Bonds were issued to finance the expansion of the Authority’s downtown Seattle museum, which is leased by the Authority to the Seattle Art Museum (the “Museum”), a nonprofit corporation, pursuant to a Lease for the Downtown Seattle Art Museum Property and Expansion Project, dated as of October 6, 2005, as amended by an Amendment to Lease, dated April 29, 2014, and Second Amendment to Lease dated July 31, 2024 (together, the “Lease”). See “SOURCES AND USES OF BOND PROCEEDS.”

Interest on the 2024 Bonds from their date of delivery is payable on April 1 and October 1 of each year, commencing October 1, 2024. When issued, the 2024 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2024 Bonds. Purchases of beneficial interests in the 2024 Bonds will be made in book entry form, in denominations of \$5,000 and integral multiples thereof within a maturity. Purchasers will not receive certificates representing their interests in the 2024 Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the 2024 Bonds, payments of principal of and interest on the 2024 Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC’s Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants as more fully described herein. See Appendix I—“BOOK-ENTRY ONLY SYSTEM.”

The 2024 Bonds are not subject to redemption prior to maturity. See “THE 2024 BONDS—Redemption Provisions.”

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**Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices and CUSIP Numbers on Inside Cover**

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The 2024 Bonds are special limited obligations of the Authority. As security for the 2024 Bonds, the Authority has conveyed to the Trustee the Trust Estate, which includes the Authority’s right to receive payments made by the Museum under the Lease and payments made by the City under a Third Amended and Restated Guarantee and Reimbursement Agreement, dated as of July 31, 2024, among the Authority, the Museum, the Trustee, U.S. Bank Trust Company, National Association, as Lockbox Agent, and the City (the “Guarantee Agreement”), and certain funds established under the Indenture. Pursuant to the Guarantee Agreement, the City is obligated to make advances to the Authority to replenish the Reserve Account for the 2024 Bonds in the event of a deficiency. The form of the Guarantee Agreement, with the exception of exhibits thereto, is attached as Appendix J. Pursuant to the Guarantee Agreement, the City will pledge the full faith, and credit and resources of the City for the payment of the required advances, payable in the amounts, at the times and in the manner described in the Guarantee Agreement. See “SECURITY FOR THE 2024 BONDS—Guarantee Agreement.” The Authority has reserved the right to issue Additional Bonds, with a parity of lien on the Trust Estate, solely for refunding purposes. See “SECURITY FOR THE 2024 BONDS—Additional Bonds.”

The Authority is organized pursuant to Seattle Municipal Code 3.110 and Revised Code of Washington (“RCW”) 35.21.730 et seq. RCW 35.21.750 provides that all liabilities incurred by the Authority shall be satisfied exclusively from the assets and properties of the Authority and that no creditor or other person shall have any right of action against the City on account of any debts, obligations, or liabilities of such Authority. The City’s obligation under the Guarantee Agreement to make advances to replenish the Reserve Account to the Reserve Requirement under the circumstances described therein will be an obligation of the City for the benefit of the Authority and owners of the 2024 Bonds.

This cover contains certain information for quick reference only and is not a summary of this issue. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

*The 2024 Bonds are offered when, as and if issued, subject to receipt of the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. Certain matters will be passed upon for the Authority and the Museum by Pacifica Law Group LLP, for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington, and for the City by its counsel, Stradling Yocca Carlson & Rauth LLP, Seattle, Washington. It is expected that delivery of the 2024 Bonds will be made by Fast Automated Securities Transfer through DTC in New York, New York, on or about July 31, 2024.*

**RAYMOND JAMES®**

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**\$18,860,000\***  
**Museum Development Authority of Seattle**  
**Special Obligation Refunding Bonds, 2024**

Due (April 1)*	Principal Amount*	Interest Rate	Yield	Price	CUSIP** Number (812670)
2025	\$ 1,515,000	%	%		
2026	2,550,000				
2027	2,680,000				
2028	2,810,000				
2029	2,955,000				
2030	3,100,000				
2031	3,250,000				

\* Preliminary, subject to change.

\*\* CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP service. CUSIP numbers are provided for convenience of reference only. None of the Authority, the Underwriter, the City or their agents or counsel assumes responsibility for the accuracy of such 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 cover page and Appendices, must be considered in its entirety. The offering of the 2024 Bonds is made only by means of this entire Official Statement.

The information set forth herein under the caption “THE AUTHORITY” has been furnished by the Authority. All other information in this Official Statement has been obtained by the Authority from the Museum, the Trustee, the City, the Lockbox Agent, DTC and other sources the Authority considers to be reliable, but the accuracy or completeness of such information is not guaranteed by the Authority. No dealer, broker, salesperson or other person has been authorized by the Authority, the Museum, the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2024 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Museum, the City or any other parties described herein since the date as of which such information is presented.

Certain statements contained in this Official Statement do not reflect historical facts but are forecasts and “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as “estimate,” “project,” “anticipate,” “expect,” “intend,” “forecast,” “plan,” “believe” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

Raymond James & Associates, Inc. (the “Underwriter”) provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2024 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

The Authority has “deemed final” this Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, delivery dates, any other terms or provisions required by an issuer to be specified in a competitive bid, ratings, and other terms of the 2024 Bonds dependent on such matters.

This Official Statement is not to be construed as a contract or agreement between the Authority and purchasers or owners of any of the 2024 Bonds.

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

1300 First Avenue  
Seattle, WA 98101-2003  
Telephone: (206) 654.3227

<u>Councilmember</u>	<u>Term Ends<sup>(1)</sup></u>	<u>Appointed By</u>
Robert Strong, Chair	July 11, 2024	Seattle Art Museum
Douglas Norberg, Vice Chair	July 13, 2026	Seattle Art Museum
Rosita Romero	July 31, 2025	Mayor, City of Seattle
Robert D. Kaplan	July 31, 2025	Seattle Art Museum
Dorothy Holland Mann	July 31, 2025	MDA Governing Council
Vacant		Mayor, City of Seattle
Douglass A. Raff	July 11, 2024	MDA Governing Council
Robert Flowers	July 13, 2026	Mayor, City of Seattle
Stephanie Ellis-Smith	July 11, 2024	MDA Governing Council

**Trustee**

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
Attention: Global Corporate Trust  
1420 Fifth Avenue, 10<sup>th</sup> Floor, PD-WA-T10W  
Seattle, Washington 98101  
Telephone: (206) 344-4682  
Fax: (206) 344-4632

**Bond Counsel and Disclosure Counsel to the Authority and the Museum**

PACIFICA LAW GROUP LLP  
Seattle, Washington

**Municipal Advisor to the Authority**

PFM FINANCIAL ADVISORS LLC  
Seattle, Washington

<sup>(1)</sup> Under the Authority’s Charter, Councilmember terms continue until re-appointment or selection and qualification of a successor.

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**\$18,860,000\***

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE  
Special Obligation Refunding Bonds, 2024**

**INTRODUCTION**

**Purpose of the Official Statement**

The purpose of this Official Statement, including the cover and the appendices, is to provide information in connection with the issuance by the Museum Development Authority of Seattle (the “Authority”) of \$18,860,000\* aggregate principal amount of its Special Obligation Refunding Bonds, 2024 (the “2024 Bonds”). Certain capitalized terms are defined in Appendix G—“FORM OF THE INDENTURE.”

**Authorization for Issuance**

The 2024 Bonds are being issued pursuant to Revised Code of Washington (“RCW”) 35.21.730 *et seq.* and Seattle Municipal Code 3.110.420, as amended (together, the “Enabling Act”), a resolution of the Authority adopted on March 27, 2024, the Indenture of Trust dated as of April 1, 2014, as supplemented by the First Supplemental Indenture of Trust dated as of July 1, 2024 (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). U.S. Bank Trust Company, National Association also is serving as Lockbox Agent, and in such capacity will receive amounts paid by the Seattle Art Museum (the “Museum”) under a Lease for the Downtown Seattle Art Museum Property and Expansion Project, dated as of October 6, 2005, as amended by an Amendment to Lease, dated April 29, 2014, and Second Amendment to Lease dated July 31, 2024 (together, the “Lease”), including amounts derived from rent received by the Museum pursuant to the lease of the condominium unit owned by the Museum adjacent to the downtown Museum, applied as set forth in Section 4.1(b) of the Third Amended and Restated Guarantee and Reimbursement Agreement among the City of Seattle, the Authority, the Museum, the Trustee and the Lockbox Agent, dated as of July 31, 2024 (the “Guarantee Agreement”) included in Appendix J.

**Use of Proceeds**

Proceeds from the sale of the 2024 Bonds are to be used by the Authority to defease and refund, on a current basis, all of the Authority’s Special Obligation Refunding Bonds, 2014 (the “2014 Bonds”) for debt service savings and to pay costs of issuance. See “USE OF PROCEEDS” herein. The issuance of the 2024 Bonds, and accordingly the defeasance and refunding of the 2014 Bonds, are subject to market conditions.

**The Authority**

The Authority is a public corporation chartered by The City of Seattle (the “City”) pursuant to the Enabling Act. The public purpose of the Authority pursuant to its Charter is to undertake, assist with and otherwise facilitate the development and operation of public art museum facilities in conjunction with the Seattle Art Museum, including but not limited to the downtown art museum and a public sculpture park adjacent to Myrtle Edwards Park and the Seattle Central Waterfront. The Authority has no taxing powers. The Authority owns the downtown Seattle Art Museum facility, including the improvements financed in part with the proceeds of the Authority’s Special Obligation Bonds, 2005 (the “2005 Bonds”), which were refunded with the proceeds of the 2014 Bonds. See “THE AUTHORITY.”

The Authority is organized pursuant to the Enabling Act. RCW 35.21.750 provides that all liabilities incurred by the Authority shall be satisfied exclusively from the assets and properties of the Authority and that no creditor or other person shall have any right of action against the City on account of any debts, obligations, or liabilities of such Authority.

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\* Preliminary, subject to change.

The Authority is located in Seattle, within King County, Washington. General economic and demographic information regarding Seattle and King County is provided in Appendix F.

### **The Museum**

The Seattle Art Museum is a nonprofit corporation described under Section 501(c)(3) of the Internal Revenue Code, as amended (the “Code”). Incorporated in 1917, the Museum is the largest art museum in the state of Washington (the “State”). Pursuant to a Lease for the Downtown Seattle Art Museum Property and Expansion Project, dated as of October 6, 2005, as amended by the Amendment to Lease, dated as of April 29, 2014, and Second Amendment to Lease, dated as of July 31, 2024 (together, the “Lease”), the Museum has leased from the Authority through December 31, 2103 (subject to the terms of the Lease), the downtown Seattle Art Museum facility together with the improvements originally financed with the proceeds of the 2005 Bonds. Under the Lease, the Museum is obligated to pay Facilities Rent sufficient to pay the principal of, premium, if any, and interest on the 2024 Bonds when due, to replenish the Reserve Account to the Reserve Requirement and to pay Authority, Trustee and certain other expenses. See Appendix C—“SEATTLE ART MUSEUM” and Appendix D—“SEATTLE ART MUSEUM INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022.”

### **The City of Seattle**

Incorporated in 1869, the City is the largest city in the Pacific Northwest and is the county seat of King County, Washington. The City’s elected officials include a mayor, nine City Council members and a city attorney. Pursuant to the Third Amended and Restated Guarantee and Reimbursement Agreement among the City, the Authority, the Museum, the Trustee and the Lockbox Agent, dated July 31, 2024, the City is obligated to replenish the Reserve Account for the 2024 Bonds, under the terms set forth therein. Pursuant to the Guarantee Agreement, the City pledges its full faith, credit and resources of the City for the payment to the Trustee of required advances, payable in the amounts, at the times and in the manner described in the Guarantee Agreement. See “SECURITY FOR THE 2024 BONDS—Guarantee Agreement.” Information regarding the City is provided under the heading “THE CITY.” The form of the Guarantee Agreement, except the exhibits thereto, is set forth as Appendix J.

### **The 2024 Bonds**

The 2024 Bonds are to bear interest at the rates and are to mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest is to be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 2024 Bonds are to be dated the date of their initial delivery and are to bear interest from their date, payable semiannually on April 1 and October 1 of each year, commencing October 1, 2024.

The 2024 Bonds are being issued in fully registered form in denominations of \$5,000 and integral multiples thereof within a maturity and when issued are to be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the 2024 Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the 2024 Bonds purchased. Except as provided in the Indenture, so long as Cede & Co. is the registered owner of the 2024 Bonds, as nominee of DTC, references herein to “Owners,” “Bondholders” or “Registered Owners” mean Cede & Co. (or such other nominee) and not the Beneficial Owners of the 2024 Bonds. In this Official Statement, the term “Beneficial Owner” means the person for whom its DTC Participant acquires an interest in the 2024 Bonds.

So long as Cede & Co. (or such other nominee of DTC) is the registered owner of the 2024 Bonds, the principal of and interest on the 2024 Bonds is to be payable by wire transfer to Cede & Co., as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See Appendix I—“BOOK-ENTRY ONLY SYSTEM.”

The 2024 Bonds are not subject to redemption prior to maturity. See “THE 2024 BONDS—Redemption Provisions.”



## **Security for the 2024 Bonds**

The 2024 Bonds are special limited obligations of the Authority. As security for the 2024 Bonds, the Authority has conveyed to the Trustee the Trust Estate, which includes the Authority's right to receive payments made by the Museum under the Lease and payments made by the City under the Guarantee Agreement, and certain funds established under the Indenture. The City's obligation under the Guarantee Agreement to make advances to replenish the Reserve Account to the Reserve Requirement under the circumstances described therein is an obligation of the City for the benefit of the Authority and owners of the 2024 Bonds. The full faith, credit and resources of the City are pledged irrevocably for the payment to the Trustee of the required advances, payable in the amounts, at the times and in the manner described in the Guarantee Agreement. See "SECURITY FOR THE 2024 BONDS—Guarantee Agreement."

THE 2024 BONDS DO NOT CONSTITUTE OBLIGATIONS, EITHER GENERAL OR SPECIAL, OF THE STATE, THE CITY OR OF ANY POLITICAL SUBDIVISION OF THE STATE OR THE CITY, OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE, THE CITY OR OF ANY POLITICAL SUBDIVISION, OR A GENERAL OBLIGATION OF THE AUTHORITY. NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE OR THE CITY IS OBLIGATED, DIRECTLY, INDIRECTLY, OR CONTINGENTLY, TO LEVY ANY TAXES OR TO APPROPRIATE OR EXPEND ANY FUNDS FOR THE PAYMENT OF THE PRINCIPAL OF, THE PREMIUM, IF ANY, OR THE INTEREST ON THE 2024 BONDS. THE AUTHORITY HAS NO TAXING POWER.

## **Continuing Disclosure**

The Authority, the Museum and the City have undertaken for the benefit of the beneficial owners of the 2024 Bonds to provide certain annual financial information and operating data and to give notices of certain listed events to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). See "CONTINUING DISCLOSURE" and Appendix K.

## **Additional Information**

References in this Official Statement to the Indenture, the Lease, the Guarantee Agreement and all other documents are qualified in their entirety by reference to such documents, and the descriptions herein of the 2024 Bonds are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in such documents. Copies of such documents may be obtained from the corporate trust office of the Trustee at the address shown on page i. The form of the Indenture is attached hereto as Appendix G. The form of the Guarantee Agreement, except the exhibits thereto, is set forth as Appendix J.

## **THE 2024 BONDS**

### **Payment of 2024 Bonds**

For so long as the 2024 Bonds are held in book-entry only form, payments of principal, premium, if any, and interest thereon are to be made solely as provided in accordance with the operational arrangements of DTC. See Appendix I—"BOOK-ENTRY ONLY SYSTEM."

The principal of, premium, if any, and interest on the 2024 Bonds are to be payable in lawful money of the United States of America. The principal and premium, if any, of each 2024 Bond is to be payable upon the presentation and surrender of such 2024 Bond, when due, at the Principal Office of the Bond Registrar. Payment of interest on each 2024 Bond is to be made to the Registered Owner thereof as specified on the records of the Bond Registrar on the Record Date with respect to such Interest Payment Date irrespective of the cancellation of such Bond upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date, unless the Authority shall default in the payment of interest due on such Interest Payment Date. Each interest payment on each 2024 Bond is to be paid (a) by check or draft mailed by first-class mail to such Registered Owner on the Interest Payment Date at such individual's address as it appears on the Bond Register for the 2024 Bonds on the Record Date or, at the option of any Registered Owner of an aggregate principal amount of at least \$1,000,000, (b) by wire

transfer to an account within the United States designated in writing by such Registered Owner prior to the Record Date with an acknowledgment that the then-applicable wire fee of the Trustee will be deducted from the wire, or (c) by Automatic Clearinghouse Transfers at no cost to the Owner in next day funds if such Owner shall have requested in writing a payment by such method and shall have provided the Bond Registrar with an account number in a bank within the United States and other necessary information for such purposes prior to the Record Date. In the event of any default in the payment of interest, such defaulted interest is to be payable to the Registered Owner of such 2024 Bond on a Special Record Date for the payment of such defaulted interest established by notice mailed by or on behalf of the Authority to Registered Owners.

### **Redemption Provisions\***

Optional Redemption. The 2024 Bonds are not subject to optional redemption prior to maturity.

Purchase of 2024 Bonds. The Authority has reserved the right to direct the Trustee to acquire 2024 Bonds for cancellation from amounts on deposit in the Debt Service Fund at a price that is not more than the amount required to redeem such 2024 Bonds on the next applicable redemption date with respect thereto.

### **Open Market Purchase**

The Authority has reserved the right to purchase any of the 2024 Bonds in the open market at any time at prices deemed reasonable by the Authority. If the purchase price of the 2024 Bonds is being paid with amounts on deposit in the Debt Service Fund, the Indenture limits the purchase price the Authority may pay to the amount (including accrued interest) required to redeem the 2024 Bonds on the next applicable redemption date.

### **Defeasance**

In the event that money and/or “Government Obligations,” as defined in the Indenture and consisting of noncallable direct obligations of the United States, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the 2024 Bonds or any of them in accordance with their terms are set aside in a special account to effect such redemption or retirement, and such money and the principal of and interest on such obligations are set aside irrevocably and pledged for such purpose, then no further payments need be made into the bond account for the payment of the principal of and interest on the 2024 Bonds so provided for. Such 2024 Bonds will cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so set aside and pledged, and such 2024 Bonds will be deemed not to be outstanding.

The City is not obligated to make advances under the Guarantee Agreement following the defeasance of the 2024 Bonds even in the event of a Bankruptcy Recovery. See “SECURITY FOR THE 2024 BONDS—Guarantee Agreement.”

### **Registration, Transfer and Exchange of Bonds**

The 2024 Bonds will initially be registered to Cede & Co., the nominee for DTC, and no beneficial owner will receive certificates representing their respective interests in the 2024 Bonds, except in the event the Trustee issues replacement 2024 Bonds as provided in the Indenture. It is anticipated that during the term of the 2024 Bonds, DTC will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the 2024 Bonds to the Participants until and unless the Trustee authenticates and delivers replacement 2024 Bonds to the beneficial owners as described in this section. See Appendix I—“BOOK-ENTRY ONLY SYSTEM.”

The transfer of ownership of the 2024 Bonds may be registered only in the Bond Register. Upon surrender for transfer of any 2024 Bonds at the Principal Office of the Bond Registrar duly endorsed for transfer or accompanied by an assignment duly executed, by the Registered Owner or such individual’s attorney or legal representative duly authorized in writing, the Authority shall cause to be executed, and the Bond Registrar shall authenticate and deliver

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\* Preliminary, subject to change.

in the name of the transferee or transferees, a new 2024 Bond or 2024 Bonds in Authorized Denomination(s) in the aggregate principal amount and maturity shown on the books and records of the Bond Registrar. 2024 Bonds may be exchanged at the Principal Office of the Bond Registrar for 2024 Bonds of Authorized Denomination(s) and of the same maturity in the aggregate principal amount shown on the books and records of the Bond Registrar. The Bond Registrar shall not be required to register the transfer or exchange of any 2024 Bonds after notice calling such 2024 Bonds for redemption has been given.

**SOURCES AND USES OF FUNDS**

The table below sets forth the estimated application of the 2024 Bond proceeds and other funds to be deposited with the Trustee.

**TABLE 1  
ESTIMATED SOURCES AND USES OF FUNDS<sup>(1)</sup>**

<b>SOURCES OF FUNDS:</b>	
Principal Amount of the 2024 Bonds	\$
Plus [Net] Original Issue Premium/Discount	
Reserve and Other Accounts for the 2014 Bonds	
Total Sources	\$
 <b>USES OF FUNDS:</b>	
Deposit to Escrow Deposit Account	\$
Costs of Issuance <sup>(2)</sup>	
Total Uses	\$

<sup>(1)</sup> Totals may not foot due to rounding. Figures to be provided in final Official Statement.

<sup>(2)</sup> Includes Underwriter’s discount, additional proceeds, Trustee fee, Lockbox Agent fee, Escrow Agent fee, Verification Agent fee, and municipal advisor, legal and rating agency fees.

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## Refunding Plan

Depending on market conditions, the Authority will use a portion of the proceeds of the 2024 Bonds to defease and refund on a current basis all of the Authority's outstanding 2014 Bonds for aggregate debt service savings (the "Refunding Candidates" and as selected for redemption, the "Refunded Bonds"), described below.

**TABLE 2  
REFUNDING CANDIDATES**

<b>Maturity Years (April 1)</b>	<b>Principal Amounts</b>	<b>Interest Rates</b>	<b>Maturity or Call Date (100% of Par)<sup>(1)</sup></b>	<b>CUSIP Numbers</b>
2025	2,800,000	5.00%	10/28/2024	812670DK0
2026	2,940,000	5.00	10/28/2024	812670DL8
2027	3,090,000	5.00	10/28/2024	812670DM6
2028	3,240,000	5.00	10/28/2024	812670DN4
2029	3,405,000	5.00	10/28/2024	812670DP9
2030	3,575,000	5.00	10/28/2024	812670DQ7
2031	3,750,000	5.00	10/28/2024	812670DR5

<sup>(1)</sup> Preliminary, subject to change.

A portion of the net proceeds from the sale of the 2024 Bonds will be applied to pay the interest on the callable Refunded Bonds coming due on their redemption date as described in the table above, and to redeem and retire the Refunded Bonds on that redemption date at a price of 100 percent of the principal amount thereof.

*Refunding Procedure.* If the Authority determines to proceed with the refunding of the Refunded Bonds, the Authority will enter into an escrow deposit agreement (the "Escrow Agreement") with U.S. Bank Trust Company, National Association, as Escrow Agent, to provide for the refunding of the Refunded Bonds and the payment of bond issuance costs. The Escrow Agreement will create an irrevocable trust fund to be held by the Escrow Agent and to be applied solely to the payment of the Refunded Bonds. The net proceeds of the 2024 Bonds deposited with the Escrow Agent to be used to refund the Refunded Bonds will be held in cash or invested in noncallable direct obligations of the United States of America or obligations the payment of which is unconditionally guaranteed by the United States of America (the "Acquired Obligations") that will mature and bear interest at rates sufficient, together with cash held by the Escrow Agent, to pay the principal of and accrued interest on the Refunded Bonds.

*Verification of Calculations.* The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Escrow Agent to pay principal of and interest on the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C. (the "Verification Agent").

## SECURITY FOR THE 2024 BONDS

### Pledge Under the Indenture

The 2024 Bonds and any Additional Bonds are referred to herein as the "Bonds." The Bonds are special, limited obligations of the Authority and are secured by a pledge and assignment of and a grant of an interest in and a lien on the Trust Estate, which consists of the following components:

- (1) All right, title and interest of the Authority in, to and under the Lease, except the Authority's rights retained under the Lease (including, but not limited to, expense reimbursement, indemnifications, and access, reports and notices), including but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the Revenues, whether payable under the Lease, or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Authority or any other person on behalf of the Authority is or may

become entitled to do under the Lease. “Revenues” means “(a) moneys held in the Funds and Accounts (excluding the Rebate Fund), together with investment earnings thereon received by the Trustee which the Trustee is authorized to receive, hold and apply pursuant to the terms of the Indenture; and (b) all income, revenues, proceeds, obligations, securities and other amounts received and receivable by the Trustee and derived from or in connection with the Lease or the Guarantee Agreement, but excluding amounts payable as the Rating Agency Surveillance Fee, the Trustee Fee, the Rebate Amount or the fee for the calculation of the Rebate Amount and the indemnification or reimbursement of the Trustee.”

- (2) All right, title and interest of the Authority in, to and under the Guarantee Agreement, except the Authority’s rights retained under the Guarantee Agreement (including, but not limited to, reports and notices), including but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the Revenues, whether payable under the Guarantee Agreement, or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Authority or any other person on behalf of the Authority is or may become entitled to do under the Guarantee Agreement.
- (3) All Revenues that may from time to time be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered to the Trustee, or held by the Trustee in any Fund or Account established pursuant to the terms of the Indenture, together with investment earnings thereon, but excluding (a) money held by the Trustee in the Rebate Fund and (b) money collected pursuant to fees, expense reimbursement or indemnification of the Authority and the Trustee.
- (4) Any and all other property of any name and nature from time to time by delivery or by writing of any kind pledged or assigned as and for additional security under the Indenture, by the Authority or by anyone on its behalf or with its written consent, to the Trustee, which is authorized under the Indenture to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

### **Reserve Account**

The Indenture provides for the creation of the Reserve Account to be held by the Trustee. The Reserve Account secures the 2024 Bonds and will also secure any Additional Bonds issued for refunding purposes under the Indenture. The Authority is required to maintain in the Reserve Account money and investments equal to the “Reserve Requirement”, which is defined in the Indenture to mean an amount equal to the least of the following: (a) 10 percent of the original proceeds of the Bonds; (b) the Maximum Annual Debt Service on the Bonds; and (c) 1.25 times the Average Annual Debt Service on the Bonds.

On the date of issuance of the 2024 Bonds, the Reserve Requirement will be satisfied through amounts on deposit in the Reserve Account held by the Trustee. Amounts on deposit in excess of the Reserve Requirement will be released and applied to the refunding of the 2014 Bonds.

The Indenture provides that immediately upon receipt, the Trustee shall deposit the following into the Reserve Account: (1) all Reserve Deposits (including, but not limited to, amounts paid by the Museum under the Lease for deposit to the Reserve Account); (2) any advance made by the City pursuant to the Guarantee Agreement; and (3) all other money required to be transferred to or deposited in the Reserve Account pursuant to any provision of the Lease, the Guarantee Agreement or the Indenture. Upon open market purchase or defeasance of a portion of the outstanding principal amount of the Bonds, the Reserve Requirement shall be reduced on a pro rata basis.

The Guarantee Agreement provides for the replenishment of the Reserve Account in the event of a Reserve Deficiency as follows. The Authority, the Museum and the City will be required, in turn, to replenish any deficiency in the Reserve Account. Within two Business Days following any draw on the Reserve Account, the Trustee shall give notice of any Reserve Deficiency to the Authority, the Museum, the City, and the Lockbox Agent demanding that the Authority deposit or cause to be deposited the amount of such Reserve Deficiency. If on each January 1 and July 1 (each, a “Valuation Date”) the Trustee finds a Reserve Deficiency, the Trustee shall, within two Business Days, give notice to the Museum, the Authority and the City demanding that the Museum deposit or cause to be deposited the amount of such Reserve Deficiency. If the Reserve Account is not replenished to the Reserve Requirement within five Business Days after the giving of this notice, the Trustee shall, within two Business Days,

give a notice to the Museum, the Authority, and the City demanding that the Authority take all action necessary under the Guarantee Agreement to replenish the Reserve Account to the Reserve Requirement.

Within two Business Days after any Reserve Account Reconciliation Date (each March 1 and September 1, or in each case the preceding Business Day if any March 1 or September 1 is not a Business Day), the Trustee shall demand that the City deliver to the Trustee the Reserve Deficiency, if any, for deposit into the Reserve Account, no later than 10:00 a.m., Seattle time, on the Business Day prior to the next Interest Payment Date. See Appendix G—“FORM OF THE INDENTURE” and Appendix J—“FORM OF GUARANTEE AGREEMENT (EXCEPT EXHIBITS).”

### **The Lease**

Pursuant to the Lease, the Authority has leased to the Museum through December 31, 2103 (subject to the terms of the Lease), the existing downtown Seattle Art Museum facility together with the improvements acquired with the proceeds of the 2005 Bonds. Under the Lease, the Museum is obligated to pay Facilities Rent consisting of Monthly Debt Service Deposits set forth in Exhibit D to the Lease and any amounts required to pay when due all principal of and premium, if any, and interest on the 2024 Bonds when due (whether at maturity or upon mandatory sinking fund redemption, if any), all Reimbursement Obligations due to the City and all amounts necessary to replenish the Reserve Account to the Reserve Requirement. “Reimbursement Obligations” means all amounts due to the City to reimburse and pay interest to the City for advance(s) made under the Guarantee Agreement. Each Monthly Debt Service Deposit is to be payable monthly in advance on the fifth Business Day of each month.

In addition, as part of Facilities Rent, the Museum is required to replenish the Reserve Account to the Reserve Requirement as follows: pursuant to the Guarantee Agreement, upon receipt of any first notice from the Trustee of a Reserve Deficiency, the Museum is required, on behalf of the Authority and as part of Facilities Rent, to pay the amount of such Reserve Deficiency by the next Valuation Date. The Museum is also obligated to pay fees of the Trustee, certain administrative expenses of the Authority and any Rebate Amount due on the 2024 Bonds.

The Museum is required to use the premises for public art museum purposes, ancillary purposes and related office use. The Museum has sole ownership and control over the entire art collection of the Museum and sole control of the Museum’s internal management and affairs. The Museum is responsible for all improvements, repairs, replacements, restoration and maintenance to the premises throughout the term of the Lease. The Museum is required to maintain the premises in good order, condition, and repair, in a first-class condition.

The Museum’s obligations under the Lease are a general obligation of the Museum. The Museum expects to pay Facilities Rent from payments to be received as rent under a lease (the “Office Space Lease”) of the condominium unit adjacent to the downtown Seattle Art Museum and owned by the Museum (the “Office Unit”). Pursuant to the Tenant Payment Provisions of the Office Space Lease, rent payments with respect to the Office Space Lease are deposited directly to the Lockbox Account held by the Lockbox Agent, for distribution to the Trustee, the City and the Museum as set forth in the Guarantee Agreement. Amounts on deposit in the Lockbox Account generally are applied monthly by the Lockbox Agent in the following order of priority: (i) to pay certain Lockbox Agent fees, (ii) to pay Facilities Rent owed by the Museum to the Authority (directly to the Trustee), (iii) to reimburse the City for any advances under the Guarantee Agreement together with interest thereon, (iv) to effect a Bond Prepayment Plan in connection with the defeasance or redemption of 2024 Bonds in the event that the Museum elects to terminate all or a portion of the Office Space Lease or in the event of certain damage or destruction of the Museum Expansion Unit, and (v) to the Museum for any Museum purpose. Under certain circumstances the Lockbox Agent is directed to withhold distributions to items (iv) and (v) and to follow a different priority.

See “Guarantee Agreement” below and Appendix J—“FORM OF GUARANTEE AGREEMENT (EXCEPT EXHIBITS).”

***Although the Museum expects to pay Facilities Rent from payments to be received as rent under the Office Space Lease, the Museum is obligated to pay Facilities Rent without regard to the amount of rent received from any tenant of the Office Unit.*** The Office Unit is leased to Nordstrom, Inc. under the Office Space Lease. The term of the Office Space Lease is scheduled to extend two months beyond the term of the 2024 Bonds. Nordstrom, Inc. has subleased the Office Unit to subtenants but remains the lessee on the Office Space Lease. See “Note 12—Lease

Agreement as Lessor” of the Museum Financial Statements attached at Appendix D. Scheduled payments of Office Space Lease Revenue currently provide 1.65x coverage of annual debt service on the 2014 Bonds.

## **Guarantee Agreement**

City Guarantee. Pursuant to the Guarantee Agreement, the City agrees to replenish the Reserve Account to the Reserve Requirement, so that the Reserve Requirement in the Reserve Account is available to pay the scheduled payment of the principal of and interest on the 2024 Bonds when due upon maturity or prior mandatory sinking fund redemption, if any. The City further agrees to provide, for the benefit of the owners of the 2024 Bonds, advances to the Trustee for payment to a Bondowner in the event of a Bankruptcy Recovery (defined to mean “any payment of principal of or interest on the 2024 Bonds, which has become Due for Payment and has been paid to the Bondowner by or on behalf of the Authority, but which payment has been deemed an avoidable transfer and recovered from the Bondowner pursuant to the United States Bankruptcy Code or other applicable statutory or common law, in accordance with a final, nonappealable order of a court of competent jurisdiction”). The City is not obligated to make advances, even in the event of a Bankruptcy Recovery, in the case of a defeasance in accordance with the Indenture. See Appendix A and Section 3.1 of the Guarantee Agreement in Appendix J.

Each instance of providing amounts to the Trustee for deposit into the Reserve Account, or for payment in the event of a Bankruptcy Recovery, constitutes an “advance.” The Guarantee Agreement provides that the total amount of funds to be advanced by the City pursuant to the Guarantee Agreement shall not exceed the principal amount of the 2024 Bonds issued, plus an amount necessary to make the originally scheduled interest payments on those 2024 Bonds as shown in the Bond Debt Service Schedule attached to the Guarantee Agreement.

Time of Making Advances. Under the Guarantee Agreement, City funds are required to be advanced at such time, if any, as the amount available to the Trustee to replenish the Reserve Account is insufficient to meet the Reserve Requirement, according to the procedures described below. In addition, the Guarantee Agreement provides that in the event that the Trustee has notice of any Bankruptcy Recovery and sufficient funds are not otherwise available to the Trustee, the City shall, upon not less than 45 days’ notice from the Trustee, make an advance to the Trustee for payment to such Bondowner in the amount of such Bankruptcy Recovery. On each Reserve Account Reconciliation Date the Trustee will determine whether a Reserve Deficiency exists. Whenever the Trustee determines that a Reserve Deficiency exists on a Reserve Account Reconciliation Date, the Trustee will provide a Reserve Deficiency Notice to the Authority, the Museum and the City within two Business Days after that Reserve Account Reconciliation Date. After receipt of such Reserve Deficiency Notice, the City shall, no later than 10:00 a.m., Seattle time, on the day prior to the next Interest Payment Date, deliver to the Trustee the Reserve Deficiency for deposit into the Reserve Account.

Nature of the City’s Obligation. The Guarantee Agreement provides that the City’s obligation to advance funds to the Trustee in connection with the 2024 Bonds in the amounts, at the times and in the manner described in the Guarantee Agreement shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise and shall not be relieved upon the breach of a representation or warranty, or upon a Declaration of Default or the occurrence of an Event of Default under the Guarantee Agreement. The full faith, credit and resources of the City are to be pledged thereunder irrevocably for the payment to the Trustee of the required advances, payable in the amounts, at the times and in the manner described in the Guarantee Agreement. The City includes the outstanding principal amount of all City-guaranteed debt for purposes of calculating its legal debt capacity under state and constitutional limits. See Table 20 in Appendix A to this Official Statement. The Guarantee Agreement provides that the City’s obligation under the Guarantee Agreement shall terminate upon the repayment, purchase and retirement, redemption or defeasance in full of all of the 2024 Bonds. The Guarantee Agreement also provides that notwithstanding the foregoing and except in the case of a defeasance in accordance with the Indenture, the City shall remain obligated to make advances to the Trustee in the event of a Bankruptcy Recovery. See Section 3.1 of the Guarantee Agreement, attached as Appendix J.

City Security. As security for the Authority’s obligation to reimburse the City for advances made under the Guarantee Agreement, together with interest thereon, and as security for the Authority’s obligation to reimburse the City for advances made under the Guarantee Agreement with respect to the 2024 Bonds, the Authority has granted to the City a deed of trust on the Authority’s downtown art museum building as well as the MDA Unit (as defined in the Guarantee Agreement). In addition, the Authority has granted to the City an assignment of the Authority’s rights under an Assignment of Rent Proceeds and Negative Pledge Agreement from the Museum to the Authority with

respect to the Office Unit (the “Assignment of Rent Proceeds”). The Museum has placed into escrow a deed of trust on the Office Unit, to be recorded in the event the Museum fails to comply with its covenants to the City. The standby deed of trust on the Office Unit is also to be recorded upon the happening of an event described in Section 5.12 of the Guarantee Agreement. ***Neither deed of trust on the MDA Unit or the Office Unit nor the Assignment of Rent Proceeds is provided for the benefit of the Bondowners. The deeds of trust and Assignment of Rent Proceeds are pledged solely to the Authority and/or to the City.***

The form of the Guarantee Agreement, except the exhibits thereto, is attached as Appendix J. See also Appendix C—“SEATTLE ART MUSEUM—Covenants to the City regarding MDA Unit and Office Unit.”

### **Additional Bonds for Refunding Purposes**

The Authority may issue Additional Bonds for the purpose of refunding all or a portion of the 2024 Bonds upon the written request of the Museum. **The 2024 Bonds are not subject to optional redemption prior to maturity.** See “THE 2024 BONDS—Redemption Provisions.”

The Indenture provides that such Additional Bonds shall be secured by a lien on the Trust Estate on a parity with the lien that secures the 2024 Bonds and any Additional Bonds theretofore or thereafter issued. Additional Bonds are to be issued in such series and principal amounts, and are to be dated, bear interest at such rate or rates, have such terms, be subject to redemption at such times and prices and mature in such years as set forth in a Supplemental Indenture.

The Trustee is required, at the request of the Authority, to authenticate and deliver the Additional Bonds as specified in the request, but only upon receipt of the following:

- (1) certificates of the Authority stating that the annual debt service on such Additional Bonds will not exceed the annual debt service on the 2024 Bonds to be refunded with proceeds of such Additional Bonds;
- (2) an amendment or supplement to the Lease requiring the Museum to make rent payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on all Outstanding 2024 Bonds and the Additional Bonds to be issued when due or upon the prior redemption thereof; and an amendment or supplement to the Guarantee Agreement confirming the City’s obligation to replenish the debt service reserve account for the Additional Bonds when and to the extent necessary in order to guarantee the timely payment of the principal of and interest on all Outstanding 2024 Bonds and the Additional Bonds to be issued; and
- (3) an Opinion of Bond Counsel to the effect that upon issuance of such Additional Bonds, the 2024 Bonds to be refunded with proceeds of such Additional Bonds will no longer be Outstanding. See Appendix G – “FORM OF THE INDENTURE.”

If requested by the Authority, the Trustee may, without the consent of the Bondowners but only after the written consent of both the Museum and the City have been obtained, permit a parity of lien on the Revenues in order to secure additional indebtedness of the Museum. **The 2024 Bonds are not subject to optional redemption prior to maturity.** See “THE 2024 BONDS—Redemption Provisions.”

### **Limited Obligations**

The Authority is organized pursuant to the Enabling Act. RCW 35.21.750 PROVIDES THAT ALL LIABILITIES INCURRED BY THE AUTHORITY SHALL BE SATISFIED EXCLUSIVELY FROM THE ASSETS AND PROPERTIES OF THE AUTHORITY AND NO CREDITOR OR OTHER PERSON SHALL HAVE ANY RIGHT OF ACTION AGAINST THE CITY ON ACCOUNT OF ANY DEBTS, OBLIGATIONS, OR LIABILITIES OF SUCH AUTHORITY.

The City’s obligation under the Guarantee Agreement to make advances into the Reserve Account under certain circumstances described therein will be an obligation of the City for the benefit of the Authority, and all right, title



and interest of the Authority in, to and under the Guarantee Agreement, except the Authority’s rights retained under the Guarantee Agreement (including, but not limited to, reports and notices) is pledged and assigned to the Trustee as part of the Trust Estate pursuant to the Indenture.

**No Acceleration**

Upon the occurrence and continuance of a Default or Event of Default under the Indenture, payment of the principal of and accrued interest on the Bonds (including the 2024 Bonds) is not subject to acceleration of principal due prior to maturity. Payments of debt service on Bonds are required to be made only as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, Bondowners could be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies described in the Indenture. See Appendix G—“FORM OF THE INDENTURE—Defaults; Events of Default; Remedies.”

**Debt Service Schedule**

The table below displays debt service payments, for the 2024 Bonds on an annual basis. Upon the issuance of the 2024 Bonds, all of the 2014 Bonds will be defeased and the 2024 Bonds will be the only Authority bonds outstanding.

**TABLE 3  
SCHEDULE OF BOND DEBT SERVICE**

Calendar Year	The 2024 Bonds <sup>(1)</sup>		Total <sup>(2)</sup>
	Principal	Interest	
2024	--	\$	\$
2025	\$1,515,000		
2026	2,550,000		
2027	2,680,000		
2028	2,810,000		
2029	2,955,000		
2030	3,100,000		
2031	3,250,000		
Total <sup>(2)</sup>	\$18,860,000	\$	\$

(1) Preliminary, subject to change  
(2) Totals may not foot due to rounding

**THE CITY**

Incorporated in 1869, the City is the largest city in the Pacific Northwest and is the county seat of King County. The City’s elected officials include a mayor, nine City Council members and a city attorney. The City is obligated to replenish the Reserve Account for the Bonds in accordance with the Guarantee Agreement. See “SECURITY FOR THE 2024 BONDS—Guarantee Agreement.” Certain financial and other information about the City is included in Appendix A.

The City is obligated in accordance with the Guarantee Agreement to provide continuing disclosure including providing annual financial information 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, 2024. 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 the Rule. The City’s review of its compliance during the past five years did not reveal any failure to comply, in a material respect, with any undertakings in effect during this time. See Appendix K.

## THE AUTHORITY

The Museum Development Authority of Seattle was chartered by the City in 1985 as a public corporation. The purpose of the Authority, pursuant to its Charter, is to undertake, assist with and otherwise facilitate the development and operation of public art museum facilities in conjunction with the Seattle Art Museum, including but not limited to a downtown art museum and a public sculpture park adjacent to Myrtle Edwards Park and the Seattle Central Waterfront.

Under its Charter, the Authority is specifically charged as follows: “To the extent appropriate and consistent with the needs and objectives of the City and with the promotion and cultivation of fine arts, the Authority will acquire and manage real property (including property for future museum expansion); secure financing; undertake environmental cleanup, construction and development of structures and other facilities and improvements; and otherwise accomplish all purposes required for development of public art museum facilities in conjunction with the Seattle Art Museum, including but not limited to a downtown art museum and a public sculpture park adjacent to Myrtle Edwards Park and the Seattle Central Waterfront. The Authority shall have no purposes other than the development, operation and maintenance of public art museum facilities in conjunction with the Seattle Art Museum, including but not limited to a downtown art museum and a public sculpture park adjacent to Myrtle Edwards Park and the Seattle Central Waterfront.”

Pursuant to its Charter, the Authority is granted all powers necessary or convenient to effect the purposes for which the Authority is organized and to perform authorized Authority functions, including among others, the power to own and sell real and personal property; to contract, to sue and be sued in its name; to lend and borrow money; to issue negotiable bonds and notes in conformity with Seattle Municipal Code 3.110.420 and applicable provisions of the Uniform Commercial Code and state law in such principal amounts as, in the discretion of the Authority Council, shall be necessary or appropriate to provide sufficient funds for achieving any Authority purposes; to purchase, lease, exchange, mortgage, encumber, improve, use, or otherwise transfer or grant security interests in real or personal property or any interests therein; to contract regarding the income or receipts from real property; to transfer any funds, real or personal property, property interests, or services; to do anything a natural person may do; and to exercise and enjoy such powers as may be authorized by law.

Pursuant to RCW 35.21.745 the City is required to provide for the Authority’s organization and operations and shall control and oversee its operation and funds in order to correct any deficiency and to assure that the purposes of each program undertaken are reasonably accomplished. All liabilities incurred by the Authority are to be satisfied exclusively from the assets and properties of the Authority and no creditor or other person is to have any right of action against the City on account of any debts, obligations, or liabilities of the Authority. Under the Guarantee Agreement, the full faith, and credit and resources of the City will be pledged for the payment of the required advances, payable in the amounts, at the times and in the manner described therein.

The Authority’s financial statements are audited annually by an independent auditing firm (currently, Clark Nuber PS, Bellevue, Washington) (the “Independent Auditor”). The Authority is also subject to review by the State Auditor. A copy of the Independent Auditor’s report and financial statements of the Authority for the years ended June 30, 2023 and June 30, 2022 is attached as Appendix E.

A nine-member volunteer council governs the Authority. Each member is selected or appointed to the Council to serve a three-year term. The City Mayor appoints three members of the Council. Three are selected by the Museum’s Board of Trustees, and the final three are selected by the Authority itself. All appointees are subject to confirmation by the City Council.

The following chart identifies the current Council members, terms and appointing entities.

**TABLE 4  
COUNCIL MEMBERS OF THE AUTHORITY**

Councilmember	Term Ends <sup>(1)</sup>	Appointed By
Robert Strong, Chair	July 11, 2024	Seattle Art Museum
Douglas Norberg, Vice Chair	July 13, 2026	Seattle Art Museum
Rosita Romero	July 31, 2025	Mayor, City of Seattle
Robert D. Kaplan	July 31, 2025	Seattle Art Museum
Dorothy Holland Mann	July 31, 2025	MDA Governing Council
Vacant		Mayor, City of Seattle
Douglass A. Raff	July 11, 2024	MDA Governing Council
Robert Flowers	July 13, 2026	Mayor, City of Seattle
Stephanie Ellis-Smith	July 11, 2024	MDA Governing Council

<sup>(1)</sup> Under the Authority’s Charter, Councilmember terms continue until re-appointment or selection and qualification of a successor.

Pursuant to the Lease, the Museum is responsible for paying all operating expenses and costs of the Authority. The Authority has no staff.

Since its creation, the Authority has not been in default in the payment of principal of or interest on any of its bond indebtedness or in any other material respect, nor have any material agreements or legal proceedings with respect thereto been declared invalid or unenforceable.

Except for the 2014 Bonds (and upon their issuance, the 2024 Bonds), the Authority has no outstanding debt. Upon the issuance of the 2024 Bonds, the net proceeds of the 2024 Bonds will be applied to defease the 2014 Bonds and thereupon the 2014 Bonds will no longer be outstanding.

#### THE MUSEUM

The Museum is a nonprofit corporation described under Section 501(c)(3) of the Code. Pursuant to the Lease, the Museum has leased from the Authority through December 31, 2103, the downtown Seattle Art Museum. See Appendix C—“SEATTLE ART MUSEUM” and Appendix D—“SEATTLE ART MUSEUM INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS, JUNE 30, 2023 AND 2022.”

#### THE TRUSTEE AND LOCKBOX AGENT

The Authority has appointed U.S. Bank Trust Company, National Association, a national banking association organized under the laws of the United States, to serve as Trustee. The Trustee is a national banking association organized and existing under the laws of the United States of America, having all of the powers of a bank, including trust powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System. The Trustee is to carry out those duties assignable to it under the Indenture. Pursuant to the Guarantee Agreement, U.S. Bank Trust Company, National Association has also been appointed to serve as Lockbox Agent. Except for the contents of this section, neither the Trustee nor the Lockbox Agent has reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture or the 2024 Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, neither the Trustee nor the Lockbox Agent has oversight responsibility, nor is accountable, for the use or application by the Authority of any of the 2024 Bonds authenticated or delivered pursuant to the Indenture or for the use or application of the proceeds of such 2024 Bonds by the Authority. The Trustee and Lockbox Agent has not evaluated the risks, benefits, or propriety of any investment in the 2024 Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as

security for the 2024 Bonds, or the investment quality of the 2024 Bonds, about all of which the Trustee and Lockbox Agent expresses no opinion and expressly disclaims the expertise to evaluate.

The mailing address of the Trustee and Lockbox Agent is U.S. Bank Trust Company, National Association, 1420 Fifth Avenue, 10th Floor, PD-WA-T10W, Seattle, Washington 98101, Attention: Corporate Trust Services. Additional information about the Trustee and Lockbox Agent may be found at its website at <http://www.usbank.com/corporatetrust>. The U.S. Bank website is not incorporated into this Official Statement by such reference and is not a part hereof.

## **TAX MATTERS**

### **General**

In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 2024 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code. Interest on the 2024 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the 2024 Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. The proposed form of opinion of Bond Counsel with respect to the 2024 Bonds to be delivered on the date of issuance of the 2024 Bonds is set forth in Appendix H.

The Code contains a number of requirements that apply to the 2024 Bonds, and the Authority and the Museum have made certain representations and have covenanted to comply with each such requirement. Bond Counsel's opinion assumes the accuracy of the representations made by the Authority and the Museum and is subject to the condition that the Authority and the Museum comply with the above-referenced covenants. If the Authority or the Museum fails to comply with such covenants or if the Authority's or Museum's representations are inaccurate or incomplete, interest on the 2024 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2024 Bonds.

Failure of the Museum to be organized and operated in accordance with the IRS's requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code or to operate the facilities financed or refinanced by the 2024 Bonds in a manner that is substantially related to its charitable purpose under Section 513(a) of the Code may result in interest on the 2024 Bonds being included in federal gross income, possibly from the date of original issuance the 2024 Bonds.

Except as expressly stated herein, Bond Counsel expresses no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2024 Bonds, or the amount, accrual or receipt of interest on, the 2024 Bonds. Owners of the 2024 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2024 Bonds.

### **Original Issue Premium and Discount**

If the initial offering price to the public at which a 2024 Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes. If the initial offering price to the public at which a 2024 Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes.

Under the Code, original issue discount is treated as interest excluded from federal gross income to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the 2024 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such 2024 Bond to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such 2024 Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2024 Bonds who purchase the 2024 Bonds after the initial offering of a substantial amount of such maturity. Owners of such 2024 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2024 Bonds with original issue discount, including the treatment of purchasers who do not purchase in

the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such 2024 Bonds under the federal alternative minimum tax.

Under the Code, original issue premium is amortized on an annual basis over the term of the 2024 Bond. The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the 2024 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a 2024 Bond is amortized each year over the term to maturity of the 2024 Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized 2024 Bond premium is not deductible for federal income tax purposes. Owners of premium 2024 Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax consequences of owning such 2024 Bonds.

### **Post Issuance Matters**

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2024 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or Museum, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS.

Bond Counsel's engagement with respect to the 2024 Bonds ends with the issuance of the 2024 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Museum or the Owners regarding the tax-exempt status of the 2024 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the 2024 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the 2024 Bonds, and may cause the Authority, the Museum or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2024 Bonds. Prospective purchasers of the 2024 Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

### **Not Bank Qualified**

The Authority has not designated the 2024 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

## **CERTAIN INVESTMENT CONSIDERATIONS**

*Prospective purchasers of the 2024 Bonds should consider the matters set forth below as well as other information contained in this Official Statement in evaluating an investment in the 2024 Bonds. This section does not purport to be a comprehensive list or description of all potential risks which, if realized, could adversely affect the payment or the value of the 2024 Bonds. The order of presentation of these factors below is not intended to create any implication as to the relative importance of any one risk factor over another.*

### **Bankruptcy**

Any remedies available to the owners of the 2024 Bonds upon the occurrence of an event of default under the Indenture 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 Authority fails to comply with its covenants under the Indenture or to pay principal of or interest on the 2024 Bonds, if the Museum fails to comply with its covenants under the Lease or to pay rent due to the Authority, or if the City fails to comply with its covenants and obligations under the Guarantee Agreement, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the 2024 Bonds.

As a nonprofit corporation, the Museum is subject to voluntary and involuntary dissolution, and subsequent distribution of its assets, as provided under RCW 24.03.220 through RCW 24.03.3025. The rights and remedies provided in the Lease may be limited by federal bankruptcy laws, as now or hereafter enacted, and other applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The Lease may be subject to rejection or assumption in such proceedings. Likewise, the Office Space Lease is subject to rejection or assumption in the event of a bankruptcy or insolvency of the tenant. Payments under the leases may be delayed or reduced significantly. Payments under the Office Space Lease provide funds to the Museum, and payments from the Museum under the Lease are the Authority's source of payment for debt service on the 2024 Bonds. In the event of a delay or reduction of payments under the Lease, the Trustee may be required to draw on the Reserve Account and, if unable to replenish the Reserve Account within the time frame required under the Guarantee Agreement, draw on the Guarantee Agreement. The Museum can provide no assurance regarding the availability and timing of payments under the Office Space Lease, and the Authority can provide no assurance regarding the availability and timing of payments under the Lease, in the event of bankruptcy or insolvency.

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"). A creditor, however, cannot bring an involuntarily bankruptcy proceeding against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code. Chapter 39.64 RCW, entitled the "Taxing District Relief Act," permits any "taxing district" (defined to include cities) to voluntarily petition for relief under the Bankruptcy Code.

The City will pledge its full faith, credit and resources to the payment of its obligations under the Guarantee Agreement. The City's obligation is not a secured obligation, however, and 2024 Bondowners do not have a statutory lien, budgetary priority or any security interest in City revenues or assets to secure performance of the Guarantee Agreement.

2024 Bondowners are not beneficiaries of any deed of trust on the downtown Seattle Art Museum or the Office Unit. Certain security documents are provided for the benefit of the City and/or the Authority. See "SECURITY FOR THE 2024 BONDS—GUARANTEE AGREEMENT—CITY SECURITY." *None of the deeds of trust on the downtown Seattle Art Museum or the Office Unit or the Assignment of Rent Proceeds is provided for the benefit of the 2024 Bondowners. The deed of trust on the downtown Seattle Art Museum, the springing deed of trust on the Office Unit, and Assignment of Rent Proceeds from the Office Space Lease are pledged solely to the Authority and/or to the City.*

Pursuant to RCW 35.21.750, in the event of the insolvency or dissolution of a public corporation such as the Authority, the superior court of the county in which the public corporation is or was operating has jurisdiction and authority to appoint trustees or receivers of corporate property and assets and supervise such trusteeship or receivership.

The various legal opinions to be delivered concurrently with the delivery of the 2024 Bonds will be qualified as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally.

Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2024 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may result in delay, limitation, or modification of their rights.

#### **Limitations on Remedies**

Any remedies available to the owners of the 2024 Bonds upon the occurrence of an event of default under the Indenture 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 Authority fails to comply with its covenants or to pay principal of or interest on the 2024 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of such 2024 Bonds.

The rights and obligations under the 2024 Bonds and the Indenture 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 to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the 2024 Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A copy of the form of legal opinion of Bond Counsel is set forth in Appendix H.

### **Investment of Funds Risk**

The Museum invests its endowment pursuant to investment policies adopted from time to time by its Board of Trustees. All investments made by the Museum contain a degree of risk. Risks include, but are not limited to, the possibility of a lower rate of return than expected, loss of market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts invested by the Museum could adversely affect the financial position of the Museum.

### **Gifts and Fundraising**

The Museum receives gifts, grants and donations from private and public sources. For a variety of reasons, the amount of annual gifts and fundraising results are difficult to project with precision. These reasons include the voluntary nature of charitable giving, the effect of the general and local economy on giving, the unpredictability of the effectiveness of the marketing of a fundraising campaign, the varying tax treatments of the deductibility of gifts and many other factors. A failure to attain sufficient levels of gifts and support could adversely affect the Museum's ability to maintain its current level of operations and affect the Museum's financial position.

### **Seismic, Wildfire, Drought, Volcanic, Flooding, and Other Risks**

The Authority and Museum facilities are near a waterfront and located in an area of seismic activity, with frequent small earthquakes and occasional moderate and larger earthquakes. The most recent notable earthquake in the state, which measured 6.8 on the Richter Scale, occurred in 2001. Neither the Authority nor the Museum can give any assurance regarding the effect of an earthquake, a tsunami from seismic activity, a volcano or other natural disaster, or that proceeds of insurance carried by the Authority and Museum would be sufficient, if available, to rebuild the Authority and Museum facilities, or that Authority and Museum facilities could or would be rebuilt and reopened following a major earthquake or natural disaster.

The State is in an area of seismic activity, with frequent small earthquakes and occasional moderate to larger earthquakes. The Western United States, including the State, has also recently experienced an increase in major wildfires causing extensive damage in certain areas and diminishing air quality. In addition, the State has experienced mudslides, floods, droughts, windstorms, and volcanic eruptions (including Mt. St. Helens in 1980). Climate change may intensify and increase the frequency of extreme weather events, such as drought, wildfires, floods and heat waves.

The loss of life and property damage that could result from a major earthquake, volcanic eruption, flood, wildfire or other natural disaster could have a material and adverse impact on the Authority or Museum. The Authority and Museum can give no assurance that insurance reserves or proceeds of insurance would be sufficient, if available, to rebuild and reopen facilities, or that facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major disaster.

### **Public Health**

The Museum has provided information in this Official Statement to describe how the COVID-19 pandemic and related orders impacted the Museum's finances and operations, and to describe actions the Museum took in response to these developments. Given trends in globalization, additional pandemics and other public health emergencies

may occur with greater frequency and intensity in the future. See Appendix C: “SEATTLE ART MUSEUM—Response to COVID-19.”

### **Competition**

Attendance at the Museum will be affected by competition from other cultural and entertainment venues and activities in the greater Seattle area. There are numerous other educational, scientific, and cultural programs in the area providing educational and other programs which could compete with those at the Museum. Competition from other educational and cultural institutions could affect the Museum’s fundraising efforts, as many of these institutions are actively seeking grants and donations from similar sources.

### **Cybersecurity**

The Authority and Museum rely on technology to conduct its operations. A major cybersecurity breach could cause damage to Authority or Museum systems, material disruption to operations and services, data loss, exposure of protected/sensitive data, and/or result in stolen funds. Security breaches could also expose the Authority or Museum to litigation and other legal risks, which could cause the Authority or Museum to incur costs related to legal or regulatory claims. The cost to remedy damage caused by a cyberattack, or to protect against future attacks could be substantial. Although the Museum does not believe that its information systems are at a materially greater risk of cybersecurity attacks than other similarly situated entities, any such disruption, access, disclosure, or other loss of information could result in reputational damage to the Museum and may have a material adverse effect on the Museum’s operations and financial condition. Further, as cybersecurity threats continue to evolve, the Museum may be required to expend significant additional resources to continue to modify and strengthen security measures, investigate and remediate any vulnerabilities, or invest in new technology designed to mitigate security risks. To date, the Authority and Museum have not experienced any loss or major interruptions due to cybersecurity incidents.

To mitigate against these cybersecurity risks, the Authority and Museum have a security/cyber insurance policy. In addition, the Authority and Museum have established cybersecurity policies, practices and procedures addressing its operations, including incident response and business continuity plans, data backup policies and procedures, technology resource usage policies, and ongoing cybersecurity awareness training for employees.

### **Continuing Compliance with Tax Covenants; Changes of Law**

The Authority has covenanted in the Indenture and the Museum has agreed not to take any action that would cause the 2024 Bonds to be arbitrage bonds or that would otherwise adversely affect the federal income tax status of interest on the 2024 Bonds, and the Museum has further agreed that the Museum will conduct its operations in a manner that will result in the Museum’s continued qualification as an organization described in Section 501(c)(3) of the Code. The Authority’s and Museum’s tax certificates will contain various covenants and agreements on the part of the Authority and Museum that are intended to establish and maintain the tax-exempt status of interest on the 2024 Bonds. A failure by the Authority or Museum to comply with such covenants and agreements, including any remediation obligations, could, directly or indirectly, adversely affect the tax-exempt status of interest on the 2024 Bonds. Any loss of tax exemption could cause all of the interest received by the Owners of the 2024 Bonds to become subject to federal income taxation retroactive to the date of issuance of the 2024 Bonds.

All or a portion of interest on the 2024 Bonds also could become subject to federal income tax as a result of changes of law. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2024 Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

### **Tax-Exempt Status of the Museum**

The Museum depends on charitable contributions and tax-exempt returns on most of its investments to fund operations and capital expenditures, which in turn depends on maintenance of its status as an exempt organization under section 501(c)(3) of Code. That status depends on the Museum’s continuing compliance with general rules regarding exempt organizations, including rules requiring that the Museum operate exclusively for charitable and



educational purposes and not permit its earnings or assets to inure to the benefit of private individuals. The Museum may be audited by the IRS from time to time. If the IRS finds that the Museum has failed to observe these rules, it could impose sanctions and monetary penalties on the Museum, impose tax on income of the Museum determined to be from an unrelated business, or even revoke the Museum's tax-exempt status. The possible modification or repeal of certain existing federal income tax laws, the change of IRS policies or positions, the change of the Museum's method of operation, purposes or other factors could result in a loss by the Museum of its tax-exempt status.

The Museum has agreed in its tax certificate to remain eligible for such tax-exempt status and to avoid operating the Museum facilities in a manner which would cause the Museum to lose its tax-exempt status. If the Museum were to lose its tax-exempt status, its ability to continue to attract charitable contributions and earn tax-free returns on most of its investments, and therefore its general financial prospects, would be materially adversely affected. Failure of the Museum facilities to remain so qualified or of the Museum to maintain its tax-exempt status could result in the loss of excludability of interest on the 2024 Bonds from gross income for purposes of federal income taxation.

Most of the Museum's real and personal property is currently exempt from property taxes. If legislation is adopted in the future to revoke or heavily condition the Museum's exemption, then the Museum's future financial prospects could be materially adversely affected.

### **MUNICIPAL ADVISOR**

PFM Financial Advisors LLC is serving as Municipal Advisor to the Authority relative to the preparation of the 2024 Bonds for sale, timing of the sale and other factors relating to the 2024 Bonds. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the 2024 Bonds. PFM Financial Advisors LLC makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The Municipal Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities.

### **UNDERWRITING**

The 2024 Bonds are to be purchased from the Authority by Raymond James & Associates, Inc. (the "Underwriter") pursuant to the terms of a Bond Purchase Agreement (the "Bond Purchase Agreement") between the Underwriter and the Authority. The purchase price of the 2024 Bonds is \$ \_\_\_\_\_, representing the aggregate principal amount of the 2024 Bonds (\$ \_\_\_\_\_), plus [net] original issue premium/discount of \$ \_\_\_\_\_, and less Underwriter's discount of \$ \_\_\_\_\_. The Bond Purchase Agreement provides that the Underwriter will purchase all of the 2024 Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, including receipt of Letters of Representation from the Museum and the City and the approval by counsel of certain legal matters.

The initial public offering prices or yields set forth on the inside front cover page may be changed from time to time by the Underwriter without prior notice. The Underwriter may offer and sell the 2024 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover page.

The Underwriter intends to offer the 2024 Bonds for sale at the prices or yields set forth on the inside cover page hereof. Such initial public offering prices or yields may be changed from time to time by the Underwriter without prior notice. The Underwriter may offer and sell the 2024 Bonds to certain dealers, unit investment trusts or money market funds at prices lower than or at yields higher than the public offering prices or yields stated on the inside cover page.

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

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

## **INDEPENDENT AUDITORS**

The Independent Auditor's Report and consolidated financial statements of the Museum for the years ended June 30, 2023 and June 30, 2022, appearing in Appendix D to this Official Statement have been audited by Clark Nuber PS, Bellevue, Washington, independent auditors (the "Independent Auditor"), as set forth in its report. The audited financial statements included in Appendix D are the consolidated statements of the Museum and SAM-SAAM Renovation LLC, SAAM Building Landlord, LLC, and SAAM Building Master Tenant, LLC, separate entities that are not a party to any of the documents described herein, including without limitation the Lease and the Guarantee Agreement. The LLCs were formed for the purpose of receiving historic tax credit funding as part of the Seattle Asian Art Museum (SAAM) renovation project.

The Independent Auditor's Report and financial statements of the Authority for the years ended June 30, 2023 and June 30, 2022 appearing in Appendix E to this Official Statement have also been audited by the Independent Auditor, as set forth in its report.

The Independent Auditor has consented to the inclusion of the Independent Auditor's Report and consolidated financial statements of the Museum and the Independent Auditor's Report and financial statements of the Authority in Appendices D and E, respectively, of this Official Statement. The Independent Auditor's review in connection with the Independent Auditor's Report and consolidated financial statements of the Museum and the Independent Auditor's Report and financial statements of the Authority in Appendices D and E, respectively, of this Official Statement included events only as of June 30, 2023, and no review or investigation with respect to subsequent events has been undertaken in connection with such financial statements by the Independent Auditor.

The Washington State Auditor (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 Constitution of the State, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The City's Comprehensive Annual Financial Report may be obtained from the Department of Finance and Administrative Services and is available at <https://www.seattle.gov/investor-relations>, which website is not incorporated herein by reference. The City's Comprehensive Annual Financial Report for the year ended December 31, 2023 is attached as Appendix B to this Official Statement.

## **CONFLICTS OF INTEREST**

Some or all of the fees of the Underwriter, Trustee, Lockbox Agent, the Municipal Advisor, counsel to the Museum, counsel to the Underwriter, counsel to the City, Bond Counsel and Disclosure Counsel are contingent upon the issuance and sale of the 2024 Bonds. Bond Counsel is also serving as Disclosure Counsel to the Authority and the Museum and as counsel to the Museum and the Authority in connection with the Guarantee Agreement and related agreement amendments. None of the members or other officers of the Authority or the Museum have interests in the issuance of the 2024 Bonds that are prohibited by applicable law.

## **RATING**

A rating of “AAA” has been assigned to the 2024 Bonds by S&P Global Ratings (“S&P”) with the understanding that the Guarantee Agreement will be executed and delivered by the City on or prior to the date of closing of the 2024 Bonds. Such rating reflects only the views of the rating organization and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the 2024 Bonds.

## **ABSENCE OF LITIGATION**

It is one of the several conditions to the Underwriter’s agreement to accept delivery of the 2024 Bonds at closing that the Authority deliver a certificate stating among other things that there is no proceeding pending or threatened to restrain or enjoin the issuance, sale or delivery of the 2024 Bonds, or in any way contesting or affecting the validity of the 2024 Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the pledge or application of the Trust Estate or the existence or powers of the Authority insofar as they relate to the authorization, sale and issuance of the 2024 Bonds or such pledge or application of money and securities. The Museum and the City are likewise required to deliver certificates regarding the absence of litigation challenging the authorization or enforceability of the Lease or Guarantee Agreement, respectively.

There is no litigation pending with process properly served on the City questioning the validity of the Guarantee Agreement or the power and authority of the City to enter into the Guarantee Agreement or the power and authority of the City to levy and collect the taxes pledged to the payment of the City’s obligations under the Guarantee Agreement. There is no litigation pending or threatened which would materially affect the City’s ability to meet its obligations under the Guarantee Agreement. Because of the nature of its activities, the City is subject to certain pending legal actions which arise in the ordinary course of business. Based on the information currently known, the City believes that the ultimate liability for any of such legal actions will not be material to the financial position of the City.

Various lawsuits and claims are pending against the City involving claims for money damages. (See the discussion of claims in Appendix B—“CITY OF SEATTLE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023”.) Based on its past experience, the City has concluded that its ability to perform its obligations under the Guarantee Agreement on a timely basis will not be impaired by the aggregate amount of uninsured liabilities of the City and the timing of any anticipated payments of judgments that might result from suits and claims.

## **CERTAIN LEGAL MATTERS**

All legal matters in connection with the issuance of the 2024 Bonds are subject to the approval of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. Certain legal matters will be passed upon by Pacifica Law Group LLP, as disclosure counsel to the Authority and the Museum and Counsel to the Authority and the Museum in connection with the Guarantee Agreement and related agreement amendments, for the Underwriter, by Orrick, Herrington & Sutcliffe LLP, counsel to the Underwriter, and for the City by Stradling Yocca Carlson & Rauth LLP, counsel to the City. Any opinion of Underwriter’s counsel will be addressed solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors.

**CONTINUING DISCLOSURE**

The Authority and the Museum are covenanting for the benefit of the holders and beneficial owners of the 2024 Bonds to provide certain financial information (including annual financial statements) and operating data (in each case, an “Annual Disclosure Report”) by not later than nine months following the end of the Authority’s and Museum’s fiscal years (which in each case currently would be March 31, 2025, for reports for the 2024 fiscal year). The Authority also is covenanting to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Disclosure Report of the Authority and the Museum and in the Authority’s notices of listed events is set forth in Appendix K. A description of the City’s continuing disclosure undertaking also is set forth in Appendix K. These covenants are made by the Authority, the Museum and the City to assist the Underwriter of the 2024 Bonds in complying with the Rule.

The Authority and the Museum entered into continuing disclosure undertakings with respect to the 2005 Bonds and the 2014 Bonds. The Authority failed to file audited financial statements as required by its undertaking with respect to the 2014 Bonds and the Museum failed to file audited financial statements and annual operating information as required by its undertaking with respect to the 2014 Bonds. On June 20, 2024, the Authority and the Museum filed this information for the years ended June 30, 2019 through June 30, 2023, together with notice of the failure to file. The Authority and the Museum will engage U.S. Bank Trust Company, National Association to serve as dissemination agent in connection with their undertakings with respect to the 2024 Bonds.

**MISCELLANEOUS**

All of the summaries or descriptions of provisions of the Indenture, the Lease, and the Guarantee Agreement and other documents are made subject to all of the provisions of law and such documents, and these summaries do not purport to be complete statements of such provisions. Reference is hereby made to such documents for further information in connection therewith. The form of the Guarantee Agreement, except for exhibits thereto, is attached as Appendix J. Copies of the other aforementioned documents may be obtained from the Trustee in Seattle, Washington.

Statements in this Official Statement, including matters of opinion, projections and forecasts, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority, the Museum or the City and the purchasers of the 2024 Bonds.

The agreements of the Authority with the Bondowners are fully set forth in the Indenture. Any statements herein involving matters of opinion or estimates, whether or not expressly so stated, are intended merely as such and not as representations of fact. This Official Statement has been approved by the Authority and the Museum.

MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

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

THE SEATTLE ART MUSEUM

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

## APPENDIX A

### INFORMATION REGARDING THE CITY OF SEATTLE

#### THE INTRODUCTION

This Appendix provides an overview of the government, operations, budgeting, revenues, expenditures, outstanding debt, and other material financial obligations of The City of Seattle (the “City”) as of the date of the Preliminary Official Statement dated July 8, 2024, in connection with the issuance by the Museum Development Authority of Seattle’s Special Obligation Refunding Bonds, 2024 (the “2024 MDA Refunding Bonds”), expected to be issued on or about July 31, 2024.

#### THE CITY OF SEATTLE

The following provides general information about the City.

##### **Municipal Government**

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

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

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

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

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

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

##### **Budgeting and Forecasting**

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

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

Additional information on the CBO as well as current and past adopted budgets can be found at <https://www.seattle.gov/city-budget-office>.

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

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

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

In addition, the Forecast Office staffs the Forecast Council, develops economic and revenue forecasts, conducts special studies at the request of the Forecast Council, and provides *ad hoc* analytical support on economic and revenue estimation for legislative and executive staff consistent with its work program. Additional information on the Forecast Office, as well as the economic and revenue forecasts produced, can be found at <https://www.seattle.gov/economic-and-revenue-forecasts>.

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

The 2024 budget was adopted by Ordinance 126955, passed by the City Council on November 21, 2023. The City’s adopted General Operating Fund budget was approximately \$1.623 billion in 2023 and is approximately \$1.698 billion in 2024. See “—The City Budget Office.”

## **Fiscal Reserves**

*Emergency Fund.* Under the authority of RCW 35.32A.060, and as regulated by Ordinance 116642 (amended by Ordinances 117977 and 125492), the City maintains the Emergency Fund (the “EMF”) of the General Fund. The EMF is the principal reserve for the City to draw upon when certain unanticipated expenses occur during the fiscal year. Eligible expenses include costs related to storms or other natural disasters. State law limits the amount of money the City can set aside in this reserve to \$0.375 per \$1,000 of assessed value of property within the City.

The City’s financial policies for the EMF establish a minimum balance of \$60 million, adjusted each year with the rate of inflation. This policy strikes a balance between ensuring that resources will be available to address unanticipated expenditures and making resources available to address current needs.

Due to the COVID-19 pandemic and related economic downturn, the City drew on the EMF and suspended its contributions in 2020 and 2021, and in 2021 amended the financial policies to require that after a severe event requiring deep or multi-year spending from the EMF, the City will return to making contributions to satisfy the target balance within a period of five years, or sooner if practically possible.

The EMF had a fund balance of \$65.0 million as of year-end 2019. In response to the COVID-19 pandemic, the City withdrew a net \$31.3 million from the EMF in 2020 and 2021. The City subsequently contributed \$10 million to the reserve in 2022 and an additional \$15 million in 2023, resulting in a fund balance in the EMF of \$58.7 million at the end of 2023. In 2024, the City has budgeted to contribute \$14.2 million as part of a plan to fund the Emergency Fund to \$73 million by year-end 2024.

*Revenue Stabilization Fund.* The City maintains the Revenue Stabilization Fund (the “RSF”) in the General Fund to be used for revenue stabilization for future City operations and to fund activities that would otherwise be reduced in scope, suspended, or eliminated due to unanticipated shortfalls in General Operating Fund revenues.

Certain required transfers into and restrictions on expenditures from the RSF are set forth in Chapter 5.80 of the SMC. All expenditures from the RSF require an ordinance, adopted following consideration of projections and recommendations for at least partial replenishment within four years. The RSF is funded by (i) one-time transfers authorized by ordinance, (ii) automatic annual transfers of 0.50% of forecast General Operating Fund tax revenues, and (iii) upon completion of fiscal year accounting, automatic transfer of 50% of the ending balance in the General Operating Fund, less encumbrances, carryforwards as authorized by ordinance or State law, and planned reserve amounts reflected in the adopted budget, that is in excess of the latest revised estimate of the unreserved ending fund balance for that closed fiscal year (as published in the adopted budget). The phrase “tax revenues” means all tax revenues deposited into the General Operating Fund, including but not limited to tax revenue from the regular property tax levy, business and occupation tax, utility business taxes, the portion of admissions tax not dedicated to the Arts and Culture Fund, leasehold excise tax, gambling taxes, and sales and use taxes.

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

To respond to the COVID-19 pandemic, the City withdrew a net \$51.7 million from the RSF in 2020 and 2021, reducing the ending fund balance from \$57.8 million at the end of 2019 to \$6.0 million at the end of 2021. Based on the automatic transfer mechanism described above, the City made a deposit of \$55.7 million to the RSF in 2022 and \$3.6 million in 2023, resulting in an RSF ending fund balance of \$65.3 million at the end of 2023, an increase of \$7.5 million over pre-pandemic levels. The City’s 2024 Adopted Budget plans to fund the RSF to \$67.6 million by year-end 2024.

The combined fund balance of these two reserves is projected to reach \$159 million by year-end 2026.

## **Financial Management**

City financial management functions are provided by the Office of City Finance within the Department of Finance and Administrative Services. The Director of Finance is a charter position appointed by the Mayor and reporting directly to the Mayor's Office, while being located within the Department of Finance and Administrative Services.

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

*Auditing.* The State Auditor is required to examine the affairs of all local governments at least once every three years; the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, compliance with the State Constitution and laws of the State, and the methods and accuracy of the accounts and reports of the City. Reports of the State Auditor's examinations are required to be filed in the office of the State Auditor and in the Department of Finance and Administrative Services. The State Auditor's Office has authority to conduct independent performance audits of State and local government entities. The Office of the City Auditor also reviews the performance of a wide variety of City activities such as span of control, City-wide collections, special events permitting, and specific departmental activities.

## **Investments**

*Authorized Investments.* Chapter 35.39 RCW permits the investment by cities and towns of their inactive funds or other funds in excess of current needs in the following: United States bonds, United States certificates of indebtedness, State bonds or warrants, general obligation or utility revenue bonds or warrants of their own or of any other city or town in the State, their own bonds or warrants of a local improvement district that are within the protection of the local improvement guaranty fund law, and any other investment authorized by law for any other taxing district. Under chapter 39.59 RCW, a city or town also may invest in the following: bonds of the State or any local government in the State; general obligation bonds of any other state or local government of any other state that have at the time of the investment one of the three highest credit ratings of a nationally recognized rating agency; registered warrants of a local government in the same county as the government making the investment; certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar-denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder; Federal Home Loan bank notes and bonds, Federal Land Bank bonds and Federal National Mortgage Association notes, debentures, and guaranteed certificates of participation, or the obligations of any other government-sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve system; bankers' acceptances purchased on the secondary market; commercial paper purchased in the secondary market, provided that any local government of the State that invests in such commercial paper must adhere to the investment policies and procedures adopted by the Washington State Investment Board; and corporate notes purchased on the secondary market, provided that any local government of the State that invests in such notes must adhere to the investment policies and procedures adopted by the Washington State Investment Board. Under chapter 43.250 RCW, local governments may invest in the Washington State Local Government Investment Pool, managed by the State Treasurer to maximize potential surplus funds while ensuring safety of those funds.

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



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

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

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

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

As of December 31, 2023, the City’s pooled investment portfolio, which excludes pensions, totaled \$3.71 billion market value. The City’s investment portfolio consists solely of City funds. As of December 31, 2023, the annualized earnings yield of the City’s investment portfolio was 3.48% for the month and 3.14% for the year. As of December 31, 2023, the weighted average maturity of the City’s investments was 733 days. Approximately 24%, or \$905 million, was invested in securities with maturities of three months or less.

Investments were allocated as follows, by market value:

U.S. Government Agencies	46%
U.S. Government	35%
State and Local Government Investment Pool	11%
Municipal Bonds	4%
Corporate Bonds	2%
U.S. Government Agency Mortgage-Backed	1%
Supranational	1%
Repurchase Agreements	1%
Commercial Paper	0%

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

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

As of December 31, 2023, the City had outstanding two interfund loans totaling approximately \$41.1 million, including interest, in the amounts of \$15.7 million and \$25.4 million.

## **Risk Management**

The City purchases excess liability insurance to address general, automobile, professional, public official, and other exposures. Currently the City’s excess liability policy provides \$20 million limits above a \$10 million self-insured retention per occurrence, but coverage excludes partial or complete failure of any of the City’s hydroelectric dams. The City also purchases all risk property insurance, including earthquake and flood perils, that provides up to \$500 million in limits subject to a schedule of deductibles and sublimits. Earthquakes and floods are subject to annual aggregate limits of \$100 million. City hydroelectric generation and transmission equipment and certain other utility systems and equipment are not covered by the property insurance policy. In 2019, the City began purchasing

cyber insurance to cover business interruption, system failure, data asset protection, event management, and privacy and network security liability.

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

### **Pension Plans**

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

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

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

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

*GASB 67/68 Reporting.* Governmental Accounting Standards Board ("GASB") Statements No. 67 ("GASB 67") and 68 ("GASB 68") modified the accounting and financial reporting of pensions by pension plans (GASB 67) and by state and local government employers (GASB 68), but did not alter the funding requirements under State law and City ordinance for members, employers, or the State. The SCERS annual financial statements beginning with the fiscal year ended December 31, 2020, and DRS's Annual Financial Report for LEOFF for the fiscal year ended June 30, 2021, were prepared in accordance with GASB 67.

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

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

Under SCERS 1, retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Retirement benefits are calculated as 2% multiplied by years of creditable service,

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

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

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

**TABLE 1  
PLAN MEMBER DEMOGRAPHIC INFORMATION, SCERS**

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

(1) Includes everyone under the age of 50.

*Source: 2023 Actuarial Valuation*

FINANCIAL CONDITION AND ACTUARIAL VALUATIONS. As a department of the City, SCERS is subject to the City’s internal control structure and is required by SMC 4.36.505.E to transmit a report to the City Council annually regarding the financial condition of SCERS (the “SCERS Annual Report”). The most recent SCERS Annual Report, for the years ended December 31, 2023, and December 31, 2022, was transmitted on June 10, 2024, by CliftonLarsonAllen LLP (the “2023 SCERS Annual Report”). The 2023 SCERS Annual Report is expected to be approved by the Board on July 11, 2024, and, when approved, will be posted on the Board’s website ([seattle.gov/retirement/about-us/board-of-administration](http://seattle.gov/retirement/about-us/board-of-administration)).

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

<https://www.seattle.gov/retirement/about-us/board-of-administration#actuarialreportsandexperiencestudies>.

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

**TABLE 2**  
**ACTUARIAL ASSUMPTIONS**

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

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

*Source: 2017-2023 Actuarial Valuations*

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

The following table provides historical plan funding information for SCERS:

**TABLE 3**  
**HISTORICAL SCERS SCHEDULE OF FUNDING PROGRESS <sup>(1)</sup>**  
**(\$000,000)**

<b>Actuarial Valuation Date (January 1)</b>	<b>Actuarial Value of Assets (AVA)<sup>(2)</sup></b>	<b>Actuarial Accrued Liability (AAL)<sup>(3)</sup></b>	<b>Unfunded AAL (UAAL)</b>	<b>Funding Ratio</b>	<b>Covered Payroll<sup>(4)</sup></b>	<b>UAAL as % of Covered Payroll</b>
2015	2,266.7	3,432.6	(1,165.9)	66.0%	630.9	184.8%
2016	2,397.1	3,605.1	(1,208.0)	66.5%	641.7	188.2%
2017	2,564.1	3,766.4	(1,202.3)	68.1%	708.6	169.7%
2018	2,755.2	3,941.8	(1,186.6)	69.9%	733.3	161.8%
2019	2,877.4	4,216.7	(1,339.3)	68.2%	779.1	171.9%
2020	3,040.7	4,411.1	(1,370.4)	68.9%	819.7	167.2%
2021	3,345.8	4,673.1	(1,327.3)	71.6%	878.2	151.1%
2022	3,717.2	4,959.0	(1,241.8)	75.0%	876.4	141.7%
2023	3,903.1	5,158.0	(1,254.9)	75.7%	972.6	129.0%
2024	4,143.7	5,470.0	(1,326.3)	75.8%	1,074.5	123.4%

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

(2) Based on five-year asset smoothing.

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

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

*Source: Annual Actuarial Valuation Reports*

In accordance with GASB 67, the 2023 SCERS audited financial statements included a calculation of TPL and NPL based on the actuarial valuation dated as of January 1, 2023, rolled forward using generally accepted actuarial procedures (assuming a 6.75% investment rate of return and 3.35% salary increases) to December 31, 2023, as follows: TPL was calculated to be \$5,352.3 million, plan fiduciary net position (“Plan Net Position”) was calculated to be \$4,010.6 million, and NPL was calculated to be \$1,341.8 million, for a funding ratio (Plan Net Position as a percentage of TPL) of 74.9%.

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

The Actuarially Required Contribution (“ARC”) rate is based on amortizing the required contribution over 30 years, meaning that the total contribution rate must be sufficient to pay for the costs of benefits earned during the current year, as well as the annual cost of amortizing the plan’s UAAL over 30 years. The City Council may from time to time set the amortization period by resolution, and in 2013, it passed a resolution to close the 30-year amortization period for calculating UAAL as of the January 1, 2013, actuarial valuation. As a result, for purposes of the 2023 Actuarial Valuation calculation, a 19-year amortization period was used.

This policy may be revised by the City Council in future years. The 2023 Actuarial Valuation was prepared using the Entry Age Normal Cost (“EANC”) method. Under the EANC method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of the individual’s projected compensation between entry age into the system and assumed exit age (e.g., termination or retirement).

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

**TABLE 4  
EMPLOYER AND EMPLOYEE SCERS CONTRIBUTION RATES**

<b>Calendar Years (beginning Jan. 1)</b>	<b>Employer Rate</b>	<b>Employee Rate</b>	<b>Total Contribution Rate</b>	<b>Total ARC<sup>(1)</sup></b>	<b>% of Total ARC Contributed</b>
2016	15.23%	10.03%	25.26%	25.26%	100%
2017	15.29%	10.03%	25.32%	25.32%	100%
2018	15.23% <sup>(2)</sup>	10.03%	25.26%	25.00%	101% <sup>(2)</sup>
2019	15.26% <sup>(2)</sup>	9.85% <sup>(3)</sup>	25.11%	24.40% <sup>(4)</sup>	103% <sup>(2)</sup>
2020	16.14%	9.65% <sup>(3)</sup>	25.79%	25.79% <sup>(4)</sup>	100%
2021	16.10%	9.46% <sup>(3)</sup>	25.56%	25.56% <sup>(4)</sup>	100%
2022	16.10% <sup>(2)</sup>	9.35% <sup>(3)</sup>	25.45%	24.68% <sup>(4)</sup>	103% <sup>(2)</sup>
2023	15.82%	9.24% <sup>(3)</sup>	25.06%	25.06% <sup>(4)</sup>	100%
2024	15.17%	8.95% <sup>(3)</sup>	24.12%	24.12% <sup>(4)</sup>	100%
2025	15.17%	8.83% <sup>(3)</sup>	24.00%	24.00% <sup>(4)</sup>	100%

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

*Source: Seattle Municipal Code; Annual Budgets; Annual Actuarial Valuation Reports*

In 2011, the City Council adopted Resolution 31334, affirming the City’s intent to fully fund the annual ARC each year with its budget. See Table 4—Employer and Employee SCERS Contribution Rates and Table 5—Projected Actuarially Required Total Contribution Rates for SCERS by Employer and Employee.

The City’s contracts with all labor unions that represent SCERS members limit the ability of the City to pass on increases to pension contribution rates to the employee portion. Therefore, any future increases to pension contribution rates will be reflected in the City’s employer contribution.

As indicated in Table 4, the Total ARC is decreasing to 24.00% as a percent of payroll beginning on January 1, 2025. This compares to the 24.12% Total ARC in 2024. The employees’ share will average 8.83% between SCERS 1 and SCERS 2 in 2025. The employer’s share needed to meet the Total ARC will be 15.17%, which is the same as in 2024.

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

**TABLE 5  
PROJECTED ACTUARIALLY REQUIRED TOTAL CONTRIBUTION RATES FOR SCERS  
BY EMPLOYER AND EMPLOYEE**

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

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

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

*Source: 2023 Actuarial Valuation*

Employer contributions for the City were \$145.4 million in 2022 and \$150.4 million in 2023. The employer share for employees of each of the utility funds is allocated to and paid out of the funds of each respective utility.

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

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

Table 6 shows the historical market value of SCERS’s assets (as of each December 31). Table 7 shows the historical investment returns on SCERS for the last ten years.

**TABLE 6**  
**SCERS MARKET VALUE OF ASSETS**

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

(1) In millions.

Source: SCERS Actuarial Valuations

**TABLE 7**  
**SCERS INVESTMENT RETURNS**

<b>Year</b> <b>(As of December 31)</b>	<b>One-Year</b> <b>Annualized Return<sup>(1)</sup></b>
2014	5.3%
2015	0.1%
2016	8.4%
2017	15.7%
2018	-3.7%
2019	17.2%
2020	12.6%
2021	16.8%
2022	-9.8%
2023	11.5%

(1) Calculated net of fees.

Source: SCERS Annual Reports and SCERS 2023 Q4 Performance Summary



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

**TABLE 8  
HISTORICAL SCERS DISTRIBUTION OF INVESTMENTS BY CLASS**

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

*Source: SCERS Actuarial Valuations*

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

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

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

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

These pension plans provide retirement benefits, death benefits, and certain medical benefits for eligible active and retired employees. Retirement benefits are determined under chapters 41.18 and 41.26 RCW for the Firefighters’ Pension Fund and under chapters 41.20 and 41.26 RCW for the Police Relief and Pension Fund. As of January 1, 2024, eligible pension beneficiaries consisted of 487 fire employees and survivors and 564 police employees and survivors. See “—Other Post-Employment Benefits” below for a discussion of medical benefits paid to retirees.

In 2015, GASB released Statement No. 73 (“GASB 73”), replacing accounting requirements previously mandated under GASB Statements Nos. 25 and 27 for public pension plans that are not within the scope of GASB 68. The City has determined that both the Firefighters’ Pension Fund and the Police Relief and Pension Fund are outside the

scope of GASB 67 and GASB 68, and therefore the accounting and financial reporting for these pension plans has been prepared in accordance with GASB 73.

These pension plans do not issue separate financial reports. The most recent actuarial valuations, dated January 1, 2024, use the EANC method and value plan assets at fair value. The actuarial valuation for the firefighters' pension fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 5.50%; and projected salary increases, 3.25%. The actuarial valuation for the Police Relief and Pension Fund uses the following long-term actuarial assumptions: inflation rate (CPI), 2.50%; investment rate of return, 3.25%; and projected salary increases, 3.25%. Postretirement benefit increases are projected based on salary increase assumptions for benefits that increase based on salary and based on CPI assumptions for benefits based on CPI.

Since both pension plans were closed to new members effective October 1, 1977, the City is not required to adopt a plan to fund the actuarial accrued liability of these plans. In 1994, the City established an actuarial fund for the Firefighters' Pension Fund and adopted a policy of fully funding the actuarial accrued liability ("AAL") by the year 2018 (which was subsequently extended to 2028). In accordance with GASB 73, the plan had a TPL of \$95.8 million as of December 31, 2023, an increase of \$4.5 million from the TPL of \$91.3 million as of December 31, 2022. As of the January 1, 2024, valuation, the market value of net assets available for benefits in the Firefighters' Pension Fund was \$34.6 million, and the AAL was \$77.3 million. As a result, the UAAL was \$42.7 million and the funded ratio was 44.7%. In the January 1, 2023, actuarial valuation, the UAAL was \$56.7 million and the funded ratio was 34.4%. The City's employer contribution to the fund in 2023 was \$5.7 million; there were no current member contributions, as described in the January 1, 2024, actuarial valuation. Under State law, partial funding of the Firefighters' Pension Fund may be provided by an annual property tax levy of up to \$0.225 per \$1,000 of assessed value within the City. The City does not currently levy this additional property tax, but makes contributions out of the General Fund levy. The fund also receives a share of the State tax on fire insurance premiums.

In contrast to the Firefighters' Pension Fund policy of fully funding the AAL, the City funds the Police Relief and Pension Fund as benefits become due. In accordance with GASB 73, the plan had a TPL of \$70.8 million as of December 31, 2023, a decrease of \$5.9 million from the TPL of \$76.7 million as of December 31, 2022. As of the January 1, 2024, valuation, the market value of net assets available for benefits in the Police Relief and Pension Fund was \$19.1 million, and the actuarial value of future benefits was \$102.2 million. As a result, the unfunded actuarial liability was \$83.1 million and the funded ratio was 18.7%. In the January 1, 2023, actuarial valuation, the unfunded actuarial liability was \$51.2 million and the funded ratio was 31.6%. The City's employer contribution to the fund in 2023 was \$0.8 million; there were no current member contributions, as described in the January 1, 2024, actuarial valuation. The fund also receives police auction proceeds of unclaimed property.

*Law Enforcement Officers' and Fire Fighters' Retirement System.* Substantially all of the City's current uniformed firefighters and police officers are enrolled in LEOFF. LEOFF is a State-wide, multiple-employer defined benefit plan administered by the DRS. Contributions by employees, employers, and the State are based on gross wages. LEOFF participants who joined the system by September 30, 1977, are Plan 1 members. LEOFF participants who joined on or after October 1, 1977, are Plan 2 members. For all of the City's employees who are covered under LEOFF, the City contributed \$17.3 million in 2023 and \$16.8 million in 2022, as described in the City's Annual Report. The following table outlines the contribution rates of employees and employers under LEOFF.

**TABLE 9**  
**LEOFF CONTRIBUTION RATES EXPRESSED AS A PERCENTAGE OF COVERED PAYROLL**  
**(AS OF JULY 1, 2024)**

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

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

*Source: Washington State Department of Retirement Systems*

While the City’s current contributions represent its full current liability under the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The State Actuary’s website includes information regarding the values and funding levels for LEOFF.

According to the Office of the State Actuary’s June 30, 2022, valuation, LEOFF had no UAAL. LEOFF Plan 1 had a funded ratio of 152% and LEOFF Plan 2 had a funded ratio of 104%. The assumptions used by the State Actuary in calculating the accrued actuarial assets and liabilities are a 7.00% annual rate of investment return, 3.25% general salary increases, and 2.75% consumer price index increase. Liabilities were valued using the EANC method and assets were valued using the AVA, which defers a portion of the annual investment gains or losses over a period of up to eight years. As of December 31, 2023, the City reported an asset of \$290.1 million for its proportionate share of the net pension asset as follows: \$105.9 million for LEOFF Plan 1 and \$184.2 million for LEOFF Plan 2.

For additional information, see Note 11 to the City’s 2023 Annual Report, which is attached as Appendix B to the Preliminary Official Statement for the 2024 MDA Refunding Bonds.

**Other Post-Employment Benefits**

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

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

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

The City commissions a biennial valuation report on its OPEB liabilities associated with the implicit rate subsidy for health insurance covering employees retiring under the SCERS 1, SCERS 2, or LEOFF plans. The last valuation was based on a measurement date as of January 1, 2023, for the City’s fiscal year ending December 31, 2023, and was prepared in accordance with GASB 75. It showed the total OPEB liability for the implicit rate subsidy as of December 31, 2023, decreased to \$50.0 million from \$55.7 million as of December 31, 2022. The City’s GASB 75 annual expense in 2023 was calculated at \$0.9 million, which compares to \$3.1 million in 2022.

The valuation of the OPEB liability associated with the City’s Firefighters’ Pension Fund and Police Relief and Pension Fund is updated annually. The most recent valuations were prepared as of January 1, 2024, in accordance with GASB 75 for the City’s fiscal year ending December 31, 2023. As of the January 1, 2024, valuations, eligible beneficiaries consisted of 577 fire employees and 482 police employees. As of December 31, 2023, the total OPEB liability in the City’s Firefighters’ Pension Fund increased to \$255.5 million from \$243.8 million. The annual OPEB

expense for 2023 was \$25.4 million and the estimated benefit payments were \$13.7 million. As of December 31, 2023, the total OPEB liability in the Police Relief and Pension Fund decreased to \$235.5 million from \$238.0 million. The annual OPEB expense for 2023 was \$12.2 million and the estimated benefit payments were \$14.7 million. The increase in total OPEB liability under the City's Firefighters' Pension Fund and the smaller than anticipated reduction in the Police Relief and Pension Fund plans were primarily due to a decrease in the discount rate used to value future benefits under GASB 75.

For additional information regarding the City's OPEB liability, see Note 11 to the City's 2023 Annual Report, which is attached as Appendix B to the Preliminary Official Statement for the 2024 MDA Refunding Bonds.

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

On January 1, 2020, the State became the fifth state in the nation to provide paid family and medical leave benefits to all workers in the State, including State and local government employees. The Paid Family and Medical Leave ("PFML") program is a State-wide insurance program administered by the State Employment Security Department that provides up to 12 to 18 weeks' paid leave for eligible workers to give or receive care. Eligible workers are those who have worked at least 820 hours (equivalent to 20.5 full-time weeks) in the qualifying period before the leave begins. Benefits range between \$100 and \$1,456 per week, and the maximum benefit is adjusted annually. The program is funded by a mix of employer and employee premiums.

The City pays the employer share of premiums based on a percentage of wages that are subject to the federal Social Security tax. As of January 1, 2024, the rate is 0.74% of gross wages, up to the Social Security taxable wage cap. The City pays only the employer share of the assessment for most employees (estimated to be \$3.5 million in 2024, or 0.21% of gross wages subject to the Social Security cap), approximately half of which will be paid from the General Operating Fund and the remainder of which will be paid by other funds.

### **State Long-Term Care Services and Supports Benefit Program**

The Long-Term Services and Supports ("LTSS") Trust Program ("WA Cares") was first enacted in 2019 and was adjusted by further legislation in 2021, 2022, and, as described below, 2024. The program is intended to provide certain long-term care benefits to eligible beneficiaries. Benefits may be paid directly to LTSS providers on behalf of eligible beneficiaries. Administration of the LTSS Trust Program is divided among several State Agencies: the Employment Security Department, the Department of Social and Health Services ("DSHS"), the Health Care Authority, the Office of the State Actuary ("OSA"), the Pension Funding Council, and two new bodies: the LTSS Trust Council and the LTSS Trust Commission.

The legislation imposes premiums on participating employees in the State, collected by employers through employee payroll deductions and remitted to the State; there is no employer contribution required under State law. Collection of premiums commenced on July 1, 2023, and benefits are to become available beginning July 1, 2026. Premiums are assessed at a rate of 0.58% of each employee's wages within the State, and subject to adjustment every two years by the Pension Funding Council based on actuarial studies and valuations to be performed by OSA to maintain financial solvency of the LTSS Trust, but not to exceed 0.58%. Employers are required to remit premiums on behalf of all employees other than employees who are exempt or demonstrate that they had private long-term care insurance on or before November 21, 2021. Self-employed persons may opt into the program; certain employees (e.g., workers who live out of State, military spouses, workers on non-immigrant visas, and certain veterans with disabilities) may apply for exemption from the program.

Any individual employed in the State may become eligible to receive the benefit when they have paid the LTSS Trust premiums while working at least 500 hours per year for either ten years with at least five years uninterrupted, or three of the last six years. Persons born before 1968 can earn lifetime access to 10% of the full benefit amount for each year they contribute. Program participants eligible to receive benefits must have been assessed by DSHS as needing assistance with at least three daily living tasks, must be at least 18 years old (and must not have been disabled before the age of 18), and must reside in the State. There is a lifetime cap of \$36,500 (as of 2026, adjusted annually for inflation) on the benefit for any individual. Pursuant to House Bill 2467, which has passed the

Legislature and has been signed by the Governor, beginning July 1, 2026, employees or self-employed persons who have left the State may elect to continue participation in the LTSS Trust Program.

### **Labor Relations**

This information reflects the continued engagement of the Labor Relations Unit within Seattle Human Resources (“Labor Relations”) with union representatives. As of December 31, 2023, the City had 38 separate departments and offices with approximately 15,367 employees (including 11,912 regular and 3,455 temporary employees). Thirty-one different unions and 57 bargaining units represent approximately 77% of regular City employees whose employment is governed by 33 different collective bargaining agreements (contracts).

The Mayor ended the COVID-19 pandemic emergency declaration in late 2022 and lifted the vaccine mandate in early 2023. Labor Relations continues to work closely with all of the labor representatives to address the continuing impacts of the pandemic, along with other social and environmental crises that have affected the City and surrounding communities as well as the City’s employees.

In 2021, multiple unions filed unfair labor practices arising out of the COVID-19 vaccine mandate. All but one of those administrative matters before the State’s Public Employment Relations Commission have been mutually resolved; the last unfair labor practice filed by the Seattle Police Officers’ Guild (“SPOG”) remains unresolved and is expected to go to hearing in 2024. The City is separately addressing several other grievance actions and lawsuits brought against the City related to the vaccine mandate.

Labor Relations has concluded its negotiations with SPOG for an interim bargaining agreement to replace its contract that expired on December 31, 2020. Now ratified and approved by City Council, this interim contract is effective retroactively as of January 1, 2021, and expires on December 31, 2023. Negotiations are still ongoing for a new SPOG contract to become retroactively effective January 1, 2024.

The new Seattle Police Management Association (“SPMA”) contract agreement that became effective January 1, 2020, expired on December 31, 2023. The City expects negotiations for a new SPMA contract to begin in mid-2024.

The City reached a new agreement with IAFF Local 27 Fire Fighters in the fall of 2023; the new contract is effective retroactively as of January 1, 2022, and is valid until December 31, 2026. The City anticipates beginning negotiations with IAFF Local 2898 Fire Chiefs in 2024; that labor agreement expired December 31, 2021. The City has ratified labor agreements with approximately 25 additional bargaining units which are either part of the Coalition of City Unions or “Coalition-Like” unions; these contracts are retroactively effective January 1, 2023, and expire on December 1, 2026. Through legislation, the City authorized extension of the same wage increases and benefits provided in these contracts to virtually all non-represented City employees. Negotiations for the remaining expired labor agreements are ongoing and are expected to be resolved by the fourth quarter of 2024. All together, these contracts include approximately 61% of the City’s represented employees. These unions will continue to operate under their expired contracts until the agreements have been formally approved and signed.

One new bargaining unit has completed the certification process, represented by the WSCCCE, Council 2, AFSCME, for Strategic Advisors and Managers at Seattle Public Utilities; the first collective bargaining contract was effective January 1, 2021, and expired on December 31, 2022. The successor bargaining contract will become part of the Coalition of City Unions. Now ratified and approved by City Council, the contract is retroactively effective January 1, 2023, and valid until December 31, 2026.

### **Emergency Management and Preparedness**

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

OEM prepares for emergencies; coordinates with regional, State, and federal response agencies as well as private sector partners; provides education to the community about emergency preparedness; plans for emergency recovery; and works to mitigate known hazards. It has identified, assessed, and planned for many types of hazards that may

impact the City, including geophysical hazards (e.g., earthquakes, landslides, tsunamis, seismic seiches, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (e.g., terrorism, active shooter incidents, breaches in cyber security, and civil disorder), transportation incidents, fires, hazardous materials, infrastructure failure, and severe weather (e.g., floods, snow, water shortages, and windstorms). However, the City cannot anticipate all potential hazards and their effects, including any potential impact on the economy of the City or the region.

The City's emergency management program was assessed by a third-party team of emergency management professionals according to the Emergency Management Accreditation Program standards and was accredited in 2016 and reaccredited in 2022.

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

### **Climate Change**

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

In 2013, the City adopted Resolution 31447 adopting a Climate Action Plan to provide long-term planning direction and guide climate protection and adaptation efforts through 2030. This was most recently updated in 2018 to include a set of short- and long-term actions to reduce the leading contributors of greenhouse gases, including from transportation and buildings, to improve the climate preparedness of City infrastructure and services, and to facilitate coordination across City departments based on plans developed by the Office of Sustainability and the Environment ("OSE"). The OSE plans include sector-specific strategies for transportation; building energy use (including specific energy consumption and greenhouse gas emissions reduction targets for City buildings); trees and green space; food access; a healthy environment; and environmental justice.

In 2019, the City adopted Resolution 31895, committing to creating a "Green New Deal" for the City to address and mitigate the effects of climate change. Funded by the Payroll Expense Tax, the Green New Deal invests in direct support to frontline communities most impacted by climate change by reducing greenhouse emissions, building a green jobs workforce, and building community resilience to climate change. The City has also developed more specific plans addressing utility operations (including drainage, water supply, solid waste, and the electric system) and community preparedness. The City is monitoring and will be documenting climate impacts and likely climate risks as they arise and has not quantified potential impacts on the City, its population, or its operations. Over time, the costs could be significant and could have a material adverse effect on the City's finances by requiring greater expenditures to counteract the effects of climate change.

The City's investments in capital projects are guided by policies adopted by resolution that reflect the City's priorities for sustainable building, including the "Sustainable Building Policy for the City" adopted in Resolution 30121, updated in 2011 by Resolution 31326, articulating the City's commitment to environmental, economic, and social stewardship and setting the expectation that new municipal facilities meet established green building standards. In July 2022, the City adopted Resolution 32059, declaring the City's intent to focus on climate change and resiliency as part of the update to the City's Comprehensive Plan. In December 2022, Mayor Harrell

signed Executive Order 2022-07, directing City departments to work together to prioritize and expand actions that equitably reduce or eliminate greenhouse gas emissions within the transportation sector.

The City retained Cascadia Consulting Group to prepare a Climate Vulnerability Assessment (the “CVA”), dated June 2023, to provide a detailed assessment of how climate change is already affecting and will continue to affect the community wellbeing, economy, health, infrastructure, and natural systems of the City. The CVA was developed to inform the City’s comprehensive plan. The CVA identified that flooding and sea level rise, extreme heat, wildfire smoke, and extreme precipitation will have wide-ranging and interconnected impacts for the City. The CVA identified some key, broad areas that the City can invest in to address these risks, including investments in community services such as cooling and clean air centers, access to cooling and air filtration systems for homes and the tree canopy, communities that will be impacted by flooding, research of potential supply chain impacts, monitoring and maintenance of transportation systems, improving grid capacity and resilience, prioritizing water and wastewater systems’ resilience to flooding impact, protecting and expanding the City’s tree canopy, and protecting watersheds and salmon habitats.

### **Cyber Security and Artificial Intelligence**

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

The Seattle Public Library (“SPL”), a charter department of the City of Seattle, became aware of a ransomware event affecting its technology systems on May 25, 2024. SPL quickly engaged cyber security specialists and law enforcement and took its systems fully offline to interrupt and assess the nature of the event. On June 7, 2024, SPL announced that its network has been secured while the investigation is still ongoing. Since then, the City and SPL have restored some systems and services while keeping others offline until each respective system completes its recovery process in full.

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

## CITY FINANCIAL INFORMATION

*For the purposes of this Appendix, “General Fund” is defined as including the General Operating Fund (00100) and a set of more than 20 additional, defined funds that are combined into one General Fund for the purposes of reporting in the City’s Annual Comprehensive Financial Report (the “Annual Report”) for 2023. The General Fund is the primary operating fund of the City which accounts for all financial resources except those required to be accounted for in another fund. This Appendix defines the “General Operating Fund (00100)” as the financial activity accounted for in the City’s General Operating Fund (00100) and does not reflect financial activity outside of this fund.*

### **Management Discussion of 2023 Financial Results**

The City’s financial performance for the fiscal year ended December 31, 2023, improved compared to the results in 2022, reflecting continued recovery from the effects of the COVID-19 pandemic within the City and the region.

*All Governmental Funds.* Revenues for all governmental funds increased by 7.5% in 2023 compared to 2022 actuals as economic activity continued to rebound from the lows of the pandemic. Taxes, which are the City’s largest source of governmental revenue, increased by 4.2% in 2023 compared to 2022 actuals. This increase is largely due to an increase in the levy for the Seattle Park District to support its 2023-2028 funding cycle as well as the ongoing recovery of commercial parking tax revenues. Revenue from Grants, Shared Revenue, and Contributions decreased by 27.3% in 2023 due primarily to reduced reimbursements of federal transportation grants and use of COVID-19 stimulus funding. See “Other Considerations—Public Health Emergencies.” Revenue from Fines and Forfeits increased by 63.2% in 2023 compared to 2022, as parking infraction penalties returned to pre-pandemic levels. Revenue from Concessions, Parking Fees, and Space Rent increased by 39.5% in 2023 compared to 2022 due primarily to improving parking meter revenues. Program Income, Interest, and Miscellaneous Revenues increased by 266.5% in 2023, primarily due to an increase in unrealized investment gains on fund balances and several large principal repayments on City affordable housing loans in 2023. Two of these loans were short-term bridge loans repaid when the respective projects secured external funding; a third loan was long-term and repaid upon transfer of ownership.

Expenditures increased in 2023 compared to 2022 due in part to spending on programs funded by Payroll Expense Tax revenues, the increased Seattle Park District levy, and the Waterfront Local Improvement District (“Waterfront LID”), and the overall effect of inflationary cost pressures. In total, expenditures for all governmental funds increased by 8.0%. Some of the largest increases in expenditures were in the areas of General Government, Health and Human Services, and Culture and Recreation, which increased by 43.1%, 16.3%, and 13.5%, respectively, compared to 2022 actuals.

*General Fund.* Revenues to the General Fund increased by 7.5% due in large part to a 7.0% increase in private business taxes, offset by a 45.9% decrease in excise taxes when compared to 2022 actuals. Revenues from taxes, which make up the largest share of revenues to the General Fund, remained roughly steady in 2023 compared to 2022 actuals. Non-tax revenues increased by 47.5% compared to 2022 actuals, due in large part to a \$77.8 million increase in Program Income, Interest, and Miscellaneous Revenues resulting from an increase in interest earnings and unrealized investment gains on fund balances. See “General Fund Tax Revenue Sources.”

Together, Expenditures and Other Financing Sources and Uses, which include net transfers into and from the General Fund, increased by a combined 14.8% compared to 2022. Expenditures increased by 8% compared to 2022 actuals, attributable to growth in a variety of general government expenditures, including new multifamily housing programs supported by the Payroll Expense Tax and inflationary pressures on self-insured City employee health care costs. The largest General Fund expenditure component is Public Safety, which increased by 1.2% in 2023 compared to 2022 actuals. Other Financing Sources and Uses decreased by 131.4% compared to 2022 due to the absence of two significant one-time transactions that occurred in 2022: \$62 million in Coronavirus State and Local Fiscal Recovery (“CLFR”) funds transferred into the General Fund and \$60 million received by the General Fund from the sale of the Mercer Mega-block property.



The General Fund balance increased by approximately \$185 million to a total of \$1.191 billion in 2023. Contributors to year-over-year growth in the total fund balance include an increase of \$152 million due to unspent Payroll Expense Tax revenues, with expenditures associated with these revenues tending to occur some time after they are received, and an increase of \$18.6 million due to a deposit to the reserves within the General Fund. In addition, the City held financial reserves in 2023 to pay the costs associated with collective bargaining agreements that were still under negotiation at the end of 2023 and will be spent down in 2024. Some portion of this General Fund balance will be reappropriated to support expenditures in 2024 and in future years for programs appropriated in previous budgets.

### Historical Financial Information Summary

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, and Debt Service) based on audited figures for the years 2018 through 2023. Notes to Tables 10 through 12 are provided on the pages following the tables.

**TABLE 10**  
**GENERAL FUND COMPARATIVE BALANCE SHEET**  
**(Years Ended December 31) (\$000)**

	2023	2022	2021	2020	2019	2018
<b>Assets</b>						
Cash and Equity in Pooled Investments	\$ 976,486 <sup>(1)</sup>	\$ 795,453 <sup>(1)</sup>	\$ 423,315	\$ 441,451	\$ 502,167	\$ 430,890
Receivables, Net of Allowances <sup>(2)</sup>	274,468	223,441	395,167	104,735	130,860	111,271
Due from Other Funds	3,378	6,320	3,785	46	68 <sup>(3)</sup>	94,870 <sup>(4)</sup>
Due from Other Governments	72,529	74,204	73,144	76,957	81,597	70,399
Interfund Loans and Advances <sup>(5)</sup>	14,757	28,431	15,500	40,900	1,550	5,700
Other Current Assets	51,951	21,789	7,249	1,375	1,901	1,729
<b>Total Assets</b>	<b>\$1,393,569</b>	<b>\$1,149,638</b>	<b>\$ 918,160</b>	<b>\$ 665,464</b>	<b>\$ 718,143</b>	<b>\$ 714,859</b>
Deferred Outflows of Resources	-	-	-	-	-	-
<b>Total Assets and Deferred Outflows</b>	<b>\$1,393,569</b>	<b>\$1,149,638</b>	<b>\$ 918,160</b>	<b>\$ 665,464</b>	<b>\$ 718,143</b>	<b>\$ 714,859</b>
<b>Liabilities</b>						
Accounts Payable	\$ 137,190	\$ 87,617	\$ 84,725	\$ 65,396	\$ 62,331	\$ 63,898
Contracts Payable	143	81	172	384	177	159
Salaries, Benefits, and Taxes Payable	26,321	22,542	20,358	20,028	54,967 <sup>(6)</sup>	103,613 <sup>(7)</sup>
Due to Other Funds	17	16	-	11,240	673 <sup>(3)</sup>	52,476 <sup>(4)</sup>
Due to Other Governments	3,331	3,753	2,842	466	592	570
Revenues Collected in Advance	18,379	17,581	13,188	13,335	8,382	6,744
Interfund Loans and Advances	-	-	65,000 <sup>(8)</sup>	-	700	-
Other Current Liabilities	10,424	6,240	9,410	7,641	1,212	340
<b>Total Liabilities</b>	<b>\$ 195,805</b>	<b>\$ 137,830</b>	<b>\$ 195,695</b>	<b>\$ 118,490</b>	<b>\$ 129,034</b>	<b>\$ 227,800</b>
Deferred Inflows of Resources	6,840	5,606	5,081	32,376	4,061	3,793
<b>Total Liabilities and Deferred Inflows</b>	<b>\$ 202,645</b>	<b>\$ 143,436</b>	<b>\$ 200,776</b>	<b>\$ 150,866</b>	<b>\$ 133,095</b>	<b>\$ 231,592</b>
<b>Fund Balances<sup>(9)</sup></b>						
Nonspendable	\$ 49	\$ 236	\$ 75	\$ 65	\$ 74	\$ 93
Restricted	209,969	337,318	296,372	263,769	250,624	215,620
Committed	482,640 <sup>(10)</sup>	236,991 <sup>(10)</sup>	114,846	112,000	89,595	88,794
Assigned	99,394	15,123	10,946	8,693	20,632	26,391
Unassigned	398,872	416,534 <sup>(11)</sup>	295,145 <sup>(12)</sup>	130,071	224,123	152,368
<b>Total Fund Balances</b>	<b>\$1,190,924</b>	<b>\$1,006,202</b>	<b>\$ 717,384</b>	<b>\$ 514,598</b>	<b>\$ 585,048</b>	<b>\$ 483,266</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$1,393,569</b>	<b>\$1,149,638</b>	<b>\$ 918,160</b>	<b>\$ 665,464</b>	<b>\$ 718,143</b>	<b>\$ 714,859</b>

Notes to Table 10 are on the following page.

**NOTES TO TABLE:**

- (1) The increases in cash in 2022 and 2023 reflect unexpended Payroll Expense Tax receipts as well as increasing fund balances, including in the Emergency Fund and Revenue Stabilization Fund. See Notes 9 and 11.
- (2) The increase in receivables beginning in 2021 is related to the Payroll Expense Tax that became effective in January 2021. Receivables in 2021 were particularly high as the first collections were not due until January 2022. Beginning in January 2022, payments are due on a quarterly schedule. See “General Fund Tax Revenue Sources—Payroll Expense Tax.”
- (3) In 2019, settlement between funds occurred prior to year-end, whereas in 2018, this settlement activity occurred after the end of the year.
- (4) Reflects the City’s implementation of the Direct Fund Model in 2018, which increases accounting activity within the General Fund.
- (5) The amounts shown in 2020 and 2021 reflect interfund loans from real estate excise tax capital projects funds for the Central Waterfront Improvement Program and an operating loan for the Seattle Center. The Central Waterfront Improvement Program loans totaling \$16.4 million were repaid in 2021. The Seattle Center interfund loan of \$8.5 million is expected to be repaid with future operating revenues and is currently authorized through December 31, 2033. Additionally, an interfund loan of \$16 million from the Emergency Fund to the Housing Services Fund has been repaid. The amount shown in 2022 reflects loans for the Seattle Aquarium project and the Seattle Center operating loan for \$13.2 million and \$15.3 million, respectively. As of December 31, 2023, the Seattle Center operating loan comprises the entirety of interfund loans receivable in the General Fund. The Seattle Center interfund loan of \$14.8 million is expected to be repaid with future operating revenues and is currently authorized through December 31, 2033.
- (6) Reflects a salary adjustment associated with contract negotiations that were settled that year.
- (7) Reflects a one-time retroactive payment of approximately \$65 million associated with the settlement of the Seattle Police Officers Guild 2015-2020 labor contract and the City’s adoption of the Direct Fund Model, which increased activity reflected within the General Fund.
- (8) Reflects interfund loans to the General Operating Fund and the Transportation Fund in the amounts of \$40 million and \$25 million, respectively, that have since been repaid.
- (9) In 2023, Citywide Accounting Services conducted a review of fund balance classifications per GASB 54, resulting in the reclassification of fund balances for real estate excise taxes (“REET”) from restricted to committed and the reclassification of fund balance for the Emergency Fund from unassigned to assigned. See “General Fund Tax Revenue Sources—Real Estate Excise Taxes” and “The City of Seattle—Fiscal Reserves.”
- (10) Increases in the committed portion of fund balance beginning in 2022 are attributed to Payroll Expense Tax revenues. Expenditures associated with these revenues tend to occur some time after they are received. See “General Fund Tax Revenue Sources—Payroll Expense Tax.”
- (11) The increase in unassigned fund balance in 2022 is largely attributed to the replenishment of reserves in the General Fund as well as Payroll Expense Tax obligations from 2021 that were not received until after the accrual cutoff in 2022. See “General Fund Tax Revenue Sources—Payroll Expense Tax” and “The City of Seattle—Fiscal Reserves.”
- (12) Reflects an increase due to delays in expenditures for some new programs included in the 2021 Budget.

*Source: City of Seattle, Annual Reports, 2018-2023*

**TABLE 11**  
**GENERAL FUND**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**(Years Ended December 31) (\$000)**

	2023	2022	2021	2020	2019	2018
<b>Revenues</b>						
Taxes	\$ 1,725,326	\$ 1,718,682	\$ 1,604,160 <sup>(1)</sup>	\$ 1,158,438 <sup>(2)</sup>	\$ 1,283,863	\$ 1,193,693
Licenses and Permits	49,775	34,685	39,467	36,376	43,856	45,558
Grants, Shared Revenues, and Contributions	61,700	45,325 <sup>(3)</sup>	92,356 <sup>(4)</sup>	130,239 <sup>(4)</sup>	37,339	45,207
Charges for Services	101,811	90,639	81,734	76,339	95,582 <sup>(5)</sup>	63,596
Fines and Forfeits	29,771	17,318	22,402	21,285	34,529	31,461
Concessions, Parking Fees, and Space Rent	32,938	19,913	11,195	10,614	39,105	39,980
Program Income, Interest, and Miscellaneous Revenues	176,948 <sup>(6)</sup>	99,144 <sup>(6)</sup>	124,402	141,690	151,295 <sup>(7)</sup>	122,145
<b>Total Revenues</b>	<b>\$ 2,178,269</b>	<b>\$ 2,025,706</b>	<b>\$ 1,975,716</b>	<b>\$ 1,574,981</b>	<b>\$ 1,685,569</b>	<b>\$ 1,541,640</b>
<b>Expenditures</b>						
<b>Current</b>						
General Government	\$ 396,106 <sup>(8)</sup>	\$ 283,639	\$ 323,109 <sup>(9)</sup>	\$ 253,631	\$ 274,574 <sup>(10)</sup>	\$ 307,028
Judicial	43,872	42,263	38,176	36,412	35,208	32,892
Public Safety	819,961	806,544	774,534	786,214	741,670 <sup>(10)</sup>	686,865
Physical Environment	22,325	20,406	25,230	36,465 <sup>(9)</sup>	15,527	12,892
Transportation	75,653	100,631 <sup>(11)</sup>	76,318	55,761	53,808	59,951
Economic Environment <sup>(11)</sup>	258,476 <sup>(12)</sup>	251,049 <sup>(12)</sup>	212,425 <sup>(9)</sup>	184,504 <sup>(9)</sup>	146,586 <sup>(10)</sup>	103,420
Health and Human Services	68,895	62,295	47,141	40,594	29,757 <sup>(10)</sup>	57,002
Culture and Recreation	245,772	232,236	197,656	206,395	191,958	207,162
<b>Capital Outlay</b>						
General Government	1	31	115	-	8,821	15,096
Public Safety	1,427	1,669	2,672	482	4,013	902
Physical Environment	72	8	(166)	6	-	794
Transportation	1,536	2,467	5,521	4,828	23,449	19,704
Economic Environment	5	-	-	-	875	803
Culture and Recreation	32,890	17,871	17,315	15,817	38,252	43,933
<b>Debt Service</b>						
Principal	-	5	-	-	5	1
Interest	-	412	-	22	-	4
Bond Issuance Cost	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 1,966,991</b>	<b>\$ 1,821,526</b>	<b>\$ 1,720,046</b>	<b>\$ 1,621,131</b>	<b>\$ 1,564,503</b>	<b>\$ 1,548,449</b>
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 211,278	\$ 204,180	\$ 255,670	\$ (46,150)	\$ 121,066	\$ (6,809)
<b>Other Financing Sources (Uses)</b>						
Long-Term Debt Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Premium on Bonds Issued	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
Sales of Capital Assets	-	61,240 <sup>(13)</sup>	3,775	8,579	-	2,065
Transfers In	14,667	66,022 <sup>(3)</sup>	5,126	4,000	10,406	14,305
Transfers Out	(41,223)	(42,659)	(62,014)	(36,980)	(29,656)	(27,951)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (26,556)</b>	<b>\$ 84,603</b>	<b>\$ (53,113)</b>	<b>\$ (24,401)</b>	<b>\$ (19,250)</b>	<b>\$ (11,581)</b>
Net Change in Fund Balance	\$ 184,722	\$ 288,783	\$ 202,557	\$ (70,551)	\$ 101,816	\$ (18,390)
Fund Balances-Beginning of Year	1,006,202	717,384	514,598	585,047	483,267	486,396
Restatement/Prior-Year Adjustment	-	35	229	103	(35)	15,261 <sup>(14)</sup>
Fund Balances-Beginning of Year as Restated	\$ 1,006,202	\$ 717,419	\$ 514,827	\$ 585,150	\$ 483,232	\$ 501,657
Fund Balances-End of Year	\$ 1,190,924	\$ 1,006,202	\$ 717,384	\$ 514,598	\$ 585,048	\$ 483,266

Notes to Table 11 are on the following page.

**NOTES TO TABLE:**

- (1) Approximately \$248 million of the increase in 2021 tax revenue was due to the introduction of the City’s Payroll Expense Tax. See “General Fund Tax Revenue Sources—Payroll Expense Tax.”
- (2) Reflects a significant reduction in economic activity brought on by the COVID-19 pandemic.
- (3) In 2022, \$62.0 million in federal Coronavirus State and Local Fiscal Recovery Funds grants was recognized as a “Transfer In” instead of direct revenue to the General Fund, resulting in a year-over-year reduction in this line item.
- (4) Increase largely reflects direct federal grants related to COVID-19 response and recovery. In 2020, \$84.6 million was received from the Coronavirus Relief Fund, and in 2021, \$18.9 million was received from the Coronavirus Relief Fund and \$26.7 million was received from Coronavirus State and Local Fiscal Recovery Funds. See “Other Considerations—Public Health Emergencies.”
- (5) Increase in 2019 is partially due to a reconciliation of internal City department fees that are due to the General Fund. See footnote 14 to this table.
- (6) Decrease in 2022 and subsequent increase in 2023 largely reflect the net result of unrealized investment gains and losses recognized in accordance with GASB 31.
- (7) Includes one-time sale of City property totaling \$21.7 million.
- (8) Increase in 2023 reflects a variety of expenditures including \$30.0 million related to multifamily housing supported by Payroll Expense Tax revenues as well as inflationary pressures on self-insured employee medical claims.
- (9) Increase in 2021 includes significant expenditures related to COVID-19 response, mitigation, and recovery.
- (10) Changes from 2018 expenditure levels are largely the result of more precise methodology for allocating expenditures by purpose.
- (11) One-year increase in 2022 due to the transfer of parking enforcement functions from the Seattle Police Department to the Seattle Department of Transportation in 2022 and their subsequent return in 2023.
- (12) Reflects new expenditure related to multifamily housing supported by Payroll Expense Tax revenues.
- (13) Increase in 2022 largely due to \$60.0 million in proceeds from a one-time sale of surplus property.
- (14) Restatement due to the City’s conversion to the Direct Fund Model and adjustments to accounts receivable. See generally “—2018 Implementation of New Accounting Software and Direct Fund Model of Accounting.”

*Source: City of Seattle, Annual Reports, 2018-2023*

**TABLE 12**  
**ALL GOVERNMENTAL FUNDS**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**(Years Ended December 31) (\$000)**

	2023	2022	2021	2020	2019	2018
<b>Revenues</b>						
Taxes	\$2,306,798 <sup>(1)</sup>	\$2,213,876	\$2,062,095 <sup>(2)</sup>	\$1,601,753 <sup>(3)</sup>	\$1,743,744	\$1,607,390
Licenses and Permits	63,001	46,060	47,636	44,306	50,745	55,697
Grants, Shared Revenues, and Contributions <sup>(4)</sup>	299,258	411,844	404,609	344,046	168,379	157,092
Charges for Services <sup>(5)</sup>	373,837	384,691	369,201	353,106	266,747	304,218
Fines and Forfeits	45,487	27,869	32,807	24,786	44,471	45,368
Concessions, Parking Fees, and Space Rent	66,995	48,014	26,701	20,380	65,417	70,262
Program Income, Interest, and Miscellaneous Revenues	298,006 <sup>(6)</sup>	81,306 <sup>(6)</sup>	134,544	195,119	209,692 <sup>(7)</sup>	155,746
<b>Total Revenues</b>	<b>\$3,453,382</b>	<b>\$3,213,660</b>	<b>\$3,077,593</b>	<b>\$2,583,496</b>	<b>\$2,549,195</b>	<b>\$2,395,776</b>
<b>Expenditures</b>						
<b>Current</b>						
General Government	\$ 451,021	\$ 319,273	\$ 370,490 <sup>(9)</sup>	\$ 257,625	\$ 294,816 <sup>(10)</sup>	\$ 330,004 <sup>(8)</sup>
Judicial	43,872	42,263	38,176	36,412	35,208	32,892
Public Safety	827,410	810,522	778,683	786,851	743,448 <sup>(10)</sup>	690,650
Physical Environment	22,762	21,882	25,581	36,914 <sup>(9)</sup>	15,852	13,577
Transportation	409,674	405,416	361,217	343,819	368,776 <sup>(10)</sup>	334,625
Economic Environment <sup>(9)</sup>	524,762 <sup>(11)</sup>	581,278 <sup>(11)</sup>	521,351	409,442	286,589 <sup>(10)</sup>	258,243
Health and Human Services	222,863	203,430	187,207	155,356	124,633 <sup>(10)</sup>	139,433
Culture and Recreation	419,297 <sup>(12)</sup>	369,542	325,360	312,900	318,075	317,667 <sup>(8)</sup>
<b>Capital Outlay</b>						
General Government	8,669	1,972	115	3,823	9,039	16,442
Public Safety	1,573	1,766	2,890	5,055	4,050	1,031
Physical Environment	72	8	(166)	43	-	895
Transportation	179,831	175,172	164,842	231,124 <sup>(13)</sup>	127,518	111,322
Economic Environment	-	-	-	3,032	875	811
Health and Human Services	5	3	-	-	-	-
Culture and Recreation	97,559	72,043	52,212	47,041	70,064	62,201
<b>Debt Service <sup>(14)</sup></b>						
Principal	78,700	74,504	79,026	76,996	75,145	80,576
Interest	42,547	40,509	40,045	39,347	43,263	43,821
Bond Issuance Cost	531	888	1,127	531	232	397
Other	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$3,331,148</b>	<b>\$3,120,471</b>	<b>\$2,948,156</b>	<b>\$2,746,311</b>	<b>\$2,517,583</b>	<b>\$2,434,587</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 122,234	\$ 93,189	\$ 129,437	\$ (162,815)	\$ 31,612	\$ (38,811)
<b>Other Financing Sources (Uses)</b>						
Long-Term Debt Issued	\$ 93,925	\$ 127,585	\$ 240,105	\$ 71,805	\$ 39,825	\$ 49,975
Premium on Bonds Issued	12,430	11,690	34,115	14,601	5,053	3,186
Payment to Refunded Bond Escrow Agent	(54,391)	(41,976)	(38,359)	(51,381)	-	-
Capital Leases and Installment	(4)	-	11	-	-	-
Sales of Capital Assets	21	134,330 <sup>(15)</sup>	7,592	16,107	6,272	4,128
Transfers In	128,751	168,268 <sup>(16)</sup>	118,340	102,429	107,995	104,215
Transfers Out	(110,042)	(155,103) <sup>(16)</sup>	(103,218)	(73,801)	(75,515)	(78,011)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 70,690</b>	<b>\$ 244,794</b>	<b>\$ 258,586</b>	<b>\$ 79,760</b>	<b>\$ 83,630</b>	<b>\$ 83,493</b>
<b>Net Change in Fund Balance</b>	<b>\$ 192,924</b>	<b>\$ 337,983</b>	<b>\$ 388,023</b>	<b>\$ (83,055)</b>	<b>\$ 115,242</b>	<b>\$ 44,682</b>
Fund Balances—Beginning of Year	1,929,190	1,591,097	1,202,955	1,286,011	1,170,833	1,100,311
Restatement/Prior Year Adjustment	-	110	229	-	(62)	25,837 <sup>(17)</sup>
Fund Balances—Beginning of Year as Restated	\$1,929,190	\$1,591,207	\$1,203,184	\$1,286,011	\$1,170,771	\$1,126,148
Fund Balances—End of Year	\$2,122,114	\$1,929,190	\$1,591,207	\$1,202,955	\$1,286,013	\$1,170,830

Notes to Table 12 are on the following page.

**NOTES TO TABLE:**

- (1) The increase in tax revenues in 2023 is largely due to an increase in the Seattle Metropolitan Parks District levy from \$0.20401 per \$1,000 assessed value in 2022 to \$0.38551 per \$1,000 assessed value in 2023. Additionally, commercial parking tax revenues continued to recover.
- (2) Approximately \$248 million of the increase in 2021 tax revenue was due to the Payroll Expense Tax that became effective in 2021. See “General Fund Tax Revenue Sources—Payroll Expense Tax.”
- (3) Reflects a significant reduction in economic activity brought on by the COVID-19 pandemic.
- (4) Elevated revenues from 2020 through 2022 include direct federal grants related to COVID-19 response and recovery. See Note 4 to Table 11, above.
- (5) The increase beginning in 2020 is primarily due to reimbursements received from the State Department of Transportation for work performed by the City in connection with the Alaskan Way projects, greater receipts of mandatory housing affordability developer contributions; and, starting in 2022, reimbursements received from the Central Puget Sound Regional Transit Authority (“Sound Transit”) for work performed related to the Madison Bus Rapid Transit project.
- (6) Decrease in 2022 and subsequent increase in 2023 largely reflects the net result of unrealized investment gains and losses recognized in accordance with GASB 31.
- (7) Includes one-time sale of City property for \$21.7 million and an increase in unrealized gains recognized in accordance with GASB 31.
- (8) In 2018 and 2019, the allocation method between current expenditures and expenditures for capital outlay varied from the method utilized afterwards. If the current methodology had been used in 2018 and 2019, current expenditures would have declined and capital outlay expenditures would have increased by approximately \$46 million and \$37 million in 2018 and 2019, respectively.
- (9) Reflects significant expenditures related to COVID-19 response, mitigation, and recovery.
- (10) Changes from 2018 expenditure levels are largely the result of a more precise methodology for allocation of expenditures by purpose.
- (11) Includes expenditures supported by revenues from the Payroll Expense Tax that became effective in 2021.
- (12) Primarily reflects increased expenditures for major and routine maintenance and repairs at City parks, recreation facilities, and libraries.
- (13) Increase in 2020 was primarily due to construction on the Alaskan Way projects and various bridge projects throughout the City, including the emergency repairs to the West Seattle Bridge.
- (14) Debt Service in the Other Governmental Funds excludes debt service paid by enterprise funds and the portion of general obligation debt service paid by internal service funds.
- (15) Increase in 2022 due to \$134.3 million in proceeds from a one-time sale of surplus property.
- (16) In 2022, \$62.0 million in federal Coronavirus State and Local Fiscal Recovery Funds was transferred from the Coronavirus Local Fiscal Recovery Fund (special revenue fund) to the General Fund.
- (17) Restatement due to the City’s conversion to the Direct Fund Model and adjustments to accounts receivable. See generally “—2018 Implementation of New Accounting Software and Direct Fund Model of Accounting.”

*Source: City of Seattle, Annual Reports, 2018-2023*

**2018 Implementation of New Accounting Software and Direct Fund Model of Accounting**

The City completed its transition to a new financial accounting software system in 2018. As part of the implementation of the new system, the City adopted the “Direct Fund Model” of fund accounting, effective for 2018 reporting. This method provides increased transparency for expenditure activity within the City’s primary funds. It also consolidates several non-major governmental funds within the General Fund. Items that were listed prior to 2018 as transfers into or out of the General Fund are reflected for 2018 and subsequent years as direct revenues or expenditures of the General Fund. The major adjustments to the General Fund balance sheet due to this change are reflected as increases to amounts due both to and from other funds within the City. The shift produces few major changes when aggregated at the “all governmental funds” level. Footnotes to Tables 10, 11, and 12 above provide an overview of the major impacts on a year-over-year basis due to the City’s shift to the Direct Fund Model.

## **Fiscal Year 2024 Outlook**

Prior to the pandemic, the Seattle and regional economies tracked well ahead of the rest of the nation, with much of the region's growth concentrated in the City of Seattle. The City weathered the economic shocks of the COVID pandemic relatively well, setting a financial foundation that continues to be based on the well-diversified revenues available to the City. At the same time, office vacancy rates remain high and inflation remains at elevated levels.

The 2024 Adopted Budget adopted by the City Council in November 2023 focused on making modifications to earlier projections of 2024 expenditures only as necessary to maintain a balanced budget, limiting increases to addressing unanticipated cost pressures. In addition, up to \$91.5 million of revenues from the Payroll Expense Tax are being redirected in 2024 to support the General Operating Fund. See "General Fund Tax Revenue Sources—Payroll Expense Tax."

Beginning in calendar year 2022, the City implemented new procedures for developing economic and revenue forecasts, moving that function from the City Budget Office ("CBO"), which is an Executive branch agency, into an independent Office of Economic and Revenue Forecasts (the "Forecast Office"). See "The City of Seattle—Budgeting and Forecasting."

On April 8, 2024, the Forecast Office presented the results of the April economic and revenue forecast to the Forecast Council. The projected revenues to the General Operating Fund from selected economically-sensitive tax sources are forecast to be \$8.9 million (0.7%) below what was assumed in the 2024 Adopted Budget. At the same time, the forecast also included a projected increase of \$69.0 million (21.2%) in Payroll Expense Tax revenues and forecast Real Estate Excise Tax revenues on par with the amounts assumed in the 2024 Adopted Budget. For additional information on the 2024 forecast for certain taxes, see "General Fund Tax Revenue Sources."

A copy of the forecast can be found at <https://www.seattle.gov/economic-and-revenue-forecasts/meeting-information/materials>. The next forecast is expected to be presented by the Forecast Office on or about August 5, 2024. The Forecast Office has responsibility for developing a regional economic forecast and forecasts for key tax revenues. See "The City of Seattle—Budgeting and Forecasting."

With one-time funding sources balancing the 2024 budget and expenditure levels exceeding the forecasted revenue in the future, the City is projecting significant structural deficits in 2025 and beyond. In response, the CBO has taken measures to slow current year spending in 2024 to achieve savings and will use the annual budget process in 2024 to adjust department budget allocations to align with forecasted revenue in developing the 2025-2026 budgets. The City is also examining its lines of business for cross-departmental efficiencies and consolidation opportunities and reviewing all funding sources to maximize flexibility and utilization as part of the process of developing a proposal for a balanced 2025 budget.

The Mayor expects to submit the 2025 budget proposal at the end of September 2024. The City Council began holding meetings as part of a Select Budget Committee in April 2024 to begin identifying and deliberating possible budget balancing solutions and will continue its deliberations, including such public hearings as the City Council deems appropriate, through the summer and after receiving the Mayor's budget proposal in September. The Council may modify the Mayor's budget proposal before adopting the 2025 budget, which is expected to occur in late November 2024. The City's budget is adopted by ordinance pursuant to State law and the City's Charter. Typically, adoption occurs in late November after the budget is approved by the City Council and signed by the Mayor. See "The City of Seattle—Budgeting and Forecasting." Additional legislative options for new taxes or increases in existing taxes may be proposed subject to approval by the City Council and the Mayor.

Looking beyond 2025, the City was selected as one of the host cities for the 2026 FIFA World Cup. The City will work with FIFA, the private local organizing committee, and other public entities to prepare for the event. The City expects to benefit from increased tourism and related activities which may lead to one-time revenues for the City, but the City cannot yet predict with certainty the overall economic impact of serving as a World Cup host city.

## GENERAL FUND TAX REVENUE SOURCES

The following table sets forth a breakdown of General Fund tax revenues for the years 2018 through 2023:

**TABLE 13**  
**GENERAL FUND TAX REVENUE SOURCES**  
(S000)

	2023	2022	2021	2020	2019	2018
<b>Taxes</b>						
General Property	\$ 377,802	\$ 371,765	\$ 363,688	\$ 344,813 <sup>(5)</sup>	\$ 320,731	\$ 311,323
Retail Sales and Use <sup>(1)</sup>	341,993	333,101	301,031	256,019	293,469	277,686
Business <sup>(2)</sup>	736,446	688,362	613,178	284,311	345,323	319,893
Excise	56,435	104,397 <sup>(4)</sup>	123,658 <sup>(4)</sup>	81,374 <sup>(5)(6)</sup>	114,296 <sup>(6)</sup>	84,222
Other Taxes	26,966	28,208	27,463	17,444 <sup>(5)</sup>	36,639	35,116
Interfund Business <sup>(3)</sup>	185,684	192,849	175,142	174,476	173,404	165,453
<b>Total Taxes</b>	<b>\$ 1,725,326</b>	<b>\$ 1,718,682</b>	<b>\$ 1,604,160</b>	<b>\$ 1,158,438</b>	<b>\$ 1,283,862</b>	<b>\$ 1,193,693</b>

- (1) Includes voter-approved 0.1% additional retail sales and use tax for transportation purposes. See “—Retail Sales and Use Taxes—Seattle Transportation Benefit District Sales Tax.”
- (2) Includes revenue of \$248.1 million in 2021, \$297.7 million in 2022, and \$317.0 million in 2023 from the Payroll Expense Tax that was implemented in 2021. These figures include approximately \$45.0 million in 2022 and \$3.6 million in 2023 related to revenue from activity that occurred in 2021 but was not received until after the accrual cutoff date in 2022. See “—Payroll Expense Tax.”
- (3) Business taxes on City-owned utilities. See “—Business Taxes.”
- (4) The increased revenues in 2021 and 2022 reflect a period of rapid growth in regional property prices, high residential sales activity, and several large commercial property sales. See “—Real Estate Excise Taxes.”
- (5) These numbers are correct and are different from what is shown in the 2020 Annual Report, which was in error.
- (6) The figures for 2019 and 2020 reflect large real estate transactions that were accelerated into 2019 in advance of the January 1, 2020, effective date for certain State real estate excise tax rate increases. Includes the short-term rentals tax that was first implemented in 2019 for that year only, as revenues in successive years were directed into a new special revenue fund.

Source: City of Seattle, Annual Reports, 2018-2023

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, based on current law.

*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 typically adopts a levy ordinance each November, in conjunction with its annual budget process. It then 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 (“DOR”). 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 Procedures” 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, but State law does not prioritize use of property tax levies for this purpose over any other. 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 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.

*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 16—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2024, 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, is subject to the limitations described below.

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 affects the ability of the City to levy regular property taxes at rates sufficient to pay the debt service on its general obligation indebtedness. 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 maximum regular property tax levy for general municipal purposes, including the payment of debt service on limited tax general obligation indebtedness, is \$3.375 per \$1,000 of assessed value (RCW 84.52.043). The City also has authority to levy an additional \$0.225 per \$1,000 of assessed value under the “Firefighters’ Pension Fund Levy” (RCW 41.16.060), for a combined maximum levy rate of \$3.60 per \$1,000 of assessed value.

The additional Firefighters’ Pension Fund Levy may be applied to general municipal purposes only if it is not needed to fund certain legacy firefighter pension obligations. This authority extends beyond the date when all beneficiaries of the original legacy programs are deceased. However, it requires that levy proceeds be used for other post-employment benefits (“OPEB”) and other benefits for Law Enforcement Officers’ and Fire Fighters’ Retirement System (“LEOFF”) Plan 1 members and beneficiaries before being used for other City purposes. See “The City of Seattle—Pension Plans.” The City currently uses other available resources to fund its firefighter pension fund and OPEB expenses and does not currently utilize the Firefighters’ Pension Fund Levy authority.

The City’s regular levy rate for collection in 2024 is \$2.31741 per \$1,000 of assessed value. However, \$1.21822 per \$1,000 of the 2024 levy rate is statutorily restricted to purposes described in certain levy lid lift ballot measures. See Tables 15, 16, and 17 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 statutes limit the levies by the State to not more than \$3.60 per \$1,000 of assessed value adjusted to the State equalized value. State statutes also limit 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, 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 and regional fire protection authorities, levies by counties for transit-related purposes, portions of certain levies by certain flood control zone districts, levies by regional transit authorities, and levies resulting from the correction of certain levy errors.

The aggregate of all overlapping levy rates within the City that are subject to the \$5.90 limitation is \$4.01345 for the 2024 tax collection year. The aggregate of all overlapping levy rates within the City that are subject to the 1% limitation is \$7.03386 for the 2024 tax collection year.

Because various taxing districts may overlap, the aggregate levy rate applied to any two tax parcels within the City may sometimes differ. 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 in the rate applied to one property 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 DOR setting forth a prioritization of regular levies. The regular “general purpose” 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 (and certain special purpose levies that may be made by the City, including the Firefighters’ Pension Fund Levy) are considered “junior” tax levies. State statute prescribes the order in which the various junior tax 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 any 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, State-assessed property, and certain increases in assessed value within designated tax increment financing areas. 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 either indefinitely or for a limited period. 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. The incremental tax rates for the levy lid lifts currently in effect are shown below in Table 16—Representative Overlapping Levy Rates and City-Specific Tax Rates Within the City, Collection Year 2024, and Table 17—Voted Levy Lid Lifts in Effect in 2024.

*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) that 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.* In addition to the City’s general purpose regular levy and the aggregate \$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 (“Guaranty Fund”) to secure debt of any local improvement district (“LID”) 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). Any taxes levied for the maintenance of the guaranty fund would be in addition to (and, if need be, in excess of) all statutory and charter limitations.

The City currently has bonds outstanding for one LID. The Local Improvement District No. 6751 Bonds (the “Waterfront LID Bonds”) guaranteed by the Guaranty Fund, mature on November 1, 2043, and are subject to annual interest payments and principal redemptions based on collections of LID assessments. As of December 31, 2023, approximately \$92.6 million principal amount remains outstanding. Several property owners within the Waterfront LID appealed the allocation of assessments to their properties. The Washington Court of Appeals affirmed the challenged assessments, but the property owners in May 2024 filed a motion for reconsideration, which motion is currently pending. If denied, property owners could seek to appeal in the Washington State Supreme Court. See “Other Considerations—Certain Major Infrastructure and Capital Projects—Waterfront Seattle Program.”

The balance in the Guaranty Fund, which secures the Waterfront LID Bonds (and any future LID bonds that may be issued by the City), was approximately \$8.9 million as of December 31, 2023. See “Other Considerations—Certain Major Infrastructure and Capital Projects.”

The City has no current plans to form additional LIDs. However, nothing in State or local law prohibits the City from creating additional LIDs and issuing additional LID debt secured by the Guaranty Fund.

*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 DOR. 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 DOR.

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 DOR. 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. For purposes of the State property tax levies, the State DOR annually surveys each county to calculate a ratio of assessed values to fair market value, and determines an equalization ratio for each county. The State property tax levies are equalized across the State using these ratios. 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 Procedures.* 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 DOR 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 that 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.

State law permits county treasurers, during a state of emergency declared under RCW 43.06.010(12) and 84.56.020(10), on the county treasurer's own motion or at the request of any taxpayer affected by the emergency, to grant extensions of the due date of such property taxes as the county treasurer deems proper. The State's Governor also has authority to waive or suspend the application of tax due dates and penalties relating to collection of taxes. Further, the Governor may, among other actions, waive or suspend the application of tax due dates and penalties relating to collection of taxes.

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 assessed value and property tax collection record (Table 14), *ad valorem* levy rates (Table 15), and an example of overlapping levy rates for a representative levy code area within the City (Table 16).

**TABLE 14  
CITY ASSESSED VALUE AND PROPERTY TAX COLLECTION RECORD**

<b>Collection Year</b>	<b>Total Assessed Value<sup>(1)</sup></b>	<b>% Change in Assessed Value</b>	<b>Ad Valorem Tax Levy</b>	<b>Tax Collected Year Due</b>	<b>Total Collected As of 12/31/2023</b>
2024	\$ 301,214,631,275	-2.48%	\$ 709,166,591	n/a	n/a
2023	308,874,491,598	11.79%	610,763,665	97.13%	99.12%
2022	276,293,453,116	5.40%	595,518,889	98.52%	99.75%
2021	262,134,061,774	1.62%	586,954,673	98.55%	99.85%
2020	257,958,280,787	5.32%	570,239,595	98.52%	99.89%
2019	244,938,709,301	14.40%	544,009,712	98.87%	99.94%

(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 15  
AD VALOREM LEVY RATES AND LEVY AMOUNTS OF THE CITY**

<b>Collection Year</b>	<b>Levy Rates (per \$1,000 of Assessed Value)</b>			<b>Levy Amounts</b>		
	<b>Voter-Approved</b>			<b>Voter-Approved</b>		
	<b>General<sup>(1)</sup></b>	<b>Bonds</b>	<b>Total</b>	<b>General<sup>(1)</sup></b>	<b>Bonds</b>	<b>Total</b>
2024	2.31741	0.05418	2.37159	\$ 693,003,126	\$ 16,163,465	\$ 709,166,591
2023	1.93371	0.05327	1.98698	594,450,982	16,312,683	610,763,665
2022	2.10681	0.05954	2.16635	579,208,844	16,310,045	595,518,889
2021	2.16289	0.08752	2.25041	564,190,360	22,764,313	586,954,673
2020	2.13204	0.08884	2.22088	547,473,222	22,733,373	570,206,595

(1) Includes City’s total regular levy (including levy lid lifts). Excludes EMS levy and Seattle Park District levy, which are overlapping levies shown in Table 16.

Source: King County Department of Assessments

**TABLE 16**  
**REPRESENTATIVE OVERLAPPING LEVY RATES AND CITY-SPECIFIC TAX RATES WITHIN THE CITY<sup>(1)</sup>**  
**COLLECTION YEAR 2024**  
**(Per \$1,000 of Assessed Value)**

<b>Overlapping Regular and Excess Levy Rates</b>	
<b>Within the City of Seattle</b>	<b>2024</b>
City of Seattle	\$2.37159
King County	1.33792
State	2.51751
Port of Seattle	0.10470
Seattle School District No. 1	1.84883
EMS Levy	0.22678
County Flood Zone	0.07067
Seattle Park District <sup>(2)</sup>	0.40988
Sound Transit	0.16483
<b>Total Within City of Seattle</b>	<b>\$9.05271</b>
<b>City of Seattle--Purpose-Restricted Components</b>	
Current Expense Base and Pension	\$1.09919
Levy Lid Lifts	1.21822
<b>Total City Regular Levy Rate</b>	<b>\$2.31741</b>
Excess Levy for Voter-Approved Bonds	0.05418
<b>Total City Regular and Excess Levies</b>	<b>\$2.37159</b>

- (1) 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.”
- (2) The Seattle Park District is a metropolitan park district with boundaries coterminous with those of the City. The district is a separate municipal corporation, created pursuant to voter approval in 2014, with its own statutory maximum levy rate of \$0.75 per \$1,000 of assessed value, though the actual levy imposed by the district is constrained under an interlocal agreement between the City and the district. The members of the City Council comprise the governing body of the park district.

Source: King County Department of Assessments

**TABLE 17**  
**VOTED LEVY LID LIFTS IN EFFECT IN 2024**

<b>Lid Lifts</b>	<b>Term</b>	<b>Amount Expected to be Raised Over Levy Period</b>
Transportation <sup>(1)</sup>	2016-2024	\$ 930,000,000
I-122 Election Vouchers	2016-2025	30,000,000
Families, Education, Preschool and Promise	2019-2025	619,600,000
Library	2020-2026	219,100,000
Low-Income Housing	2024-2031	970,300,000

- (1) The Mayor has proposed submitting a renewal of the Transportation levy to the voters later this year. The Mayor’s proposed levy would expect to raise approximately \$1.45 billion over eight years. The City Council is considering this summer whether to place a Transportation levy renewal measure before the voters this year.

*Major Property Taxpayers.* The following table presents the property taxpayers within the City with the highest 2023 assessed value for tax collection year 2024.

**TABLE 18**  
**TEN LARGEST PROPERTY TAXPAYERS IN 2024**

Taxpayer <sup>(1)</sup>	Type of Business	Total Assessed Value <sup>(2)</sup>	Percent of Total Assessed Value
Amazon	Electronic Commerce	\$ 3,550,063,557	1.18 %
Union Square Limited Partnership	Commercial Real Estate	916,592,689	0.30
Onni Properties	Commercial Real Estate	885,574,100	0.29
Ponte Gadea Seattle LLC	Commercial Real Estate	797,026,900	0.26
GC Columbia LLC	Commercial Real Estate	654,090,394	0.22
Children's Healthcare System	Healthcare	593,035,800	0.20
Acom Development LLC	Commercial Real Estate	570,419,000	0.19
1201 Tab Owner LLC	Commercial Real Estate	552,168,815	0.18
Selig Holdings Company LLC	Commercial Real Estate	498,637,500	0.17
Cruise LLC	Commercial Real Estate	491,583,184	0.16
<b>Total</b>		<b>\$ 9,509,191,939</b>	<b>3.16 %</b>
<b>Total City Assessed Value for Tax Collection Year 2024</b>		<b>\$ 301,214,631,275</b>	

(1) Includes taxpayers paying real and personal property taxes as property owners. Excludes property owned by governmental entities and excludes taxpayers paying leasehold excise taxes in lieu of property taxes on property leased from state and local government entities.

(2) Includes the value of certain property exempt from taxation.

*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 specific purposes, as set forth in the applicable authorizing statute.

A sales tax of 10.25% is charged on all taxable retail sales in the City. The 10.25% rate 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, 1.4% for Sound Transit, 0.9% for the County to support public transportation, 0.1% for the County to support chemical dependency or mental health programs, 0.1% for the support of criminal justice programs within the County, 0.1% for the County to support housing services, and 0.15% for the City for the Seattle Transportation Benefit District (discussed below under “—Seattle Transportation Benefit District Sales Tax”). 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 addition, a portion of the State’s rate (0.0146%) is passed through to the City for affordable housing purposes.

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 DOR, which usually occurs on a monthly basis. The State DOR 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.

On April 8, 2024, the City's Forecast Office released an updated revenue forecast (the "April 2024 Forecast"). The April 2024 Forecast projected retail sales and use tax revenue to the General Operating Fund in 2024 of \$338.8 million, a decrease of \$16.6 million from what was included in the 2024 Adopted Budget.

*Seattle Transportation Benefit District Sales Tax.* The City operates the Seattle Transportation Benefit District, which is an additional dedicated funding mechanism for certain transportation purposes under State law. It primarily provides funding to support mass transit services provided by King County Metro. Voters most recently approved an incremental rate of 0.15% in effect through April 1, 2027, at which point it will require reauthorization by the voters.

### **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 0.222% to 0.427%. 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 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 at the rate of 11.5%, on the City-owned solid waste utility at the rate of 14.2%, 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 in Table 13.

The City also 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 also imposes the same utility B&O tax of 14.2% on commercial solid waste utilities as it does for its City-owned counterpart.

The April 2024 Forecast projected B&O tax revenue to the General Operating Fund in 2024 of \$363.7 million, a decrease of \$4.5 million from what was included in the 2024 Adopted Budget.

### **Payroll Expense Tax**

Beginning January 1, 2021, the City imposed the Payroll Expense Tax on companies with annual payroll expenses exceeding \$7 million, adjusted annually for consumer price index ("CPI")-linked inflation. The Payroll Expense Tax is only assessed against salaries that a company pays to Seattle-based employees. No tax is due with respect to employees whose annual salaries are below the minimum threshold. Exemptions from the Payroll Expense Tax apply to federal and State government entities, grocery stores, and businesses that the City is preempted from taxing under federal or State law. By its terms, the tax will sunset on December 31, 2040.

For 2024, the Payroll Expense Tax applies to businesses with \$8.5 million or more of payroll expense in the City for the past calendar year (2023), and compensation in the City for the current calendar year (2024) paid to at least one



employee whose annual compensation is \$182,325 or more. The City Council also authorized increases to the tax rate, effective January 1, 2024, estimated to raise an additional \$24 million of revenue in 2024.

Payroll Expense Tax is reported and paid on a quarterly basis, except for taxes relating to 2021 activity, which were reported on a single filing due on January 1, 2022, that covered the calendar year 2021. Initial receipts for taxes due in 2021 that were received on or before March 1, 2022, were accrued to 2021 and are reflected in the City’s 2021 Annual Report.

**TABLE 19  
PAYROLL EXPENSE TAX RATES AND THRESHOLDS  
(UPDATED FOR 2024 CPI ADJUSTMENT)**

2024 Thresholds	Payroll Expense		
	Less Than \$121.6 Million	\$121.6 Million to \$1,215.9 Million	Greater Than \$1,215.9 Million
Below \$182,385	N/A	N/A	N/A
\$182,385 to \$486,359	0.74%	0.74%	1.49%
\$486,359 or More	1.81%	2.02%	2.56%

*Source: Office of City Finance within the Department of Finance and Administration*

The Forecast Council includes the Payroll Expense Tax in its official forecasts. Initial forecasts were particularly speculative because the City lacked historical data and data points necessary to have a high level of confidence in the projections. Initial collections also were unpredictable as taxpayers adjusted to understanding and calculating their tax liabilities. Collections in 2021 came in approximately \$34 million above forecast, at \$248.1 million. Collections in 2022 that were attributable to that year came in approximately \$27 million below forecast, at \$253.1 million. Collections attributable to 2023 came in \$44.6 million above forecast, at \$313.3 million. Total collections exceed these amounts as some revenues attributable to 2021 continued to be collected in subsequent years. See Footnote 2 to Table 13—General Fund Tax Revenue Sources above.

The April 2024 Forecast projected revenue from the Payroll Expense Tax in 2024 of \$394.7 million, \$69.0 million above what was included in the 2024 Adopted Budget.

By City policy, revenues are to be used for affordable housing, local business and workforce support, community development, and projects supporting a transition to clean energy. The City Council retains the flexibility to redirect Payroll Expense Tax revenues outside of these uses through legislative action. In 2022, 2023, and 2024, the City Council redirected Payroll Expense Tax revenues to maintain existing General Operating Fund services following a forecasted revenue shortfall.

**Real Estate Excise Taxes**

The City imposes a real estate excise tax (“REET”) of 0.5% on sales of real property in the City. While this revenue is not generally available for all General Fund purposes, the proceeds may be used for qualifying capital projects, which would otherwise be paid with unrestricted general fund resources. Until January 1, 2026, REET may also be used for certain affordable housing purposes. A portion of REET revenue is internally earmarked to pay City general obligation bond debt service allocated to financing qualifying projects.

The City’s REET is in addition to the State real estate excise tax.

The State real estate excise tax is imposed based on a graduated rate schedule, except for the sale of undeveloped land, timberland, agricultural land, and water or mineral rights, which is taxed at 1.28% regardless of selling price. Rates for all other real estate sales, effective January 1, 2023, are: 1.1% on the first \$525,000 of the selling price; 1.28% on the portion of the selling price that is greater than \$525,000 but equal to or less than \$1.525 million;

2.75% on the portion of the selling price greater than \$1.525 million, but equal to or less than \$3.025 million; and 3% on the portion of the selling price that is greater than \$3.025 million. Every four years, the State DOR adjusts the selling price thresholds by a factor equal to the lesser of 5.0% or the growth in the Consumer Price Index for “shelter” over those four years (but not less than 0%). The next adjustment is scheduled to go into effect on January 1, 2027.

Real estate excise taxes (both State and local portions) are generally collected by county treasurers, except for the tax that applies to the acquisition of controlling interests, which is reported directly to the State DOR. Tax collections remitted to the City were \$47.9 million in 2023, \$91.4 million in 2022, \$112.2 million in 2021, \$72.2 million in 2020, and \$100.9 million in 2019. The sharp increase in interest rates and shift towards teleworking has dampened the volume of real estate transactions in the region, especially for large office properties. The 2024 Adopted Budget, adopted in November 2023, forecasted tax collections of approximately \$48.8 million in 2024, based on October 2023 forecast data.

The April 2024 Forecast projected REET revenue in 2024 of \$52.3 million, the same level as what was included in the 2024 Adopted Budget.

### **Other Taxes**

*Commercial Parking Tax.* The City imposes a commercial parking tax (“CPT”) on every person for parking a motor vehicle in a commercial parking lot within the City. First introduced on July 1, 2007, the proceeds of this tax are used for transportation purposes in accordance with RCW 82.80.070 or transportation improvements in accordance with RCW Chapter 36.73. Although the revenues generated by CPT are received outside of the General Fund, they provide a significant amount of funding for transportation projects as well as debt service related to transportation projects. The current rate imposed is 14.5% of the parking fee paid, effective July 1, 2022. The prior rate imposed was 12.5%.

At the onset of the COVID-19 pandemic, CPT revenues declined significantly from \$49.2 million in 2019 to \$19.4 million in 2020. Tax collections have recovered since that time, totaling \$28.6 million in 2021, \$37.7 million in 2022, and \$51.7 million in 2023, increasing in each successive year as the local economy has recovered. The April 2024 Forecast projected CPT revenue in 2024 of \$51.4 million, an increase of \$2.5 million from what was assumed in the 2024 Adopted Budget.

*Other Forecasted Taxes.* The Forecast Office also produces forecasts for certain additional City taxes—the Admissions Tax, Short-Term Rental Tax, and the Sweetened Beverage Tax. Although the magnitude of revenues generated by these taxes is small relative to the other tax sources discussed above, they serve as indicators of local economic performance, particularly in the hospitality industry. For additional information on these taxes, see sections relating to the CBO and the Forecast Office under “The City of Seattle—Budgeting and Forecasting.”

### **Legislative Changes Affecting City Taxing Authority and Limitations**

Changes in tax legislation at the local, State, and national levels could affect City revenues. Certain authority of Washington local governments to impose taxes is granted by statute and, from time to time, the State Legislature does adjust those taxing powers and limitations. Local and State-wide initiative measures may also make changes to local government taxing powers and limitations. See “Initiative and Referendum” below. Legislation affecting the City’s taxing power and limitations (and those of overlapping taxing districts, which may affect the aggregate levy rates and limitations within the City) 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 authorize indebtedness outside the

current budget, including by legislative emergency plan or delegation to the Mayor. 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.* 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 State Constitution authorizes the issuance of voter-approved debt, also referred to as UTGO Bonds or voter-approved bonds. 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 from time to time entered into agreements with public development authorities chartered by the City and with other similar 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. State law does not otherwise restrict the City from providing future similar guarantees for appropriate public purposes. The aggregate amount of such currently outstanding debt subject to City guarantees or contingent loan agreements are shown on Table 20—Estimated Legal Debt Capacity (notes 6 and 7).

### **Debt Payment Record**

The City 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 Obligations**

The City generally issues limited tax general obligation debt to fund its capital programs on an annual basis, with the next planned issuance of general obligation bonds likely to occur in the first half of 2025. The City also periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

In addition, the City may from time to time incur non-bond financial obligations through State and federal loan programs, leases, or interlocal agreements. The City also from time to time considers the use of its general obligation debt capacity to provide guarantees of debt issued by City-chartered public development authorities, consistent with the City's debt policies, as described above under "Limitations on Indebtedness—City-Guaranteed Debt." The City anticipates providing its guarantee with respect to a planned refunding of outstanding callable City-guaranteed bonds previously issued by the Museum Development Authority of Seattle, which is expected to occur in mid-2024, for the purpose of realizing a debt service savings and reducing the City's exposure under its guarantee. See "Limitations on Indebtedness—City-Guaranteed Debt" and "Debt Capacity and Debt Service Summaries—Museum Development Authority of Seattle Debt Guarantee."

### **Debt Capacity and Debt Service Summaries**

Table 20 sets forth the computation of the City's estimated legal debt capacity based on debt outstanding as of December 31, 2023, adjusted for the issuance of the City's Limited Tax General Obligation Improvement and Refunding Bonds, 2024 (the "City's 2024 LTGO Bonds"), and a total City assessed value for collection of taxes in 2024 of approximately \$301.2 billion. There remains approximately \$2.8 billion of unlimited tax general obligation debt capacity for general purposes and approximately \$3.7 billion of limited tax general obligation debt capacity. The tables below show the annual principal and interest due on all outstanding general obligations of the City and the City's net direct and overlapping debt and debt ratios as of December 31, 2023, adjusted for the issuance of the City's 2024 LTGO Bonds.

**TABLE 20**  
**ESTIMATED LEGAL DEBT CAPACITY<sup>(1)</sup>**  
**(as of December 31, 2023, adjusted for the issuance of the City's 2024 LTGO Bonds)**

Assessed Value as of February 1, 2024 \$301,214,631,275	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% of Net, of Column A)			
2.5% of AV	\$ -	\$ 7,530,365,782	\$ 7,530,365,782	\$ 7,530,365,782	\$ 22,591,097,346
1.5% of AV	4,518,219,469	(4,518,219,469)			
	\$ 4,518,219,469	\$ 3,012,146,313	\$ 7,530,365,782	\$ 7,530,365,782	\$ 22,591,097,346
Debt Outstanding <sup>(2)</sup>					
Outstanding Bonds	\$ (750,225,000)	(221,000,000)	-	-	(971,225,000)
Guarantees on PDA Bonds <sup>(3)</sup>	(25,890,000)	-	-	-	(25,890,000)
Public Works Assistance Account Loans <sup>(4)</sup>	(11,353,989)	-	-	-	(11,353,989)
Compensated Absences <sup>(5)</sup>	(74,939,066)	-	-	-	(74,939,066)
Total Debt Outstanding	\$ (862,408,055)	\$ (221,000,000)	\$ -	\$ -	\$ (1,083,408,055)
Available Net Assets in Redemption and Other Funds <sup>(6)</sup>	\$ 9,230,192	\$ -	\$ -	\$ -	\$ 9,230,192
Compensated Absences for Sick Leave <sup>(5)</sup>	11,112,391	-	-	-	11,112,391
Net Debt Outstanding	\$ (842,065,472)	\$ (221,000,000)	\$ -	\$ -	\$ (1,063,065,472)
<b>Legal Debt Margin</b>	<b>\$ 3,676,153,997</b>	<b>\$ 2,791,146,313</b>	<b>\$ 7,530,365,782</b>	<b>\$ 7,530,365,782</b>	<b>\$ 21,528,031,874</b>

Notes to Table 20 are on the following page.

**NOTES 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) Includes the City's 2024 LTGO Bonds and excludes the bonds refunded thereby. 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 funds.
- (3) Includes the principal amounts of City-guaranteed bonds issued by the Museum Development Authority of Seattle. See "—Museum Development Authority of Seattle Debt Guarantee; 2024 MDA Refunding Bonds" below.
- (4) Includes City obligations to repay loans from the Washington State Public Works Assistance Account.
- (5) 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.
- (6) Excludes available net assets in 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. See "—General Property Taxes—Guaranty Fund Levies."

*Seattle Indian Services Commission Debt Guaranty.* The Seattle Indian Services Commission ("SISC") issued its Special Obligation Revenue Refunding Bonds, 2004 (the "SISC Bonds"), on November 1, 2004, in the amount of \$5.2 million to refinance acquisition of and renovations to the Pearl Warren Building, to be leased to the Seattle Indian Health Board. The amount outstanding as of December 31, 2023, was \$425,000. The outstanding SISC Bonds include a mandatory redemption payment on term bonds due on November 1, 2024, with a remaining semi-annual interest payment on November 1, 2024, at a fixed rate of 4.50%. The SISC Bonds are not subject to acceleration under any circumstances and will be fully retired on November 1, 2024.

Pursuant to a Cooperation Agreement between the City and SISC dated March 1, 1994, as amended on September 1, 2004 (the "2004 Cooperation Agreement"), in the event of an insufficiency to make a scheduled payment on any Debt Service Payment Date, the City is obligated to pay an amount necessary to make up such insufficiency. The City's obligations are unconditional obligations of the City. In 2014, SISC experienced unforeseen conditions that left it unable to fulfill its debt obligations on the SISC Bonds guaranteed by the City and the City began making payments in accordance with the 2004 Cooperation Agreement. The lease of the Pearl Warren Building to the Seattle Indian Health Board was terminated on May 1, 2015.

Subsequently, in 2017, the City and SISC entered into a facility use agreement (the "2017 Facility Use Agreement"), pursuant to which the City became the new tenant of the Pearl Warren Building for use by the City as a Navigation Center to assist homeless residents of the City, and for other City purposes. Under the terms of the 2017 Facility Use Agreement, the City pays to SISC annual rent of \$60,000 (used by SISC for its operations) and monthly rent equal to 1/6th of the semiannual bond interest payments and 1/12th of the annual bond principal payments due in that year. The monthly rent paid by the City to SISC is used by SISC to make the debt service payments on the SISC Bonds. Since 2017, the monthly rent payable by the City to SISC has been and is scheduled to be sufficient to pay the SISC Bonds on a current basis. The City has made no additional advances pursuant to the 2004 Cooperation Agreement since the 2017 Facility Use Agreement went into effect in 2017 and continues in place beyond the final maturity date of the SISC Bonds.

Each City payment made between 2015 and 2017 pursuant to the 2004 Cooperation Agreement was treated as an advance of funds to SISC for which SISC incurred a repayment obligation. As "additional consideration" under the 2017 Facility Use Agreement, SISC's accumulated liability to reimburse the City for the advances made under the 2004 Cooperation Agreement is reduced by \$11,353.45 each month until the accumulated liability is extinguished. SISC accumulated liability included \$953,689.54 of principal amounts advanced as of February 1, 2017, plus interest on those advances accrued in accordance with the 2004 Cooperation Agreement. Pursuant to the 2017 Facility Use Agreement, the additional consideration will reduce SISC's accumulated liability to \$0 prior to the date that the SISC Bonds are scheduled to mature, on November 1, 2024.

As of May 1, 2024, remaining scheduled principal and interest payments with respect to the SISC Bonds guaranteed by the City total \$425,000 and \$9,031, respectively. The City currently expects that the rent payments under the 2017 Facility Use Agreement will continue to be sufficient for SISC to make the scheduled debt service payments through the life of the SISC Bonds without the need for additional advances under the 2004 Cooperation Agreement. See Note 15 to the City's 2023 Annual Report, which is attached as Appendix B to the Preliminary Official Statement for the 2024 MDA Refunding Bonds

*Museum Development Authority of Seattle Debt Guarantee; 2024 MDA Refunding Bonds.* The Museum Development Authority of Seattle ("MDA") is a public corporation chartered by the City pursuant to RCW 35.21.730 et seq. and Seattle Municipal Code ("SMC") Chapter 3.110 to provide for the management and operation of public art museum facilities. The MDA facilitates the development and operation of public art facilities, including the Seattle Art Museum ("SAM"), Olympic Sculpture Park, and Seattle Asian Art Museum, through agreements with SAM, an independent 501(c)(3) nonprofit corporation.

In 2005, SAM undertook a capital program, in coordination with MDA and the City, to facilitate expansion of the MDA-owned downtown museum facility and Olympic Sculpture Park. As part of this effort, in 2005 the City guaranteed the MDA's issuance of its \$61 million in Special Obligation Bonds, 2005 (the "2005 MDA Bonds"), to support the expansion of the downtown museum facility. Under these arrangements, MDA owns the downtown Seattle Art Museum facility and leases it to SAM (the nonprofit) to operate a public art museum. Lease revenues paid to MDA by SAM are directly applied to pay the debt service on the MDA's Special Obligation Refunding Bonds, 2014 (the "2014 MDA Refunding Bonds"). To pay its lease obligations to MDA, SAM relies upon lease revenues it receives by leasing out eight floors of office space that it owns in the office tower located directly above the current downtown Seattle Art Museum facility for future expansion purposes. In conjunction with the issuance of the 2005 MDA Bonds, the City committed its full faith and credit to replenish a debt service reserve account if drawn upon to pay debt service through the term of the bonds in 2031, subject to the terms of a Guarantee and Reimbursement Agreement by and among the City, the MDA, SAM, and U.S. Bank Trust Company, National Association, as Bond Trustee and Lockbox Agent (the "Guarantee Agreement"). The Guarantee Agreement was last amended in 2014 (the "Second Amended and Restated Guarantee and Reimbursement Agreement") in connection with the issuance of the 2014 MDA Refunding Bonds issued by the MDA to refund the 2005 MDA Bonds.

The City Council approved an ordinance on May 28, 2024, authorizing the execution of a Third Amended and Restated Guarantee and Reimbursement Agreement to provide the City's guarantee for the 2024 MDA Refunding Bonds to carry out a current refunding of all of its approximately \$22.8 million remaining outstanding 2014 MDA Refunding Bonds to achieve a debt service savings. The Third Amended and Restated Guarantee and Reimbursement Agreement is expected to be executed in conjunction with the closing of the 2024 MDA Refunding Bonds, currently expected to occur on or about July 31, 2024.

As described in more detail in the Preliminary Official Statement to which this Appendix A is attached, the terms of the Third Amended and Restated Guarantee and Reimbursement Agreement provide for maintenance of substantially the same terms and conditions that were provided for in the prior versions of the Guarantee Agreement, including payment of all lease revenues (generated by the leasing of certain office space owned by SAM adjacent to the downtown Seattle Art Museum facility) into a lockbox maintained by U.S. Bank Trust Company, National Association as Lockbox Agent and application of such receipts through a waterfall that provides for the timely payment of debt service on the MDA Bonds, replenishment of various reserve funds, and the reimbursement of the City for advances made (if any) under its guarantee obligation to replenish the debt service reserve account. Excess lease revenues remaining after payment of all amounts required under the Guarantee Agreement are available to SAM for its operations. In addition to holding certain control rights over the lockbox, the City also holds additional security under the Guarantee Agreement to ensure reimbursement by the MDA and SAM, including a minimum coverage requirement for office space lease revenues; restrictions on tenancy and consent rights over office space lease amendments; negative pledges with respect to the use or encumbrance of office space lease revenues; covenants with respect to maintenance of existence, operations and maintenance of the facility, recordkeeping, and reporting; a deed of trust on the MDA-owned downtown Seattle Art Museum facility; a standby deed of trust on the SAM-owned office space condominium units (which is recorded only upon the

occurrence of certain events); and consent rights over additional borrowing by either SAM or MDA. The Third Amended and Restated Guarantee and Reimbursement Agreement provides flexibility to permit the City to consider future requests for consents to additional borrowing, which could include making accommodations with respect to certain security held by the City to ensure reimbursement. Any such future consent involving the release of security held by the City would require the City Council and the Mayor to enact a future ordinance approving of that release in conjunction with a specific additional borrowing request to be presented by SAM or the MDA.

The City is required under State law to treat the outstanding principal of the guaranteed 2014 MDA Refunding Bonds (or future guaranteed debt issued to refund those bonds, including the 2024 MDA Refunding Bonds) as “debt” of the City for purposes of calculating applicable statutory and constitutional debt limitations. See Table 20. Although the City waived certain requirements of the Guarantee Agreement to assist the MDA following the 2008 financial crisis (which resulted in the loss of Washington Mutual Bank as the tenant under SAM’s office space leases and its replacement with Nordstrom Inc. as the master tenant), the City has never been called upon to make any advance to replenish the debt service reserves in respect of either the 2005 MDA Bonds or the 2014 MDA Refunding Bonds.

**TABLE 21**  
**SUMMARY OF GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**  
**AS OF DECEMBER 31, 2023, ADJUSTED FOR THE ISSUANCE OF THE CITY’S 2024 LTGO BONDS<sup>(1)</sup>**  
**LIMITED TAX GENERAL OBLIGATION BONDS**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 84,250,000	\$ 31,270,793	\$ 115,520,793
2025	86,365,000	28,671,835	115,036,835
2026	71,170,000	24,654,797	95,824,797
2027	61,130,000	21,594,631	82,724,631
2028	59,100,000	18,883,815	77,983,815
2029	55,065,000	16,290,889	71,355,889
2030	51,755,000	13,749,036	65,504,036
2031	47,140,000	11,307,628	58,447,628
2032	32,350,000	9,276,160	41,626,160
2033	27,125,000	7,913,547	35,038,547
2034	26,305,000	6,765,861	33,070,861
2035	24,640,000	5,780,799	30,420,799
2036	22,080,000	4,887,690	26,967,690
2037	18,995,000	4,103,638	23,098,638
2038	17,280,000	3,364,081	20,644,081
2039	15,790,000	2,688,613	18,478,613
2040	14,685,000	2,068,535	16,753,535
2041	14,300,000	1,486,655	15,786,655
2042	7,890,000	899,900	8,789,900
2043	4,350,000	517,975	4,867,975
2044	2,985,000	313,625	3,298,625
2045	1,625,000	215,400	1,840,400
2046	1,685,000	150,300	1,835,300
2047	1,755,000	82,800	1,837,800
2048	200,000	12,400	212,400
2049	210,000	4,200	214,200
<b>Total</b>	<b>\$ 750,225,000</b>	<b>\$ 216,955,604</b>	<b>\$ 967,180,604</b>



- (1) Includes the City’s 2024 LTGO Bonds and excludes the bonds refunded thereby. Does not include debt service on Public Works Assistance Account loans. Does not include City guarantees with respect to debt issued by City-chartered PDAs. Reflects taxable rates on certain “Build America 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 “Other Considerations—Federal Policy Risk and Other Federal Funding Considerations.”

**TABLE 22**  
**NET DIRECT AND OVERLAPPING DEBT**  
**(AS OF DECEMBER 31, 2023, ADJUSTED FOR THE ISSUANCE OF THE CITY’S 2024 LTGO BONDS)**

Outstanding Direct Debt	
Unlimited Tax General Obligation Bonds	\$ 221,000,000
Limited Tax General Obligation Bonds <sup>(1)</sup>	750,225,000
Less: Cash and Investments in Debt Service Funds	<u>(9,230,192)</u>
<b>Net Direct Debt</b>	<b>\$ 961,994,808</b>
Estimated Overlapping Debt <sup>(2)</sup>	
King County <sup>(3)</sup>	\$ 423,516,406
Port of Seattle	114,034,176
Seattle School District No. 001	9,730,053
Highline School District No. 401	<u>22,414</u>
<b>Total Estimated Overlapping Debt</b>	<b>\$ 547,303,050</b>
<b>Total Net Direct and Estimated Overlapping Debt</b>	<b>\$ 1,509,297,858</b>

- (1) Includes the City’s 2024 LTGO Bonds and excludes the bonds refunded thereby. Excludes the Public Works Assistance Account loans and City-guarantees or contingent loan agreements with respect to the debt issued by City-chartered PDAs. See Table 20—Estimated Legal Debt Capacity.
- (2) Allocated to the taxable property within the City according to its share of 2024 total assessed values.
- (3) Excludes limited tax general obligation indebtedness payable first from other revenues of the County, such as sales tax and sewer revenue.

**TABLE 23**  
**CITY BONDED DEBT RATIOS**  
**(AS OF DECEMBER 31, 2023, ADJUSTED FOR THE ISSUANCE OF THE CITY'S 2024 LTGO BONDS)**

Total City Assessed Value for 2024 Collections <sup>(1)</sup>	\$301,214,631,275
2023 Population Estimate <sup>(2)</sup>	779,200
Assessed Valuation <sup>(3)</sup>	100% of True and Fair Value
Net Direct Debt to Assessed Value	0.32%
Net Direct and Overlapping Debt to Assessed Value	0.50%
Per Capita Assessed Value	\$386,569
Per Capita Net Direct Debt	\$1,235
Per Capita Net Direct and Overlapping Debt	\$1,937
Net Direct Debt	\$961,994,808
Net Direct and Overlapping	\$1,509,297,858

(1) Source: King County Assessor.

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

(3) See “General Fund Tax Revenue Sources—General Property Taxes—Assessed Value Determination.”

### **OTHER CONSIDERATIONS**

#### **Public Health Emergencies**

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

The COVID-19 pandemic negatively affected local, State, national, and global economic activity beginning in 2020. Certain response costs and other negative revenue impacts were offset in part by the federal and State funds awarded to the City in 2020 and 2021. The City received \$131 million through the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Stabilization Act (the “CARES Act”) to help navigate the impact of the COVID-19 outbreak, all of which was spent prior to December 31, 2021, as required by the U.S. Department of the Treasury. The City was also awarded \$232 million of CLFR funds through the American Rescue Plan Act (“ARPA”) to help the City recover from the COVID-19 pandemic. As of December 31, 2023, \$26.8 million of this funding remains and is expected to be spent by the end of 2024. In addition to CLFR funding, the City received other federal grants intended to aid vulnerable populations particularly impacted by the pandemic. At this time, most revenue sources have returned to pre-pandemic levels, but uncertainty resulting from the pandemic’s effects on broader economic forces persists in the economy.

The City cannot predict whether future pandemics and other public health emergencies may arise that could impact the economy generally or the City’s financial condition.

#### **Certain Major Infrastructure and Capital Projects**

*Waterfront Seattle Program.* The Waterfront Seattle Program is a multi-year effort to plan, design, and ultimately build a new central waterfront for the City, and includes various City capital improvements that span the City’s central waterfront area from Pioneer Square to Belltown.

The various projects (other than the seawall replacement, which is complete) are being phased, with many elements nearing completion by the end of 2024. The City’s funding plan for the Waterfront Seattle Program includes the State’s share of funding and a mix of funding sources from various City revenues (*e.g.*, commercial parking tax, real

estate excise tax), grant funding, private philanthropy (currently being raised by the nonprofit Friends of the Waterfront), and local improvement district assessments from the Waterfront Local Improvement District, described below. In the event that these revenue sources are not sufficient, the remaining program costs (including expected costs and any unexpected cost overruns) could require the City to issue additional limited tax general obligation bonds or use other available City funds in future years.

In 2019, the City formed the Waterfront LID to finance a portion of the improvements included in the Waterfront Seattle Program. Special assessments for the Waterfront LID were imposed in July 2021 sufficient to pay or reimburse the City for up to \$160 million of the costs of these improvements, plus the costs of issuing the Waterfront LID Bonds and making a Guaranty Fund deposit, for a total of approximately \$174 million. The special assessments are not a general obligation of the City, and are secured by the City's Guaranty Fund. Some LID Assessments were prepaid, with those paying in full during the initial 30-day payment period receiving a discount on their assessment, for a total collection and discounted amount of approximately \$77 million. The remaining amount is provided from proceeds of the Waterfront LID Bonds. The City issued approximately \$97 million in Waterfront LID Bonds in 2021 which are also secured by the Guaranty Fund. See "General Fund Tax Revenue Sources—General Property Taxes—Guaranty Fund Levies."

In 2019, owners of 21 parcels within the Waterfront LID filed appeals in King County Superior Court within the statutorily required timeframe. These appeals represented approximately \$16 million of the total \$174 million Waterfront LID assessments. On March 8, 2023, the King County Superior Court ruled that the method of assessment was founded on a fundamentally wrong basis and annulled the Waterfront LID assessments for each of the parcels before it. The King County Superior Court's decision, and any subsequent decision on appeal, can only alter parcel assessments for property owners that were parties to the appeal before the Court. The City appealed the Superior Court's decision, and on April 22, 2024, the Court of Appeals reversed the Superior Court's decision and affirmed the Waterfront LID assessments in their entirety. On May 13, 2024, the owners filed a motion for reconsideration with the Court of Appeals; that motion is currently pending. If the motion for reconsideration is denied, the owners of the 21 parcels can request further appellate review by the Washington Supreme Court. If the Washington Supreme Court denies review or upholds the Court of Appeals decision, the City will be entitled to collect the full Waterfront LID assessments. Of the \$16 million in controversy, \$8.8 million was prepaid to the City under protest during the 30-day prepayment period and is held by the City in a segregated account. The remaining \$7.2 million was financed by the Waterfront LID Bonds. Proceeds of this portion of the Waterfront LID Bonds have been set aside in escrow pending resolution of the appeals. If the current assessment roll is ultimately invalidated as to those properties, State law provides that "[i]n all cases of special assessments for local improvements wherein the assessments are not valid in whole or in part for want of form, or insufficiency, informality, irregularity, or nonconformance with the provisions of law, charter, or ordinance, the city or town council may reassess the assessments and enforce their collection in accordance with the provisions of law and ordinance existing at the time the reassessment is made."

*Other Federal Funding Opportunities.* The Mayor's Office has established an interdepartmental steering committee that facilitates coordination, reviews and tracks grant applications, and provides central vision and direction to the City's efforts relating to federal funding authorized in the Bipartisan Infrastructure Law ("BIL") and Inflation Reduction Act ("IRA"). City departments continue to watch for funding opportunities, respond to Requests for Information, and apply for funding.

As of December 31, 2023, the City has been awarded about \$95 million in federal infrastructure grants funded by the BIL and IRA to date, primarily for transportation projects.

### **Federal Policy Risk and Other Federal Funding Considerations**

*Federal Sequestration.* The sequestration provisions of the Budget Control Act of 2011 ("BCA Sequestration") have been in effect since 2013 and are currently scheduled to remain in effect through federal fiscal year ("FFY") 2029. This results in a slight reduction in the expected subsidy in respect of certain Build America Bonds and Recovery Zone Economic Development Bonds previously issued by the City. Since BCA Sequestration began, rates have ranged from 8.7% in FFY 2013 to 5.7% in FFY 2024. In addition, the Statutory Pay-As-You-Go Act of 2010 could result in further sequestration ("PAYGO Sequestration") of subsidy payments. A provision in the Consolidated

Appropriations Act, 2023, temporarily avoided PAYGO Sequestration triggered by ARPA by shifting certain sequestration totals from the FFY 2023 and FFY 2024 scorecards to the FFY 2025 scorecard. The City can give no assurance regarding the level of subsidy payments it will receive in the future, or the likelihood of the further reduction or elimination of the subsidy payments for direct-pay bonds in the event of additional sequestration measures or as a consequence of a federal default on debt payments. The City does not currently expect sequestration to materially adversely affect its ability to make debt service payments in the current or future years.

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

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

**APPENDIX B**

**CITY OF SEATTLE AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

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THE CITY OF SEATTLE, WASHINGTON  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2023



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*Digital artwork from original photographs*



# Annual Comprehensive Financial Report

For the Fiscal Year Ended  
December 31, 2023



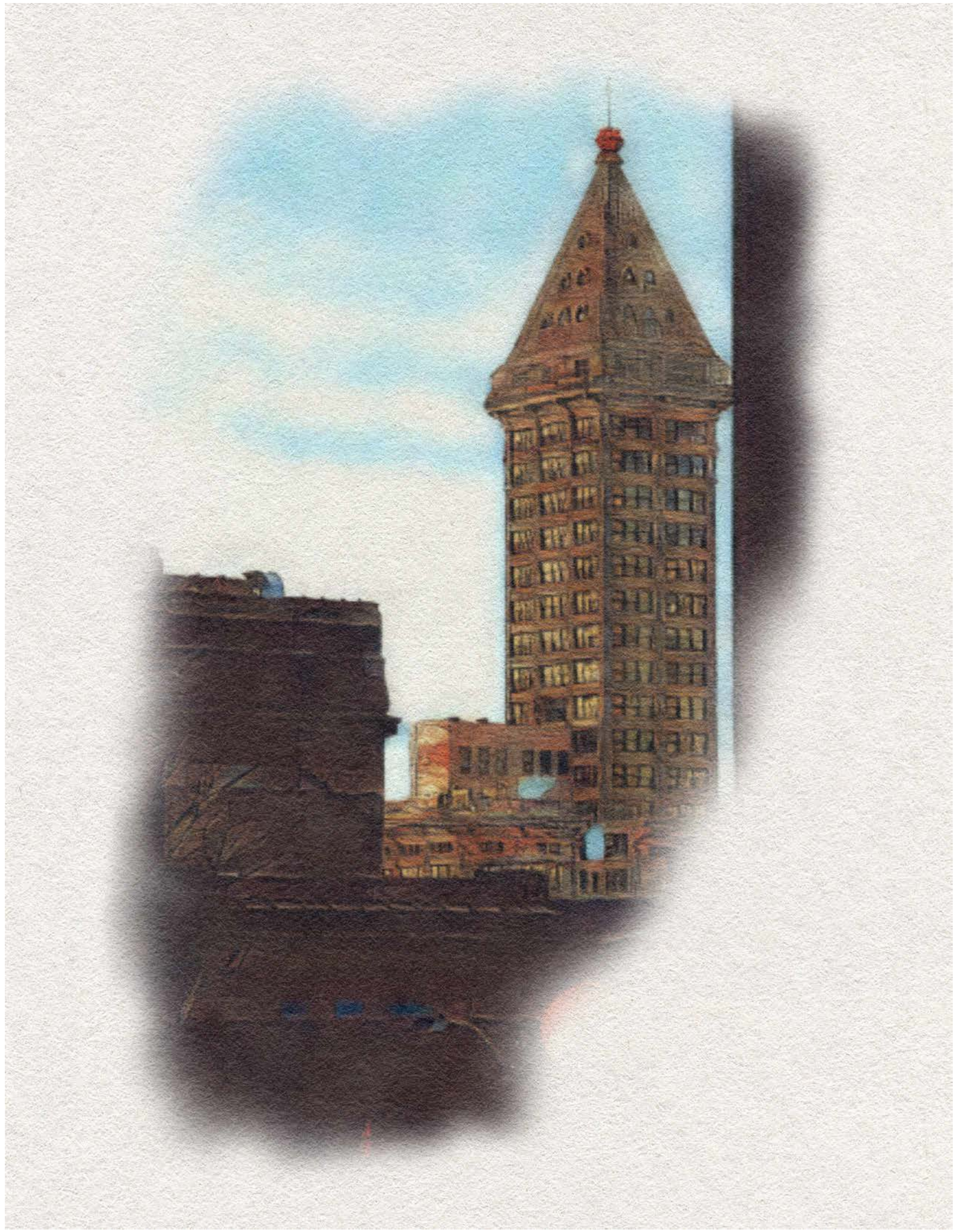
**City of Seattle**  
**Washington**

Issued by the Office of City Finance

# Introduction

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# Annual Comprehensive Financial Report

*For the Year Ended December 31, 2023*

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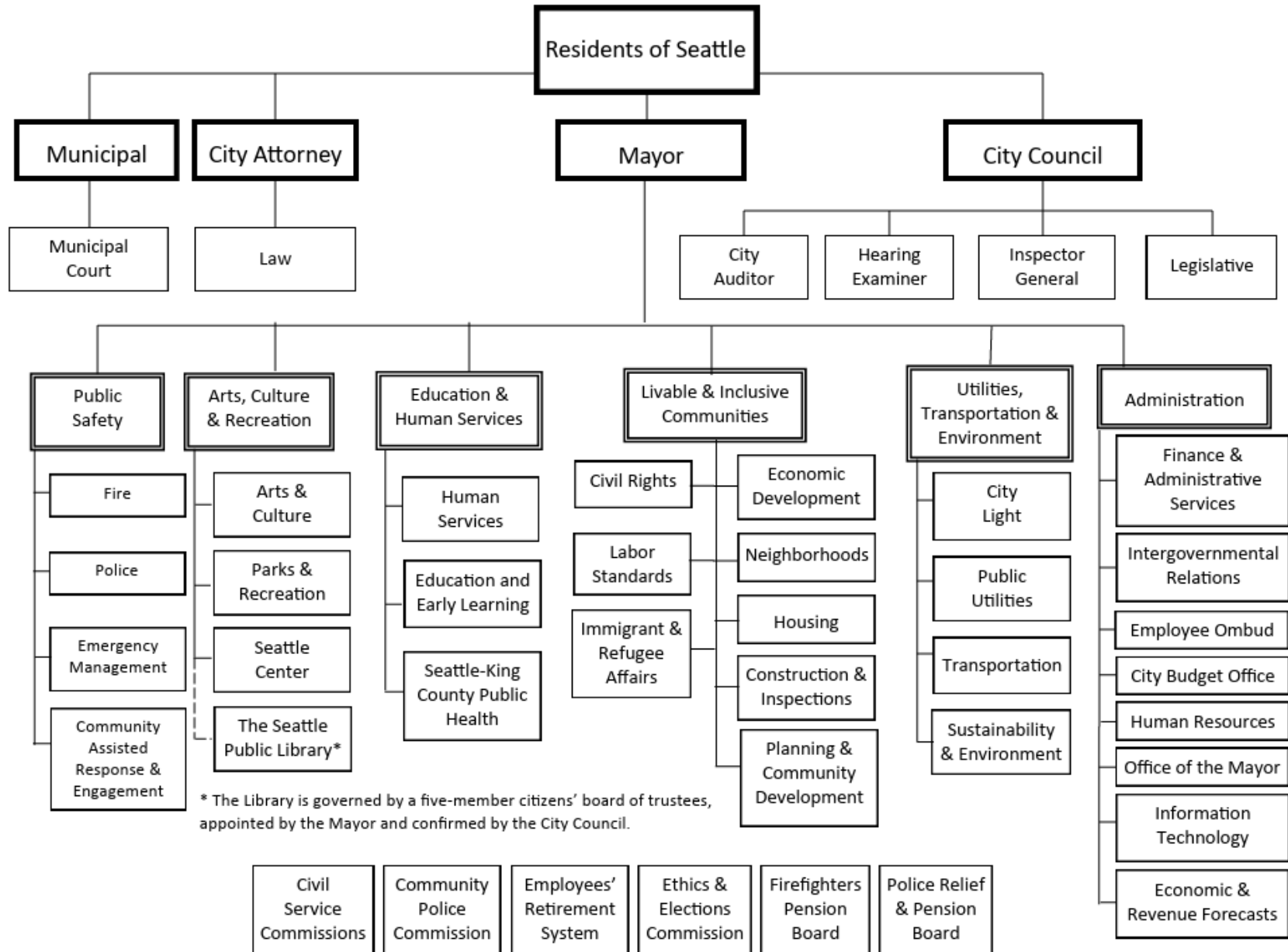
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# CITY ORGANIZATIONAL CHART



## OFFICIALS

### Mayor



**Bruce Harrell**

### City Council



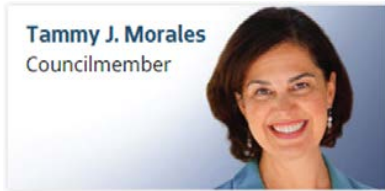
District 1



District 4



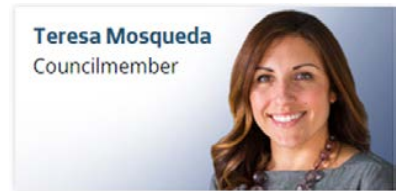
District 7



District 2



Council President, District 5



At-large



District 3



District 6



At-large



June 27, 2024

The Honorable Mayor,  
the City Council  
Residents of the City of Seattle

I am pleased to submit to you the 2023 Annual Comprehensive Financial Report (Annual Report) of the City of Seattle, Washington (“the City”). The Office of City Finance prepared this report to present the financial position of the City of Seattle as of December 31, 2023. In addition, the Annual Report 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’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 under Title 2 CFR Part 200 (OMB Uniform Guidance). 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 is organized as a mayor-council form of government and operates under its City Charter adopted on March 12, 1946. In 2013, voters approved a charter amendment shifting from nine at-large City Council positions to seven City Council positions elected by district and two at-large positions. As a result, all nine City Council positions were up for election in 2015.

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 Annual Report 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 typical of local municipalities and operates four rate-funded utilities. The City constructs and maintains a street network, and electric, water, solid waste, and sewer and drainage systems. 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 Adopted 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 only for the 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.

Additional details about the budgetary process can be found in Note 2 of the accompanying financial statements.

## **NATIONAL AND LOCAL ECONOMY**

**U.S. Economy.** As we entered 2023, the national economic outlook was deteriorating. In an effort to get inflation under control, the Federal Reserve had increased interest rates seven times in 2022, bringing the target rate mid-point from 0.125% to 4.375% in just twelve months. This dramatic monetary tightening did manage to cool down the inflation somewhat from its June 2022 peak of 9.0% to still uncomfortably high

6.4% in December 2022. The prevailing expectation among economists was that the aggressive increase in interest rates necessary to stabilize prices would also induce a brief but mild recession in the first half of 2023. The average for the probability of a recession in the next 12 months among the economists surveyed by Wall Street Journal in January 2023 was 60.8%. S&P Global's January 2023 forecast anticipated that U.S. real GDP would decline by 0.6% through the first half of 2023.

These projections proved overly pessimistic and U.S. economy has demonstrated tremendous resiliency over the past year. Even as interest rates rose further and the federal funds rate target rate mid-point reached 5.375% in July 2023, employment continued to expand as U.S. economy added about 255,000 jobs on average per month in 2023. Real GDP grew by 2.5% in 2023, powered by continued consumer spending that contributed 1.5% to the overall growth. At the same time, inflation has dropped notably to an annual rate of just 3.3% in December 2023.

U.S. economy has thus avoided the recession in 2023 and recession fears are now fading. Looking forward, the expectation is that the Fed's restrictive monetary policy will remain in place through the first half of 2024 and the economic growth will slow down. The December 2023 forecast from S&P Global anticipated that U.S. real GDP will grow 1.5% in 2024 and inflation will further decline to 2.6%. It appears thus that the Federal Reserve is succeeding in its goal of managing the economy toward a soft landing: inflation brought under control without triggering a recession.

**Seattle metropolitan area economy.** Relative to the economic forecast from October 2022, the regional labor market has outperformed expectations in terms of overall employment growth last year. City's Office of Economic and Revenue Forecasts projected that employment in Seattle Metropolitan Division area (King and Snohomish Counties) would decline by 0.3% in 2023, as the economy was expected to head into a recession in the first half of 2023. But the national economy managed to avoid a downturn and regional employment ended up growing 1.3%. While outperforming expectations, overall regional job growth has however been modest. Moreover, Seattle regional economy has trailed the performance seen at the national level as regional employment grew just 1.3% in 2023 compared to 2.4% in the U.S. as whole, and regional inflation was 5.7% compared to 4.1% at the national level.

There are a couple of factors that have negatively affected the region's recent economic performance. First, over the past two years there was a rather dramatic reversal in the technology sector, which has been a key driver of the region's post-pandemic recovery. Early evidence of this correction could be seen already in the second half of 2022, as announcements of layoffs were accompanied by declining stock prices and in the following months layoffs became common even among the region's largest technology employers. While these layoffs were not unique to Seattle, the technology sector has a disproportionate impact on the Seattle region, relative to the nation as a whole. The rapid growth of tech sector and rising stock prices in 2021 and early 2022 also added significant spending power to the regional economy, the layoffs and stock price correction that followed resulted in a pullback in regional consumer spending as well.

Second, and somewhat related, a slow return to the office has meant that overall economic activity in Seattle's downtown core has been relatively slow to recover as well. Technology and information sectors are in general more remote-friendly than finance and real estate, or professional and business services. As a result Seattle workers have lagged the overall national trends on returning to traditional work locations. This has also led to a persistent reduction in demand for office space and rising office vacancy rates, which combined with high interest rates resulted in slow down of construction activity after a decade of construction boom. By December 2023, seasonally adjusted regional employment in the construction sector has declined 4.8% from its peak in summer 2022.

The regional rate of inflation has been outpacing the national level for much of the post-pandemic period, driven in a significant part by strong income growth and the rapidly increasing cost of housing. In December 2022, the year-over-year change in Seattle area CPI-U was 8.4%, compared to the national level of 6.4%. Since then, regional inflation has cooled down further to just 4.4% in December 2023. In addition to rather stable food and energy prices, a softening in the local residential rental market has been an important factor in this decline, as shelter represents about one third of the overall expenditures accounted for in the regional consumer price index.

Technology sector appears to have stabilized, but the vacancy rates in office real estate market are expected to rise further before they turn around. And while Federal Reserve is expected to pivot to monetary easing in the second half of 2024, interest rates are unlikely to go back to the ultra-low levels of early 2010s. As a result, demand for new construction will remain muted and the regional economy is likely to go through a period of slower growth. This would mark a distinct shift from pre-pandemic trends when the regional economy experienced an extended period of rapid expansion, driven by remarkable growth in the technology sector and sustained construction activity in both the commercial and residential sectors.

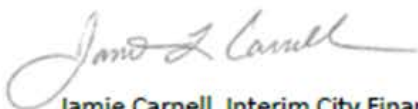
**Tax Abatements** – The City utilizes both property and sales tax abatements to generate economic growth, residential development, open space preservation and employment through redevelopment and new development in underserved areas. For more details on the specific programs, please see Note 16 in the accompanying financial statements.

#### 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 annual comprehensive financial report for the fiscal year ended December 31, 2022. 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 Office of City Finance 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,



Jamie Carnell, Interim City Finance Director  
Office of City Finance



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Seattle  
Washington**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2022

*Christopher P. Morill*

Executive Director/CEO

# City of Seattle

## 2023 Annual Comprehensive Financial Report

### City Finance Division

Jamie Carnell, City Finance Interim Director

### Citywide Accounting and Payroll Division

Kathleen Organ, Division Director

Ken Knopp, Financial Reporting Manager  
Mike Magdaleno, Accounting Operations Manager  
Michelle Spruch, Internal Controls & Compliance Manager

Amanda Barden  
Stephen Colgan  
Beau Eiland  
Anita Lai  
John Moore

Navjit Buttar  
Bill Coughlin  
Anna Himichuk  
Tonja Martinez  
Mena Nguyen  
Steve Spada

Matt Clifford  
Nicholas Devin  
Lindsay Kurosu  
April McCraney  
Olga Smith

### Treasury Services Division

Jessica Jaeger, Division Director  
Susan Yi, Treasury Services Deputy Director  
Kevin Tran, Treasury Operations Deputy Director

### Debt Management Services

Kristi Beattie, City Debt Manager

### Risk Management

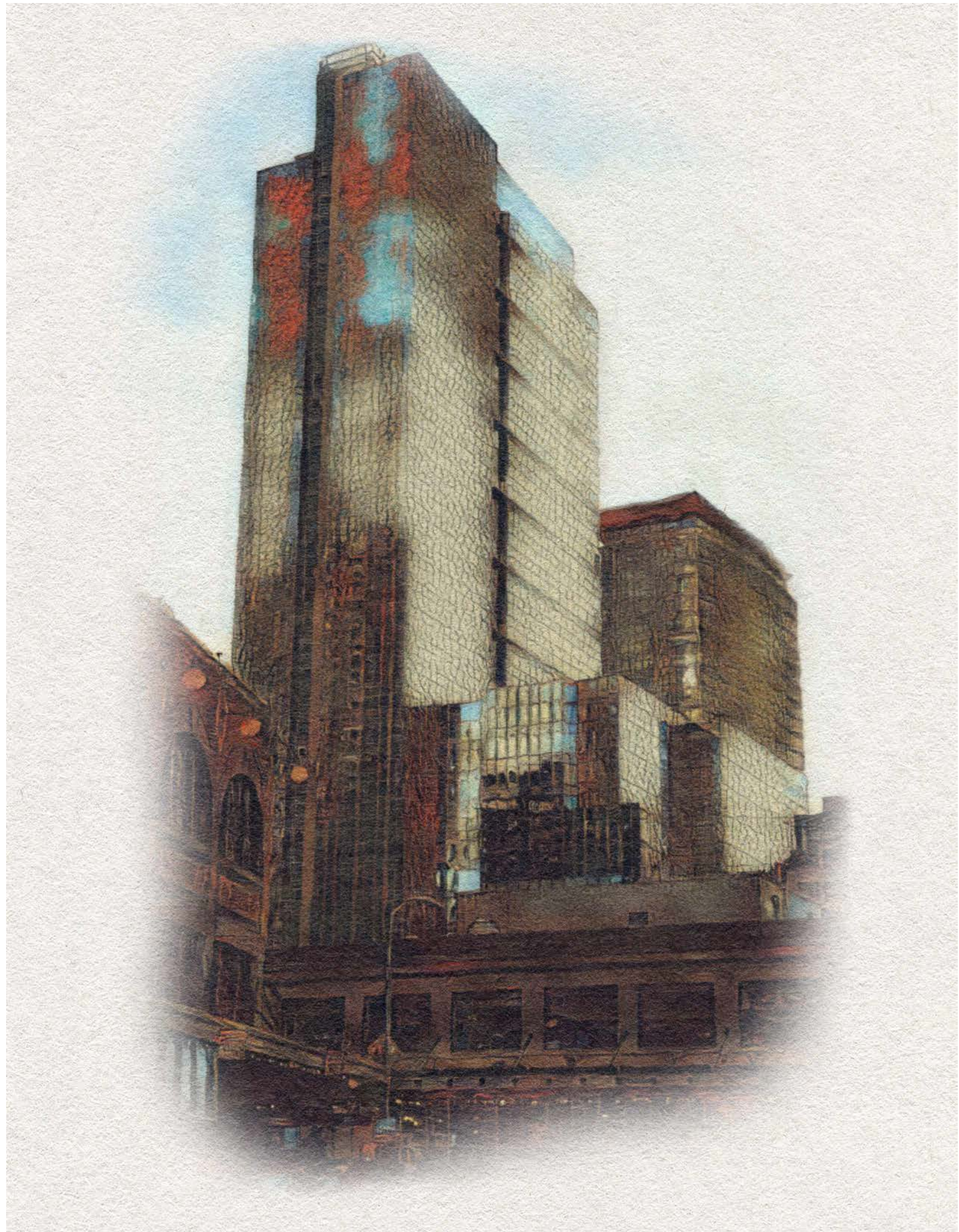
Bruce Hori, Division Director



# Financial Section

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**Office of the Washington State Auditor  
Pat McCarthy**

June 27, 2024

Mayor and City Council  
City of Seattle  
Seattle, Washington

**Report on Financial Statements**

Please find attached our report on the City of Seattle's financial statements.

We are issuing this report for inclusion in the City's annual comprehensive financial report package, which will be issued by the City under the City's own cover.

This report is in addition to our regular financial statement audit report, which will be available on our website and includes the City's basic financial statements.

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*



**Office of the Washington State Auditor  
Pat McCarthy**

**INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE  
FINANCIAL STATEMENTS**

Mayor and City Council  
City of Seattle  
Seattle, Washington

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinions**

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 as of and for the year then ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2023, 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.

We did not audit the financial statements of:

- The Light, Water, Drainage and Wastewater, and Solid Waste funds, which in aggregate represent 98 percent, 97 percent and 97 percent, respectively, of the assets, net position, and revenues of the business-type activities.
- The Seattle City Employees' Retirement System and Solid Waste fund, which in aggregate represent 66 percent, 75 percent and 35 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units and remaining fund information.

Those statements were audited by other auditors, whose reports 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.

### **Basis for Opinions**

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

### **Matters of Emphasis**

As discussed in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)* and Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. Our opinion is not modified with respect to these matters.

### **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

### Supplementary 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 combining financial statements and schedules are presented for purposes of additional analysis and are 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 basic 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 basic financial statements or to the basic 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 as a whole.

### Other Information

The other information comprises Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included in the financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

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

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we will also issue our report dated June 27, 2024, 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. That report will be issued under separate cover in the City's Single Audit Report. 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,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, sweeping initial "P".

Pat McCarthy, State Auditor

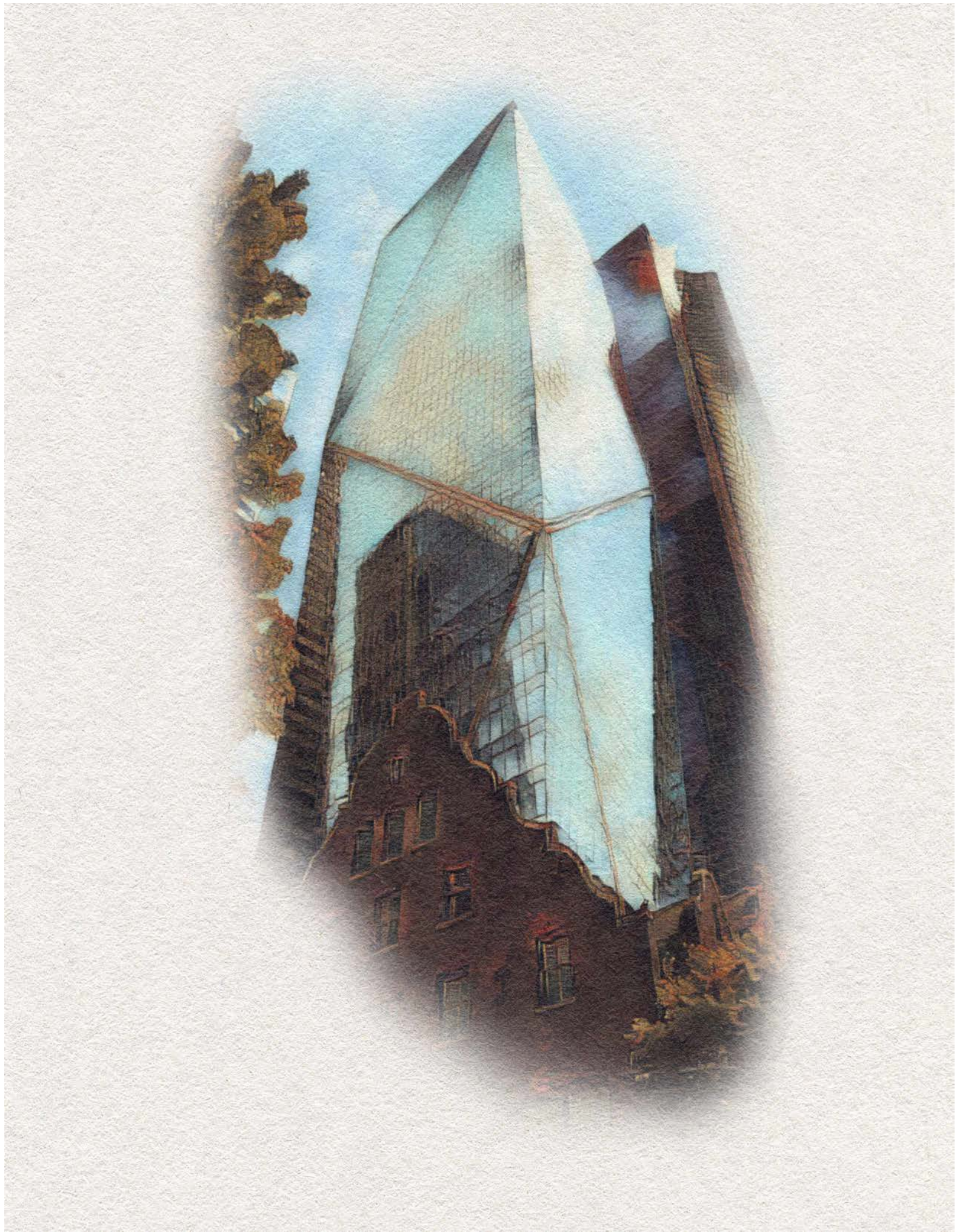
Olympia, WA

June 27, 2024



# **Management's Discussion and Analysis**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Seattle (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2023. We encourage the reader to consider the information presented here in addition to the information presented in the Letter of Transmittal when evaluating the financial statements following this section.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City'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. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

#### Government-Wide Financial Statements

The government-wide financial statements report the operating results and financial position of the City as an economic entity, in a manner like that of private sector business. The statements provide information about the probable near-term and long-term effects of past decisions on the City's financial position.

The Statement of Net Position presents information on all City assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual amount reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The Statement of Activities presents changes in net position during the fiscal year. All changes to net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, some reported revenues and expenses result in cash flows in future periods, such as for uncollected taxes and earned but unused compensated absences. This statement also distinguishes 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 functions 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, and a fund for enforcement of policies and codes that include construction and land use.

The government-wide financial statements can be found beginning on page 24 of this report.

#### Fund Financial Statements

A fund is a grouping 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 between governmental funds and governmental activities.

The City maintains numerous governmental funds that are organized according to type (general, special revenue, debt service, capital projects, and permanent funds). The City's major governmental funds are the General Fund and Transportation Fund. Information for the two 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. Individual fund data for each of the nonmajor governmental funds is provided as supplementary information in the form of combining statements beginning on page 165.

The basic governmental funds financial statements can be found beginning on page 32 of this report.

*Proprietary funds* account for services for which the City charges outside customers and internal City departments. The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its various business-type activities and uses internal service funds to report activities that provide centralized supplies and/or services to the City. Because internal service funds largely benefit governmental rather than business-type functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, including the addition of cash flow statements. The proprietary funds financial statements provide separate information for the City Light, Water, and Drainage and Wastewater funds, which are considered major enterprise funds. Data for nonmajor enterprise funds is presented in the aggregate, and the data for internal service funds are presented in the aggregate as well. Information for each of the non-major enterprise funds and internal service funds is provided in the combining statements in this report, starting on page 202.

The basic proprietary fund financial statements begin on page 37 of 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 basic fiduciary funds financial statements can be found beginning on page 44 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements and begin on page 48 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding the current funding progress for, and employer contributions to, pensions and other post-employment benefits (OPEB), as well as changes in pension and OPEB liabilities. Also included are budgetary comparisons for major governmental funds and funds for which the budget has been legally adopted. The required supplementary information begins on page 137 of this report.

A statistical section provides financial statement users with additional historical perspective, context, and detail for 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. The Statistical information begins on page 217 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Table A-1

**CONDENSED STATEMENT OF NET POSITION**

(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>ASSETS</b>						
Current and Other Assets	\$ 3,167,628	\$ 2,851,654	\$ 2,721,019	\$ 2,607,584	\$ 5,888,647	\$5,459,238
Capital Assets and Construction in Progress, Net of Accumulated	5,166,360	5,205,819	8,110,014	7,769,807	13,276,374	12,975,626
Total Assets	<u>8,333,988</u>	<u>8,057,473</u>	<u>10,831,033</u>	<u>10,377,391</u>	<u>19,165,021</u>	<u>18,434,864</u>
<b>DEFERRED OUTFLOWS OF</b>	<u>509,521</u>	<u>320,005</u>	<u>235,959</u>	<u>153,205</u>	<u>745,480</u>	<u>473,210</u>
<b>LIABILITIES</b>						
Current Liabilities	590,105	543,942	623,273	591,113	1,213,378	1,135,055
Noncurrent Liabilities	3,176,387	2,781,870	5,811,416	5,381,772	8,987,803	8,163,642
Total Liabilities	<u>3,766,492</u>	<u>3,325,812</u>	<u>6,434,689</u>	<u>5,972,885</u>	<u>10,201,181</u>	<u>9,298,697</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>388,152</u>	<u>644,282</u>	<u>294,027</u>	<u>466,153</u>	<u>682,179</u>	<u>1,110,435</u>
<b>NET POSITION</b>						
Net Investment in Capital Assets	4,182,369	4,047,172	3,699,843	3,400,264	7,882,212	7,447,436
Restricted	1,237,386	1,203,318	68,932	68,345	1,306,318	1,271,663
Unrestricted	(730,890)	(843,106)	569,501	622,949	(161,389)	(220,157)
Total Net Position	<u>\$ 4,688,865</u>	<u>\$ 4,407,384</u>	<u>\$ 4,338,276</u>	<u>\$ 4,091,558</u>	<u>\$ 9,027,141</u>	<u>\$8,498,942</u>

Changes in net position over time may serve as a useful indicator of a government’s financial position. The City’s total net position was \$9 billion at December 31, 2023, an increase of \$528.2 billion, or 6%, over fiscal year 2022. Total net position for governmental activities increased \$281.5 million while total net position for business-type activities increased \$246.7 million. The increase in net position for business-type activities was due to results of operations in 2023. See the analysis of changes in net position below.

Government-wide total current and other assets increased \$429.4 million in 2023, which primarily consisted of an increase in operating cash of \$168.9 million and right to use lease assets of \$311.1 million. These changes were primarily due to results of the operations in 2023.

The governmental activities net investment in capital assets increased \$135.2 million and business-type activities increased \$299.6 million in 2023. This increase was due to the new capital assets additions, less any related debt used to acquire those assets. Compared to 2022, the capital assets net of accumulated depreciation decreased \$39.5 million for governmental activities and business-type activities increased \$340.2 million. Please refer to Capital Assets section below for the analysis of capital assets year over year. 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.

For governmental activities, total liabilities increased \$440.7 million in 2023. For business-type activities, the total liabilities increased \$461.8 million. For further explanation on the business-type activity increases please refer to the Proprietary Funds explanation in the Financial Analysis of City Funds section after Table A-2.

An additional portion of the City’s net position, \$1.3 billion, or 14.5%, represents resources that are subject to external restrictions on how they may be used. Compared to 2022, the restricted net position increased \$34.7 million in 2023. The restricted net position for business-type activities increased \$587K and unrestricted net position for business-type activities decreased \$53.4 million. For further explanation on these increases please refer to the Analysis of Changes in Net Position section after Table A-2.

**Table A-2**

**CONDENSED STATEMENT OF ACTIVITIES**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 546,602	\$ 463,947	\$ 2,386,470	\$ 2,392,069	\$ 2,933,072	\$ 2,856,016
Operating Grants and Contributions	275,280	404,561	2,500	11,602	277,780	416,163
Capital Grants and Contributions	11,332	3,370	64,721	88,419	76,053	91,789
General Revenues						
Property Taxes	789,865	713,959	—	—	789,865	713,959
Sales Taxes	399,651	389,892	—	—	399,651	389,892
Business Taxes	973,816	918,872	—	—	973,816	918,872
Excise Taxes	90,603	130,697	—	—	90,603	130,697
Other Revenues	173,908	141,606	71,683	(39,458)	245,591	102,148
Total Revenues	<u>3,261,057</u>	<u>3,166,904</u>	<u>2,525,374</u>	<u>2,452,632</u>	<u>5,786,431</u>	<u>5,619,536</u>
<b>Expenses</b>						
Governmental Activities						
General Government	414,762	185,628	—	—	414,762	185,628
Judicial	42,173	40,680	—	—	42,173	40,680
Public Safety	790,705	663,808	—	—	790,705	663,808
Physical Environment	21,496	(55,663)	—	—	21,496	(55,663)
Transportation	574,206	577,573	—	—	574,206	577,573
Economic Environment	525,550	584,249	—	—	525,550	584,249
Health and Human Services	223,273	161,435	—	—	223,273	161,435
Culture and Recreation	425,733	443,726	—	—	425,733	443,726
Interest on Long-Term Debt	(38,322)	(32,657)	—	—	(38,322)	(32,657)
Business-Type Activities						
Light	—	—	1,138,690	1,005,426	1,138,690	1,005,426
Water	—	—	272,268	242,292	272,268	242,292
Drainage and Wastewater	—	—	475,266	434,016	475,266	434,016
Solid Waste	—	—	230,155	209,977	230,155	209,977
Construction & Inspection	—	—	102,105	81,451	102,105	81,451
Total Expenses	<u>2,979,576</u>	<u>2,568,779</u>	<u>2,218,484</u>	<u>1,973,162</u>	<u>5,198,060</u>	<u>4,541,941</u>
Excess Before Special Item and Transfers	281,481	598,125	306,890	479,470	588,371	1,077,595
Special Item - Environmental Remediation	—	—	(60,172)	—	(60,172)	—
Transfers	—	—	—	—	—	—
Changes in Net Position	<u>281,481</u>	<u>598,125</u>	<u>246,718</u>	<u>479,470</u>	<u>528,199</u>	<u>1,077,595</u>
Net Position - Beginning of Year	4,407,384	3,809,149	4,091,558	3,611,950	8,498,942	7,421,099
Restatements/Prior-Year Adjustments	—	110	—	138	—	248
Net Position - Beginning of Year as Restated	<u>4,407,384</u>	<u>3,809,259</u>	<u>4,091,558</u>	<u>3,612,088</u>	<u>8,498,942</u>	<u>7,421,347</u>
Net Position - End of Year	<u>\$ 4,688,865</u>	<u>\$ 4,407,384</u>	<u>\$ 4,338,276</u>	<u>\$ 4,091,558</u>	<u>\$ 9,027,141</u>	<u>\$ 8,498,942</u>

## Analysis of Changes in Net Position

In 2023, the changes in net position decreased by \$549.4 million, or 51.0%. The factors contributing to the increase are explained in the following discussion of governmental and business-type activities.

**Governmental Activities.** The City's revenues for governmental activities were up 3.0%, an increase of \$94.2 million in 2023. The increase in revenues was due to the increase in general revenues of \$132.8 million, partially offset by a decrease in non-general revenues of \$38.7 million. The City's property taxes were the significant driver of the increase in revenues, contributing \$75.9 million increase over prior year or 10.6%. Business taxes also contributed to the increase in revenue in 2023 with an increase of \$54.9 million, or 6.0%.

The following table lists the tax revenues ranked by the amount reported in 2023 and the change in each tax revenue from 2022.

2023 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Business Taxes	\$ 973.8	6.0 %	\$ 54.9
2	Property Taxes	\$ 789.9	10.6 %	\$ 75.9
3	Sales Taxes	\$ 399.7	2.5 %	\$ 9.8
4	Excise Taxes	\$ 90.6	(30.7)%	\$ (40.1)

The increase in property taxes was due to the increase in the assessed value of property as well as an increase in the Seattle Parks District levy rate. Based on statistical information provided by King County, total assessed value for real property and personal property was \$308.9 billion in 2023 compared to \$276.3 billion in 2022.

The City's business taxes include general business taxes and utilities related business taxes. The change in business taxes in 2023 was due to the economic impact of the Coronavirus pandemic affecting the Seattle region and the continued recovery observed in 2023. The business taxes from utilities make up 22.8% of total business tax revenues.

Program revenues supporting the City's governmental activities were \$833.2 million, or 26.4% of the City's revenues for governmental activities. The City's charges for services are the largest component of reported program revenues and comprise 65.6% of program revenue generated by governmental activities and 17.3% of total revenues. The total charges for services reported in 2023 was \$546.6 million, an increase of \$82.7 million compared to 2022.

Total expenses for governmental activities were up 15.8%, an increase of \$410.8 million in 2023. The following table lists the top 5 functions and programs ranked by the size of their 2023 expenses, and highlights the change in costs between the 2022 and 2023 financial statements.

2023 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$790.7	19.1%	\$126.9
2	Transportation	\$574.2	(0.6)%	\$(3.4)
3	Economic Environment	\$525.6	(10.0)%	\$(58.7)
4	Culture and Recreation	\$425.7	(4.1)%	\$(18.0)
5	General Government	\$414.8	123.4%	\$229.1

The City's largest governmental expense continues to be the public safety function, totaling \$790.7 million for 2023, contributing 15.2% of all citywide expenses, and 26.5% of expense in the City's governmental activities. The year-over-year changes reflected the changes in operations of the City's various programs, and the increase in general government was mostly attributed to the accrual of the annual wage increase.

The changes in net position for governmental activities decreased by \$316.6 million, or 52.9%, year over year. In 2022 there was an increase of \$598.1 million compared to a increase of \$281.5 million for 2023.

**Business-Type Activities.** The change in net position for business-type activities was \$246.7million, an increase of 6.0% over 2022. This includes the consolidation from internal service funds of \$0.5 million. Key factors for the change are described below.

City Light realized a change in net position of \$125.2 million in 2023, an increase of 5.5% from 2022. The major reasons for the higher net position are higher retail electric sales due to increased consumption, higher fair value adjustment and interest revenue, higher other operating revenues. Offsetting the higher revenues were lower net short-term wholesale power revenues, higher other operating expenses, higher interest expense, lower transfers from the Rate Stabilization Account, and lower capital contributions and grants. Total operating revenues were \$1,190.9 million, an decrease of \$47.8 million or -3.9% from 2022. Retail power revenues at \$1,033.7 million increased \$12.2 million, Short-term wholesale power revenues at \$56.2 million decreased \$41.5 million, Other power-related revenues at \$71.1 million decreased \$5.4 million, Transfers from/(to) RSA at \$9.2 million decreased by \$15.2 million, and Other operating revenues at \$20.7 million increased by \$2.1 million. Operating expenses totaled \$1,053.3 million, an increase of \$129.3 million or 14.0% over 2022. The increase in operating expenses were primarily due to power-related operating expenses at \$470.0 million which were higher by \$60.3 million and short-term wholesale power purchases of \$124.5 million, which increased \$38.3 million from 202, this was due to low hydro generation owing to dry conditions exacerbated by higher than expected retail sales increasing the need to purchase power on the wholesale market at very high market prices.

The Water Utility realized a \$49.5 million change in net position for 2023, an increase of 6.4% from 2022. Operating revenues increased approximately \$10.6 million or 3.7% over 2022. The change was mainly driven by increases in utility services revenue of \$5.0 million and wholesale and commercial services of \$2.8 million and other operating revenue of \$2.8 million. Operating expenses increased \$32.9 million or 14.6% from 2022. Notable factors affecting this change include increases of \$10.9 million in services, \$10.6 million in benefits and \$6.4 million in salaries, and \$3.2 million in other operating expenses. The increase in salaries is largely driven by an accrual for the tentative agreement between the unions and the City. Other expenses, net of other revenues decreased by \$23.3 million or -85.6% over 2022. The change was primarily due to an increase in investment income realized and unrealized of \$17.5 million, and other non operating revenue of of \$3.0 million, and a decrease in interest expense of \$2.8 million. Capital fees, contributions and grants decreased by \$8.8 million or 47.3% over 2022. The main factor for the decrease is an \$8.2million decrease in donations.

The Drainage and Wastewater Utility realized a \$36.5 million change in net position for 2023, an increase of 5.0% over 2022. The current year operating revenues increased \$23.9 million or 4.6% from 2022. This is due to an average rate increase of 3.6% for wastewater and 6.4% for drainage, resulting in additional revenues of \$12.3 million and \$10.6 million, respectively. The current year operating expenses increased \$70.8 million or 18.1% from 2022. The increase is due to a \$24.1 million increase in salaries, wages, and personal benefits, a \$20.5 million increase in intergovernmental payments, a \$15.3 million increase in services, a \$5.4 million increase in supplies, a \$3.2 million increase in other operating expenses, and a \$2.3 million increase in depreciation and amortization. The \$20.5 million increase in intergovernmental payments is mainly due to King County wastewater treatments fee increases and an increase in taxes. Nonoperating revenues net of expenses in 2023 increased \$26.2 million compared to 2022. This increase is mostly due to a \$26.7 million increase in investment income. This was offset by a \$1.5 million decrease in interest expense and a \$1.9 million decrease in other revenue and expenses, net. he Fund had environmental remediation expense of \$60.2 million in 2023 compared to \$32.9 million in 2022, mostly due to updated estimates.

### FINANCIAL ANALYSIS OF CITY FUNDS

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

#### 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.



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In 2023, the City's governmental funds generated \$3.5 billion in revenues and recorded \$3.3 billion in expenditures. Revenues grew by 7.5%, driven by a \$216.7 million increase in program income and interest and a \$92.9 million increase in tax collections. Along with the growth in revenue, expenditures also grew \$210.7 million, rising 6.8%. There was a 10.0% increase in the City's governmental fund balance which totals \$2.1 billion at year-end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2023.

The General Fund accounts for 63.1% of revenues and 59.0% of total governmental expenditures. The General Fund is the chief operating fund of the City.

The General Fund reported \$2.2 billion total revenue, of which, 79.2% were from tax collections. Tax revenues include property, business, sales and excises taxes. Total tax revenues in the General Fund increased by 0.4%, or \$6.6 million in 2023. See more discussions and analysis of tax revenue in the governmental activities above. Program income and interest revenue increased by \$77.8 million and grants, shared revenues, and contributions increased \$16.4 million compared to 2022. Total General Fund revenue increased 7.5% in 2023.

The General Fund reported \$2.0 billion total expenditures in 2023, an increase of 8.0% from 2022. The increase in total expenditures was primarily due to an increase in spending for general government of \$112.5 million, culture and recreation of \$13.5 million, and public safety of \$13.4 million.

The General Fund reported an excess of \$211.3 million in 2023 compared to the excess of \$204.2 million in 2022. Fund balance of the General Fund increased by \$184.7 million.

Consistent with prior reporting period, one of the City's special revenue funds continues to meet the criteria for reporting as major governmental funds, the Transportation Fund, which is included in the fund financial statement section of the Annual Report alongside the presentation of the General Fund and the combined non-major governmental funds.

The Transportation Fund, a special revenue fund, develops, maintains, and operates the transportation system inclusive of streets, bridges, ramps, retaining walls, seawalls, bike trails, streetlights, and other road infrastructure. At the end of the fiscal year the Transportation Fund reports a fund balance of \$115.1 million, 5.9% more than what was reported for 2022. The \$381.7 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services.

The \$17.1 million decrease in revenue was primarily due to the decrease in grants, shared revenues, and contributions. The Transportation Fund reported a total revenue of grants, shared revenues, and contributions in 2023 of \$49.7 million, an decrease of \$43.6 million from \$93.3 million in 2022. The Transportation Fund's expenditures account for 10.6% of all governmental fund expenditures, totaling \$352.6 million for 2023, an increase of \$10.5 million from 2022. The Transportation Fund reported total expenditures for capital outlay of \$117.5 million, a decrease of \$24.7 million from 2022 and current transportation expenditures of \$233.5 million, an increase of \$14.3 million from 2022.

As a result of increases in total revenue and total expenditures, the Transportation Fund had a excess of revenues over expenditures of \$29.0 million in 2023.

### Proprietary Funds

The City's proprietary fund statements provide the same type of information found in business-type activities in the government-wide financial statements, but in more detail. Therefore, the analysis of changes in net position in the government-wide financial statements provides sufficient details for changes in net position of each major proprietary fund. The discussions below focus on changes in significant balances of assets, liabilities, deferred outflows and inflows of resources, and net position for each major proprietary fund.

**City Light Utility.** Capital assets, net of accumulated depreciation and amortization, were \$4.8 billion in 2022, an increase of \$211.2 million over 2022. The new additions of utility plant were \$209.0 million in 2023, including the largest addition of \$158.2 million of

distribution plant. The 2023 new additions were partially offset by a \$124.4 million net increase in accumulated depreciation and amortization. Another significant component of capital assets is construction work-in-progress, which decreased by \$125.1 million in 2023.

Total liabilities increased to \$3.6 billion in 2023 compared to \$3.5 billion in 2022, the majority being revenue bonds payables.

City Light's total net position was \$2.4 billion in 2023 and \$2.3 billion in 2022, an increase of \$125.2 million. The financial position of City Light improved year over year. The major reasons for the higher net position are higher retail electric sales due to increased consumption, higher other operating revenue's, higher fair value adjustment and interest income. Offsetting the higher revenues were lower transfers from the Rate Stabilization Account, lower short-term wholesale power and other power-related revenues, higher operating expenses, and lower capital contributions and grants.

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

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

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

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

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

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

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

Net investment in capital assets was the largest portion of the Fund's net position (\$753.7 million or 91.8%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2023, net investment in capital assets increased \$33.4 million from 2022 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt, debt related accounts, and decrease in construction cash of \$46.4 million as a result construction spending.

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

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

**Drainage and Wastewater Utility.** Current assets increased \$73.8 million (20.4%) over the prior year primarily due to increases of \$76.5 million in operating cash and equity in pooled investments. This increase was offset by a decrease of \$2.7 million in due from

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other governments. The increase in operating cash and equity in pooled investments is primarily due to the lower percentage of capital projects funded with operating cash.

Capital assets increased \$119.3 million (7.6%) from 2022. Construction in progress and plant assets increased \$150.7 million, other property increased \$0.9 million and land and land rights increased \$0.8 million; the increase is mostly due to investments in infrastructure, rehabilitation, and improvements. The capital asset increase was offset by a \$33.3 million increase in accumulated depreciation.

Other assets increased \$75.6 million (59.2%) from 2022. This is mostly attributable to a \$80.7 million increase in restricted cash and equity in pooled investment, due to the issuance of bonds for construction, and a \$3.6 million decrease in other charges. The decrease was offset by a \$0.4 million increase in environmental costs and recoveries.

Deferred outflows of resources increased \$13.5 million (55.5%) from 2022. This increase is attributable to a \$13.8 million in pension contributions and changes in assumptions related to pension and other post-employment benefits (OPEB). The increase was offset by a \$0.2 million reduction in unamortized loss on refunded debt.

Current liabilities increased \$9.7 million (9.9%) from 2022. This is mostly attributable to a \$3.2 million increase in environmental liabilities, a \$1.6 million increase in accounts payable, a \$1.6 million increase in due to other governments. This increase was offset by a decrease of \$2.1 million in other current liability, and a decrease of \$0.5 million in due to other funds.

Noncurrent liabilities increased \$264.7 million (22.0%) from 2022. This increase is mostly attributable to a \$81.8 million increase in loans, a \$72.3 million increase in revenue bonds and related liabilities, a \$53.9 million increase in environmental liabilities, a \$45.4 million increase in net pension liabilities, a \$10.5 million increase in other noncurrent liabilities, and a \$0.9 million increase in claims payable. These increases were offset by a \$0.4 million decrease in unfunded other post-employment benefits. The environmental liability increase is mainly due from updated estimates.

Deferred inflow of resources decreased \$28.7 million (-61.2%) from 2022. This decrease is mostly due to a \$27.9 million decrease in assumptions related to pension accounting and the difference between expected and actual expense in OPEB.

The largest portion of the Fund's net position (\$725.6 million or 93.9%) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2023, net investment in capital assets increased \$31.0 million from 2022 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position (\$20.0 million or 2.6%) represents resources that are subject to restrictions on how they may be used. This portion of net position decreased \$1.3 million from 2022.

The remaining portion of the Fund's net position (\$27.0 million or 3.5%) represents resources that are unrestricted. The unrestricted portion of net position increased \$7.0 million from the prior year mainly due to a lower percentage of capital projects funded with operating cash compared to the prior year.

### **Fiduciary Funds**

The City maintains fiduciary funds for the assets of the Seattle City Employees' Retirement System (SCERS), the S. L. Denny Private-Purpose Trust Fund, and a Custodial fund. Due to the City's implementation of GASB 73 the City's Firemen's Pension Fund and the Police Relief and Pension Fund are reported with the City's General Fund. The net position of the combined fiduciary funds at the end of 2023 is 4.02 billion; SCERS represents 99.88% of this amount.

SCERS assets held in trust for the payment of future benefits does not exceed its proportionate share of the total pension liability as of December 31, 2023. The fund uses the services of both active and index fund professional money managers. SCERS net position increased in value by \$371.6 million, or 10.21%, during 2023. For year ending 2023 the member and employer contributions totaled

\$235.6 million; net income from investment activity totaled \$442.8 million. Total benefit payment for 2023 increased by \$14.7 million to \$249.1 million.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund in the budgetary discussion below includes the General Operating Fund and several funds that are combined to make one General Fund. It is also important to note that for budgetary comparisons purposes the General Fund presentation on schedule C-1 reports actual expenditure totals without the elimination of reimbursements collected internally through the City's personnel compensation trust funds.

As reported in the budget to actual schedules of the required supplementary information, the General Fund's original budget is comprised of the adopted budget and carryforward budgets from previous years. The final budget presentation adds the additional supplemental legislation for budget revisions and authorized budget transfers.

**Original Budget Compared to Final Budget.** The General Fund's final budget increased by \$501 million for budgeted expenditures from the original budget. The increase in allowance for expenditures is mainly due to the adjustments made to the general government by \$114 million, public safety function by \$72 million, economic environment function by \$144 million, and culture and recreation function by \$114 million, which together account for roughly 88% of the increase.

**Final Budget Compared to Actual Results.** Actual revenue was higher than the final budget by \$276.6 million. The higher amount of actual revenue was driven mainly by taxes, by far the largest revenue source, accounting for 79.2% of total actual revenue. Property taxes, sales taxes, and business taxes (which includes interfund business taxes) are the major sources of budgetary taxes for General Fund. Retail sales and use taxes provide the most opportunity for variability up or down, as it is dependent on spending, which increases or decreases with consumer confidence. Program income, interest, and miscellaneous revenues is another significant source of revenue for the general fund with 8.1% of total actual revenues. The amount received for charges for services and intergovernmental revenues are dependent on corresponding services provided, thus would fluctuate with the applicable programs and services offered.

Actual expenditures were \$667 million less than the final budget. General government accounts for 25.7% of the under expenditures and all other expenditures contributed to the overall under expenditure. In other financing sources, transfers in was \$179 million lower than the final budget and transfer out was \$154 million higher than the final budget.

## CAPITAL ASSETS

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

**Table A-3** **CAPITAL ASSETS AT YEAR END, NET OF DEPRECIATION**  
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 626,789	623,083	\$ 285,588	283,949	\$ 912,377	\$ 907,032
Plant in Service, Excluding	—	—	6,461,066	6,273,386	6,461,066	6,273,386
Buildings and Improvements	1,565,141	1,538,313	—	—	1,565,141	1,538,313
Machinery and Equipment	152,936	163,107	—	—	152,936	163,107
Infrastructure	1,675,384	1,663,969	—	—	1,675,384	1,663,969
Construction in Progress	770,184	679,557	1,251,502	1,096,751	2,021,686	1,776,308
Other Capital Assets	66,548	73,286	35,808	34,966	102,356	108,252
Right to Use Assets	309,379	321,800	1,696	1,567	311,075	323,367
<b>Total Capital Assets</b>	<b>\$ 5,166,361</b>	<b>5,063,115</b>	<b>\$ 8,035,660</b>	<b>7,690,619</b>	<b>\$ 13,202,021</b>	<b>\$ 12,753,734</b>

Capital assets, net of depreciation for governmental activities increased by \$103.2 million in 2023. The increase was primarily driven by increases in Buildings and Improvements (\$26.8 million) and in Construction in Progress (\$90.6 million) due to Aquarium Expansions, Telecom Updates, Transportation Improvements, Municipal Court IT and Human Resource IT replacements. These increases were offset against decreases in most other capital asset classes due to reduced project capitalization, asset retirements and increased asset depreciation.

Capital assets, net of depreciation for business-type activities increased by \$345 million in 2023, largely as the result of the following:

City Light's capital assets, net of accumulated depreciation and amortization, increased by \$211.2 million in 2023. Utility plant assets such as the hydroelectric production plant increased by \$34 million, transmission plant increased by \$9.6 million, distribution plant increased by \$158.2 million, general plant increased by \$2.2 million, and other intangible assets increased by \$5 million. The net increase in utility plant assets was offset by a \$124.5 million net increase in accumulated depreciation and amortization. Other Asset categories such as Land and Construction In Progress increase by \$125.9 million.

The Drainage and Wastewater Fund's net capital assets increased by \$119.2 million in 2023. The increase is primarily due to capital asset additions and enhancements such as pipeline rehabilitations and improvements \$68.4 million, South Park stormwater drainage conveyance system \$20.8 million, Natural drainage systems \$5.1 Million, and \$4.7 heavy equipment.

The Water Fund's net capital assets increased by \$21 million in 2023 compared to prior year. Major capital assets placed into service during the year included water infrastructure improvements and rehabilitations \$71.8 million, Tolt & Cedar infrastructure and facility improvements \$6.8 million, heavy equipment \$3.2 million, Cedar Falls power service upgrade \$2.5 million. These additions were offset by current year depreciation and disposals.

The Solid Waste Fund's net capital assets decreased by \$5.5 million in 2023 compared to the prior year. This change is mostly due to a increase in accumulated depreciation \$9 million offset by increases in Plant In Service and Construction in Progress by \$3.5 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 2023, the City had \$5.7 billion in outstanding bonded debt, net of premiums and discounts, which included general obligation and revenue bonds, comparable to \$5.7 billion in 2022. The special assessment bonds the City has issued includes one 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, had an outstanding balance that was fully repaid and; another in 2021 for Waterfront improvement projects which had an outstanding balance of \$93 million. In 2023, the City issued \$111.9 million in general obligation (GO) bonds to carry out a current refunding of certain obligations of the City and to finance various capital improvement projects, such as transportation and City fleet electric vehicle charging infrastructure; data, telephone and information technology projects of the City; fire facilities; improvements to Seattle Municipal Tower; and certain elements of the City's capital improvement program related to the redevelopment of the Central Waterfront area. The City also issued \$359.5 million and \$97.9 million in revenue bonds to finance certain capital improvements to and conservation programs for City Light and part of the costs of various projects of the City's drainage and wastewater utility, respectively.

The City's bond ratings remained unchanged from the previous year. Since 2017, the City's LTGO bonds have been given the highest possible ratings by the three rating agencies. As such, the City's 2023 LTGO bonds were rated Aaa by Moody's Investors Service, AAA by Fitch Ratings, and AAA by Standard & Poor's. In addition, the City's utilities have stellar credit ratings for revenue debt, reflecting sound finances and good management.

The City's limited and unlimited tax general obligation debt is capped at 7.5% of the assessed value of taxable properties by state law. The February 1, 2024 assessed value based on the latest report for the City was \$301.2 billion, providing the City a legal debt capacity of \$22.6 billion. At the end of 2023, the net outstanding general obligation debt of the City which includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.0 billion, well below the legal debt capacity, rendering the City's legal debt margin at \$21.6 billion. Within the 7.5% limitation, state law restricts outstanding LTGO bonds to 1.5% of assessed value, which for 2023 was a capacity of \$4.5 billion. At year end 2023, the LTGO net outstanding debt was \$715.4 million.

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

### RACE AND SOCIAL JUSTICE INITIATIVE

Since 2004, the City of Seattle's Race and Social Justice Initiative (RSJI) is a citywide effort to end institutional racism and race-based disparities in municipal government. As part of the 2023 Adopted Budget for the city, the following priorities were funded due to their RSJI impacts:

**Arts, Culture and Recreation.** Seattle's Mayor's Office allocated \$5,997,973 to enhance youth opportunities, equity, and community engagement. Initiatives include the Youth Opportunity Fund, expanded mentorship and employment programs, equitable park development, inclusive outreach, Seattle Conservation Corps expansion, and funding for Rec N the Streets and the Teen Development Program.

**Education and Human Services.** Seattle allocated \$18,503,786 to enhance community safety, education equity, and support for underserved populations. Initiatives include child care worker bonuses, equity enhancements for the Seattle Promise program, and culturally specific programming. Safety efforts target gun violence prevention and re-entry programs for BIPOC communities, promoting a more resilient Seattle.

**Livable & Inclusive Communities.** Seattle prioritizes economic revitalization and equity with a \$37,531,700 investment. Funds support Office of Economic Development programs, workforce integration for immigrants, and increased Equitable Development Initiative funding to mitigate displacement. These efforts aim for a just recovery, fostering equity and inclusion in Seattle's communities.

**Public Safety.** Seattle allocates \$883,950 to address societal challenges. Funds support domestic violence survivors and enhance police training for empathy and community connections. Initiatives aim for consistent assistance for disadvantaged and immigrant communities, fostering stronger relationships between law enforcement and society.

**Utilities and Transportation.** Seattle dedicates \$3,188,513 to environmental sustainability and climate justice. Initiatives include the Clean Heat Program offering rebates for transitioning to electric heat pumps, continued support for the Environmental Justice Fund,

and green workforce development in the Duwamish Valley. Efforts target tree canopy equity, greening industrial areas, and reducing carbon emissions.

**Administration.** Seattle allocates \$838,129 to support the Affordable Seattle program, enhancing the CiviForm application for streamlined access to essential services for low-income residents. Features like multilingual translation aim to reduce barriers and increase efficiency. Collaborations ensure ongoing support and improvements for residents and community-based organizations.

### ECONOMIC FACTORS

**U.S. Economy.** As we entered 2023, the national economic outlook was deteriorating. In an effort to get inflation under control, the Federal Reserve had increased interest rates seven times in 2022, bringing the target rate mid-point from 0.125% to 4.375% in just twelve months. This dramatic monetary tightening did manage to cool down the inflation somewhat from its June 2022 peak of 9.0% to still uncomfortably high 6.4% in December 2022. The prevailing expectation among economists was that the aggressive increase in interest rates necessary to stabilize prices would also induce a brief but mild recession in the first half of 2023. The average for the probability of a recession in the next 12 months among the economists surveyed by Wall Street Journal in January 2023 was 60.8%. S&P Global's January 2023 forecast anticipated that U.S. real GDP would decline by 0.6% through the first half of 2023.

These projections proved overly pessimistic and U.S. economy has demonstrated tremendous resiliency over the past year. Even as interest rates rose further and the federal funds rate target rate mid-point reached 5.375% in July 2023, employment continued to expand as U.S. economy added about 255,000 jobs on average per month in 2023. Real GDP grew by 2.5% in 2023, powered by continued consumer spending that contributed 1.5% to the overall growth. At the same time, inflation has dropped notably to an annual rate of just 3.3% in December 2023.

U.S. economy has thus avoided the recession in 2023 and recession fears are now fading. Looking forward, the expectation is that the Fed's restrictive monetary policy will remain in place through the first half of 2024 and the economic growth will slow down. The December 2023 forecast from S&P Global anticipated that U.S. real GDP will grow 1.5% in 2024 and inflation will further decline to 2.6%. It appears thus that the Federal Reserve is succeeding in its goal of managing the economy toward a soft landing: inflation brought under control without triggering a recession.

**Seattle metropolitan area economy.** Relative to the economic forecast from October 2022, the regional labor market has outperformed expectations in terms of overall employment growth last year. City's Office of Economic and Revenue Forecasts projected that employment in Seattle Metropolitan Division area (King and Snohomish Counties) would decline by 0.3% in 2023, as the economy was expected to head into a recession in the first half of 2023. But the national economy managed to avoid a downturn and regional employment ended up growing 1.3%. While outperforming expectations, overall regional job growth has however been modest. Moreover, Seattle regional economy has trailed the performance seen at the national level as regional employment grew just 1.3% in 2023 compared to 2.4% in the U.S. as whole, and regional inflation was 5.7% compared to 4.1% at the national level.

There are a couple of factors that have negatively affected the region's recent economic performance. First, over the past two years there was a rather dramatic reversal in the technology sector, which has been a key driver of the region's post-pandemic recovery. Early evidence of this correction could be seen already in the second half of 2022, as announcements of layoffs were accompanied by declining stock prices and in the following months layoffs became common even among the region's largest technology employers. While these layoffs were not unique to Seattle, the technology sector has a disproportionate impact on the Seattle region, relative to the nation as a whole. The rapid growth of tech sector and rising stock prices in 2021 and early 2022 also added significant spending power to the regional economy, the layoffs and stock price correction that followed resulted in a pullback in regional consumer spending as well.

Second, and somewhat related, a slow return to the office has meant that overall economic activity in Seattle's downtown core has been relatively slow to recover as well. Technology and information sectors are in general more remote-friendly than finance and real estate, or professional and business services. As a result Seattle workers have lagged the overall national trends on returning to traditional work locations. This has also led to a persistent reduction in demand for office space and rising office vacancy rates, which combined with high interest rates resulted in slow down of construction activity after a decade of construction boom. By December 2023, seasonally adjusted regional employment in the construction sector has declined 4.8% from its peak in summer 2022.

The regional rate of inflation has been outpacing the national level for much of the post-pandemic period, driven in a significant part by strong income growth and the rapidly increasing cost of housing. In December 2022, the year-over-year change in Seattle area

CPI-U was 8.4%, compared to the national level of 6.4%. Since then, regional inflation has cooled down further to just 4.4% in December 2023. In addition to rather stable food and energy prices, a softening in the local residential rental market has been an important factor in this decline, as shelter represents about one third of the overall expenditures accounted for in the regional consumer price index.

Technology sector appears to have stabilized, but the vacancy rates in office real estate market are expected to rise further before they turn around. And while Federal Reserve is expected to pivot to monetary easing in the second half of 2024, interest rates are unlikely to go back to the ultra-low levels of early 2010s. As a result, demand for new construction will remain muted and the regional economy is likely to go through a period of slower growth. This would mark a distinct shift from pre-pandemic trends when the regional economy experienced an extended period of rapid expansion, driven by remarkable growth in the technology sector and sustained construction activity in both the commercial and residential sectors.

### **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, City Finance, Citywide Accounting and Payroll Division, P.O. Box 94669, Seattle, WA 98124-4669; Telephone (206) 233-7825; [ACFRContact@seattle.gov](mailto:ACFRContact@seattle.gov).



# **Government-wide Financial Statements**

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STATEMENT OF NET POSITION  
December 31, 2023  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	2023	
<b>ASSETS</b>				
<b>Current Assets</b>				
Operating Cash and Equity in Pooled Investments	\$ 2,016,160	\$ 1,011,592	\$ 3,027,752	\$ 4,297
Restricted Cash and Equity in Pooled Investments	38,175	—	38,175	—
Investments	—	—	—	93,026
Receivables, Net of Allowances	452,556	429,246	881,802	—
Internal Balances	(101,117)	101,117	—	—
Due from Other Governments	156,339	44,576	200,915	—
Inventories	8,659	69,173	77,832	—
Prepaid and Other Current Assets	67,840	1,151	68,991	—
Short Term Lease Receivable	—	4,752	4,752	—
<b>Total Current Assets</b>	<b>2,638,612</b>	<b>1,661,607</b>	<b>4,300,219</b>	<b>97,323</b>
<b>Noncurrent Assets</b>				
Restricted Cash and Equity in Pooled Investments	57,479	531,839	589,318	—
Contracts and Notes	3,934	351	4,285	—
Conservation Costs, Net	—	282,977	282,977	—
Landfill Closure and Postclosure Costs, Net	—	18,626	18,626	—
Environmental Costs and Recoveries	—	119,956	119,956	—
Net Pension Asset	290,082	—	290,082	—
Regulatory Asset	—	12,139	12,139	—
Other Charges and Noncurrent Assets	—	93,524	93,524	—
Capital Assets, Net of Accumulated Depreciation				
Land and Land Rights	626,789	285,588	912,377	—
Plant in Service, Excluding Land	—	6,461,066	6,461,066	—
Buildings and Improvements	1,565,141	—	1,565,141	—
Machinery and Equipment	152,936	—	152,936	—
Infrastructure	1,675,384	16,692	1,692,076	—
Construction in Progress	770,184	1,251,502	2,021,686	—
Right to Use Lease and Subscription	309,379	1,698	311,077	—
Other Capital Assets	66,547	35,810	102,357	8
Long Term Lease & PPP Receivable	177,521	57,658	235,179	—
<b>Total Noncurrent Assets</b>	<b>5,695,376</b>	<b>9,169,426</b>	<b>14,864,802</b>	<b>8</b>
<b>Total Assets</b>	<b>8,333,988</b>	<b>10,831,033</b>	<b>19,165,021</b>	<b>97,331</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	509,521	235,959	745,480	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 8,843,509</b>	<b>\$ 11,066,992</b>	<b>\$ 19,910,501</b>	<b>\$ 97,331</b>

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**STATEMENT OF NET POSITION**  
**December 31, 2023**  
*(In Thousands)*

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	2023	
<b>LIABILITIES</b>				
<i><b>Current Liabilities</b></i>				
Accounts Payable	\$ 267,349	\$ 162,611	\$ 429,960	\$ 1,916
Salaries, Benefits, and Taxes Payable	41,468	15,736	57,204	—
Contracts Payable	1,393	—	1,393	—
Due to Other Governments	5,782	16,122	21,904	—
Interest Payable	7,315	69,797	77,112	—
Taxes Payable	37	23,027	23,064	—
Unearned Revenues	60,461	33,334	93,795	—
Current Portion of Long-Term Debt				
Bonds Payable	91,010	215,920	306,930	—
Compensated Absences Payable	5,072	2,014	7,086	—
Notes and Contracts Payable	991	8,934	9,925	—
Claims Payable	20,560	15,861	36,421	—
Habitat Conservation Program Liability	—	553	553	—
Landfill Closure and Postclosure Liability	—	3,874	3,874	—
Accrued Lease and Subscription Interest	454	14	468	—
Short Term Lease and Subscription Liability	16,888	449	17,337	—
Other Current Liabilities	71,325	55,027	126,352	—
Total Current Liabilities	590,105	623,273	1,213,378	1,916
<i><b>Noncurrent Liabilities</b></i>				
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	944,690	4,443,541	5,388,231	—
Special Assessment Bonds with Governmental Commitment	92,556		92,556	—
Compensated Absences Payable	96,372	38,247	134,619	—
Claims Payable	116,721	409,660	526,381	—
Notes and Contracts Payable	10,362	236,046	246,408	—
Landfill Closure and Postclosure Liability	—	12,181	12,181	—
Vendor Deposits Payable	587	1	588	—
Habitat Conservation Program Liability	—	7,930	7,930	—
Unearned Revenues	212	37,935	38,147	—
Unfunded Other Post Employment Benefits	526,548	14,505	541,053	—
Net Pension Liability	1,083,293	595,855	1,679,148	—
Long Term Lease and Subscription Liability	305,046	1,379	306,425	—
Other Noncurrent Liabilities	—	14,136	14,136	—
Total Noncurrent Liabilities	3,176,387	5,811,416	8,987,803	—
Total Liabilities	3,766,492	6,434,689	10,201,181	1,916
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	388,152	294,027	682,179	—

The accompanying notes are an integral part of these financial statements

STATEMENT OF NET POSITION  
December 31, 2023  
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	2023	
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$ 4,182,369	\$ 3,699,843	\$ 7,882,212	\$ 8
Restricted for				
Debt Service	45,491	—	45,491	—
Capital Projects	176,982	—	176,982	—
Revenue Stabilization Account	—	25,000	25,000	—
Education and Development Services	130,504	—	130,504	—
Conservation and Environmental Costs	—	10,446	10,446	—
External Infrastructure Costs	—	8,263	8,263	—
Other Charges	—	25,223	25,223	—
Health Care Reserve	142,228	—	142,228	—
Transportation Programs	94,086	—	94,086	—
Low-Income Housing Programs	176,910	—	176,910	—
Pension	290,082	—	290,082	—
Other Purposes	180,529	—	180,529	65,539
Nonexpendable	574	—	574	—
Unrestricted	(730,890)	569,501	(161,389)	29,868
Total Net Position	4,688,865	4,338,276	9,027,141	95,415
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 8,843,509	\$ 11,066,992	\$ 19,910,501	\$ 97,331

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**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

Functions/Programs	Program Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 414,762	\$ 10,277	\$ 33,738	\$ 11,132
Judicial	42,173	23,360	(9,420)	—
Public Safety	790,705	58,018	24,778	—
Physical Environment	21,496	5,208	1,261	—
Transportation	574,206	220,746	78,288	—
Economic Environment	525,550	126,731	56,307	—
Health and Human Services	223,273	4,501	66,845	—
Culture and Recreation	425,733	97,761	23,483	200
Interest on Long-Term Debt	(38,322)	—	—	—
<b>Total Governmental Activities</b>	<b>2,979,576</b>	<b>546,602</b>	<b>275,280</b>	<b>11,332</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Light	1,138,690	1,190,910	1,598	43,290
Water	272,268	301,496	—	9,820
Drainage and Wastewater	475,266	542,934	735	11,611
Solid Waste	230,155	267,905	167	—
Construction & Inspection	102,105	83,225	—	—
<b>Total Business-Type Activities</b>	<b>2,218,484</b>	<b>2,386,470</b>	<b>2,500</b>	<b>64,721</b>
<b>Total Government-Wide Activities</b>	<b>\$ 5,198,060</b>	<b>\$ 2,933,072</b>	<b>\$ 277,780</b>	<b>\$ 76,053</b>
<b>COMPONENT UNITS</b>	<b>\$ 6,226</b>	<b>\$ 188</b>	<b>\$ 5,784</b>	<b>\$ —</b>

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2023  
(In Thousands)

	Net Revenue (Expense) and Changes in Net Position			Component Units
	Primary Government		2023	
	Governmental Activities	Business-Type Activities		
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ (359,615)	\$ —	\$ (359,615)	
Judicial	(28,233)	—	(28,233)	
Public Safety	(707,909)	—	(707,909)	
Physical Environment	(15,027)	—	(15,027)	
Transportation	(275,172)	—	(275,172)	
Economic Environment	(342,512)	—	(342,512)	
Health and Human Services	(151,927)	—	(151,927)	
Culture and Recreation	(304,289)	—	(304,289)	
Interest on Long-Term Debt	38,322	—	38,322	
Total Governmental Activities	(2,146,362)	—	(2,146,362)	
<b>BUSINESS-TYPE ACTIVITIES</b>				
Light	—	97,108	97,108	
Water	—	39,048	39,048	
Drainage and Wastewater	—	80,014	80,014	
Solid Waste	—	37,917	37,917	
Construction & Inspection	—	(18,880)	(18,880)	
Total Business-Type Activities	—	235,207	235,207	
Total Government-Wide Activities	(2,146,362)	235,207	(1,911,155)	
<b>COMPONENT UNITS</b>				\$ (254)
General Revenues				
Property Taxes	789,865	—	789,865	—
Sales Taxes	399,651	—	399,651	—
Business Taxes	973,816	—	973,816	—
Excise Taxes	90,603	—	90,603	—
Other Taxes	66,608	—	66,608	—
Unrestricted Investment Earnings (Loss)	110,544	71,683	182,227	8,960
Gain on Sale of Capital Assets	(3,244)	—	(3,244)	—
Special Item - Environmental Remediation	—	(60,172)	(60,172)	—
Transfers	—	—	—	—
Total General Revenues (Loss), Special Item, and Transfers	2,427,843	11,511	2,439,354	8,960
Changes in Net Position	281,481	246,718	528,199	8,706
Net Position - Beginning of Year	4,407,384	4,091,558	8,498,942	86,709
Restatements/Prior-Year Adjustments	—	—	—	—
Net Position - Beginning of Year as Restated	4,407,384	4,091,558	8,498,942	86,709
Net Position - End of Year	\$ 4,688,865	\$ 4,338,276	\$ 9,027,141	\$ 95,415

# **Fund Financial Statements**

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**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. Several separate funds are combined as one single general fund for reporting purposes, and all interfund activity and balances are eliminated.

The **Transportation Fund** accounts for revenues for construction, improvement, repair, or maintenance of City streets and roadways. 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.

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2023  
(In Thousands)**

	General Fund	Transportation	Other Governmental	2023
<b>ASSETS</b>				
Cash and Equity in Pooled Investments	\$ 976,486	\$ 129,101	\$ 874,284	\$ 1,979,871
Receivables, Net of Allowances	274,468	23,992	142,152	440,612
Due from Other Funds	3,378	336	2,797	6,511
Due from Other Governments	72,529	38,412	27,240	138,181
Interfund Loans and Advances	14,757	—	—	14,757
Other Current Assets	51,951	—	1,026	52,977
Total Assets	1,393,569	191,841	1,047,499	2,632,909
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 1,393,569</u>	<u>\$ 191,841</u>	<u>\$ 1,047,499</u>	<u>\$ 2,632,909</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 137,190	\$ 34,451	\$ 64,710	\$ 236,351
Contracts Payable	143	809	441	1,393
Salaries, Benefits, and Taxes Payable	26,321	4,490	5,473	36,284
Due to Other Funds	17	—	203	220
Due to Other Governments	3,331	—	—	3,331
Revenues Collected in Advance	18,379	10,845	31,237	60,461
Interfund Loans and Advances	—	24,000	14,757	38,757
Other Current Liabilities	10,424	20	20,186	30,630
Total Liabilities	195,805	74,615	137,007	407,427
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	6,840	2,172	94,356	103,368
<b>FUND BALANCES</b>				
Nonspendable	\$ 49	\$ —	\$ 525	\$ 574
Restricted	209,969	93,469	643,292	946,730
Committed	482,640	21,585	12,756	516,981
Assigned	99,394	—	165,570	264,964
Unassigned	398,872	—	(6,007)	392,865
Total Fund Balances	1,190,924	115,054	816,136	2,122,114
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,393,569</u>	<u>\$ 191,841</u>	<u>\$ 1,047,499</u>	<u>\$ 2,632,909</u>

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**BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2023  
(In Thousands)**

	<b>2023</b>
Governmental Fund Balance	\$ 2,122,114
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 4,275,003
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(77,241)
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.	500,986
Net Pension Asset	290,082
Deferred outflows of resources	435,147
Deferred inflows of resources	(254,649)
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	(19,848)
Accrued Interest Payable	(5,293)
Current Portion of Long-Term Debt	(58,543)
Compensated Absences Payable	(4,302)
General Obligation Bonds Payable	(765,176)
Less Bond Discount and Premium	
Special Assessment Bonds	(92,556)
Net Pension Liability	(865,725)
Notes and Other Long-Term Liabilities	(10,362)
Compensated Absences - Long-Term	(81,750)
Claims Payable - Long-Term	(115,758)
Unfunded Other Post Employment Benefits	(521,537)
Other Liabilities	(61,727)
Net Adjustments	2,566,751
Net Position of Governmental Activities	\$ 4,688,865

**B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2023  
(In Thousands)**

REVENUES	General Fund	Transportation	Other Governmental	2023
Taxes				
Property Taxes	\$ 377,802	\$ 108,921	\$ 296,173	\$ 782,896
Sales Taxes	341,993	256	57,402	399,651
Business Taxes	922,130	51,686	—	973,816
Excise Taxes	56,435	—	28,773	85,208
Other Taxes	26,966	—	38,261	65,227
Licenses and Permits	49,775	11,926	1,300	63,001
Grants, Shared Revenues, and Contributions	61,700	49,748	187,810	299,258
Charges for Services	101,811	150,275	121,751	373,837
Fines and Forfeits	29,771	3,011	12,705	45,487
Concessions, Parking Fees, and Space Rent	32,938	197	33,860	66,995
Program Income, Interest, and Miscellaneous Revenues	176,948	5,631	115,427	298,006
<b>Total Revenues</b>	<b>2,178,269</b>	<b>381,651</b>	<b>893,462</b>	<b>3,453,382</b>
<b>EXPENDITURES</b>				
Current				
General Government	396,106	6,314	48,601	451,021
Judicial	43,872	—	—	43,872
Public Safety	819,961	—	7,449	827,410
Physical Environment	22,325	—	437	22,762
Transportation	75,653	226,874	107,147	409,674
Economic Environment	258,476	—	266,286	524,762
Health and Human Services	68,895	—	153,968	222,863
Culture and Recreation	245,772	304	173,221	419,297
Capital Outlay				
General Government	1	—	8,668	8,669
Public Safety	1,427	—	146	1,573
Physical Environment	72	—	—	72
Transportation	1,536	117,499	60,796	179,831
Health and Human Services	5	—	—	5
Culture and Recreation	32,890	—	64,669	97,559
Debt Service				
Principal	—	1,655	77,045	78,700
Interest	—	—	42,547	42,547
Bond Issuance Cost	—	—	531	531
Other	—	—	—	—
<b>Total Expenditures</b>	<b>1,966,991</b>	<b>352,646</b>	<b>1,011,511</b>	<b>3,331,148</b>
Excess (Deficiency) of Revenues over Expenditures	211,278	29,005	(118,049)	122,234
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-Term Debt Issued	—	—	93,925	93,925
Premium on Bonds Issued	—	—	12,430	12,430
Payment to Refunded Bond Escrow Agent	—	—	(54,391)	(54,391)
Sales of Capital Assets	—	21	—	21
Leases & Installments	—	(4)	—	(4)
Transfers In	14,667	—	114,084	128,751
Transfers Out	(41,223)	(22,656)	(46,163)	(110,042)
<b>Total Other Financing Sources (Uses)</b>	<b>(26,556)</b>	<b>(22,639)</b>	<b>119,885</b>	<b>70,690</b>
<b>Net Change in Fund Balance</b>	<b>184,722</b>	<b>6,366</b>	<b>1,836</b>	<b>192,924</b>
Fund Balances - Beginning of Year	1,006,202	108,688	814,300	1,929,190
Restatements/Prior-Year Adjustments	—	—	—	—
Fund Balances - Beginning of Year as Restated	1,006,202	108,688	814,300	1,929,190
<b>Fund Balances - End of Year</b>	<b>\$ 1,190,924</b>	<b>\$ 115,054</b>	<b>\$ 816,136</b>	<b>\$ 2,122,114</b>

**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, 2023  
(In Thousands)**

	<b>2023</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - total governmental funds	\$ 192,924
Governmental funds report capital outlay as expenditures and proceeds from the disposition of capital assets as other financing sources. However, in the statement of activities the cost of those assets is allocated over the estimated useful life and reported as depreciation expense and the gain or loss is reported as income.	
Depreciation expense for the year	(167,287)
Capital outlay reported as expenditures	275,995
Retirement and sale of capital assets	(3,265)
Capital assets received as donations	—
Lease expense for the year	4,019
Lease income for the year	3,745
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These are comprised of:	
Unavailable resources - property taxes	—
Other grant revenues	(10,191)
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	4,092
Premium on general obligation bonds	—
Proceeds from loans	—
Principal payments bonds/notes	—
Amortization of bond premium	6,520
Amortization of loss on refunding	840
Bond interest payable	109
Bond expense	—
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	(515)
Injury and damage claims	(27,216)
Workers' compensation	(6,726)
Total OPEB liability	(57,044)
Environmental liability	78
Debt guarantee of SISC 2004 bonds	443
Pension Expense - GASB68	70,874
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	8,956
Net revenue of internal service funds activities reported with governmental activities	(14,870)
Change in Net Position of Governmental Activities	\$ 281,481

### 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 461,500 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 activities of the water system operated by Seattle Public Utilities (SPU). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through wholesale contracts. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City's water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.

The **Drainage and Wastewater Fund** accounts for the drainage and wastewater systems operated by SPU. Drainage activities include regulating storm water runoff, alleviating flooding, mitigating water pollution caused by runoff, and responding to federal storm water regulations, in addition to managing drainage utility assets. Wastewater activities consist of managing the City's sewer system, including the operation of sewer utility facilities and pumping stations necessary to collect the sewage of the City and discharge it into the King County Department of Natural Resources Wastewater Treatment System for treatment and disposal.

Descriptions for non-major enterprise funds and the City's internal service funds are provided in the Combining Statements and Other Supplementary Information section.

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2023  
(In Thousands)**

	Business-Type Activities Enterprise Funds				2023	Governmental Activities
	L i g h t	W a t e r	Drainage and Wastewater	Nonmajor		Internal Service
<b>ASSETS</b>						
<b>Current Assets</b>						
Operating Cash and Equity in Pooled Investments	\$ 263,240	\$ 106,297	\$ 346,886	\$ 295,169	\$ 1,011,592	\$ 36,289
Restricted Cash and Equity in Pooled Investments	—	—	—	—	—	38,175
Receivables, Net of Allowances						
Accounts	172,677	21,837	35,613	32,703	262,830	1,369
Interest and Dividends	—	777	998	21	1,796	77
Unbilled	95,686	16,971	28,247	18,491	159,395	154
Energy Contracts, Notes, and Other Contracts	—	—	—	—	—	—
Due from Other Funds	1,544	842	1,818	1,021	5,225	406
Due from Other Governments	21,151	2,641	19,302	1,482	44,576	1,941
Materials and Supplies Inventory	55,494	11,329	2,137	213	69,173	8,394
Interfund Loan & Advances	—	—	—	—	—	24,000
Prepayments and Other Current Assets	946	72	34	99	1,151	14,604
Short Term Lease Receivable	4,752	—	—	—	4,752	446
<b>Total Current Assets</b>	<b>615,490</b>	<b>160,766</b>	<b>435,035</b>	<b>349,199</b>	<b>1,560,490</b>	<b>125,855</b>
<b>Noncurrent Assets</b>						
Restricted Cash and Equity in Pooled Investments	225,938	98,741	158,637	48,523	531,839	57,479
Notes and Contracts Receivable	—	—	351	—	351	—
Conservation Costs, Net	255,558	27,419	—	—	282,977	—
Landfill Closure and Postclosure Costs, Net	—	—	—	18,626	18,626	—
Environmental Costs and Recoveries	116,374	—	3,582	—	119,956	—
External Infrastructure Costs	—	—	16,692	—	16,692	—
Regulatory Asset	—	4,867	5,741	1,531	12,139	—
Other Charges	60,375	13,637	18,376	1,136	93,524	—
<b>Capital Assets</b>						
Land and Land Rights	156,760	54,511	47,434	26,883	285,588	110,055
Plant in Service, Excluding Land	6,377,692	2,291,815	1,653,760	251,461	10,574,728	—
Less Accumulated Depreciation	(2,451,535)	(1,034,855)	(530,407)	(96,865)	(4,113,662)	—
Buildings and Improvements	—	—	—	—	—	773,877
Less Accumulated Depreciation	—	—	—	—	—	(370,496)
Machinery and Equipment	—	—	—	713	713	326,471
Less Accumulated Depreciation	—	—	—	(713)	(713)	(222,046)
Construction in Progress	657,016	75,185	513,224	6,077	1,251,502	112,650
Other Property, Net	22,123	2,632	5,807	5,248	35,810	33,766
Long Term Lease Receivable	57,658	—	—	—	57,658	2,192
Long Term PPP Receivable	—	—	—	—	—	12,577
Right to Use Lease and Subscription	—	1,674	924	352	2,950	345,643
Less Right to Use Lease and Subscription Accumulated Amortization	—	(636)	(401)	(215)	(1,252)	(55,811)
<b>Total Noncurrent Assets</b>	<b>5,477,959</b>	<b>1,534,990</b>	<b>1,893,720</b>	<b>262,757</b>	<b>9,169,426</b>	<b>1,126,357</b>
<b>Total Assets</b>	<b>6,093,449</b>	<b>1,695,756</b>	<b>2,328,755</b>	<b>611,956</b>	<b>10,729,916</b>	<b>1,252,212</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>113,144</b>	<b>40,819</b>	<b>37,955</b>	<b>44,041</b>	<b>235,959</b>	<b>74,374</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 6,206,593</b>	<b>\$ 1,736,575</b>	<b>\$ 2,366,710</b>	<b>\$ 655,997</b>	<b>\$10,965,875</b>	<b>\$ 1,326,586</b>



STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2023  
(In Thousands)

	Business-Type Activities Enterprise Funds				2023	Governmental Activities Internal Service
	Light	Water	Drainage and Wastewater	Nonmajor Funds		
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 100,985	\$ 15,922	\$ 23,975	\$ 21,729	\$ 162,611	\$ 30,998
Salaries, Benefits, and Payroll Taxes Payable	8,352	2,300	2,436	2,648	15,736	5,184
Compensated Absences Payable	1,067	286	351	310	2,014	770
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	133	15,967	22	16,122	2,451
Interest Payable	44,389	9,438	14,384	1,586	69,797	2,073
Taxes Payable	20,791	888	378	970	23,027	37
General Obligation Bonds Due Within One Year	—	—	—	—	—	32,467
Revenue Bonds Due Within One Year	131,635	44,025	32,100	8,160	215,920	—
Claims Payable	8,043	1,709	2,908	3,201	15,861	712
Notes and Contracts Payable	—	2,050	6,884	—	8,934	—
Habitat Conservation Program Liability	—	553	—	—	553	—
Landfill Closure and Postclosure Liability	—	—	—	3,874	3,874	—
Unearned Revenues and Other Credits	28,496	4,838	—	—	33,334	—
Accrued Lease and Subscription Interest	—	7	7	—	14	403
Short Term Lease and Subscription Liability	—	228	149	72	449	13,860
Other Current Liabilities	44,988	1,038	8,179	822	55,027	186
<b>Total Current Liabilities</b>	<b>388,746</b>	<b>83,415</b>	<b>107,718</b>	<b>43,394</b>	<b>623,273</b>	<b>89,141</b>
<b>Noncurrent Liabilities</b>						
Advances from Other Funds/Interfund Notes Payable	—	—	—	—	—	—
Compensated Absences Payable	20,264	5,440	6,664	5,879	38,247	14,622
Claims Payable	111,179	5,105	275,772	17,604	409,660	963
Public Works Trust Loan	—	16,577	219,469	—	236,046	—
Landfill Closure and Postclosure Liability	—	—	—	12,181	12,181	—
Vendor and Other Deposits Payable	—	—	—	1	1	587
Habitat Conservation Program Liability	—	7,930	—	—	7,930	—
Unearned Revenues and Other Credits	7,822	—	—	30,113	37,935	212
Benefits	6,942	2,436	2,407	2,720	14,505	5,012
Net Pension Liability	302,618	94,175	90,298	108,764	595,855	217,569
Other Noncurrent Liabilities	254	817	12,798	267	14,136	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—	—	179,514
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,783,495	639,047	860,314	160,685	4,443,541	—
Bond Interest Payable	—	—	—	—	—	—
Long Term Lease and Subscription Liability	—	876	427	76	1,379	287,845
<b>Total Noncurrent Liabilities</b>	<b>3,232,574</b>	<b>772,403</b>	<b>1,468,149</b>	<b>338,290</b>	<b>5,811,416</b>	<b>706,324</b>
<b>Total Liabilities</b>	<b>3,621,320</b>	<b>855,818</b>	<b>1,575,867</b>	<b>381,684</b>	<b>6,434,689</b>	<b>795,465</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>169,782</b>	<b>59,936</b>	<b>18,222</b>	<b>46,087</b>	<b>294,027</b>	<b>30,135</b>

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**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2023  
(In Thousands)**

	Business-Type Activities Enterprise Funds				2023	Governmental Activities
	Light	Water	Drainage and Wastewater	Nonmajor Funds		Internal Service
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,185,536	753,677	725,636	34,994	3,699,843	847,336
Restricted for						
Revenue Stabilization Account	25,000	—	—	—	25,000	—
Special Deposits and Other	—	—	—	—	—	—
Conservation and Environmental Costs	—	10,446	—	—	10,446	—
Projects	—	—	—	—	—	—
External Infrastructure Costs	—	—	8,263	—	8,263	—
Muckleshoot Settlement	—	—	—	—	—	—
Other Charges	—	10,498	11,750	2,975	25,223	—
Unrestricted	204,955	46,200	26,972	190,257	468,384	(346,350)
Total Net Position	<u>2,415,491</u>	<u>820,821</u>	<u>772,621</u>	<u>228,226</u>	<u>4,237,159</u>	<u>500,986</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 6,206,593</u>	<u>\$ 1,736,575</u>	<u>\$ 2,366,710</u>	<u>\$ 655,997</u>	<u>\$10,965,875</u>	<u>\$ 1,326,586</u>
Total Net Position as above					\$ 4,237,159	
Adjustment to Reflect the Consolidation of Internal						
Service Fund Activities to Enterprise Funds					<u>101,117</u>	
Net Position of Business-type Activities					<u>\$ 4,338,276</u>	

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**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2023  
(In Thousands)**

	Business-Type Activities Enterprise Funds				2023	Governmental Activities
	Light	Water	Drainage and Wastewater	Nonmajor Funds		Internal Service
<b>OPERATING REVENUES</b>						
Charges for Services and Other Revenues	\$ 1,190,910	\$ 301,496	\$ 542,934	\$ 351,130	\$ 2,386,470	\$ 468,727
<b>OPERATING EXPENSES</b>						
Salaries, wages and personnel benefits	—	74,910	75,686	97,078	247,674	195,711
Supplies	—	8,144	8,661	2,119	18,924	43,191
Services	—	58,624	62,621	175,541	296,786	180,580
Intergovernmental Payments	—	50,873	262,403	35,657	348,933	357
Operations and Maintenance	781,536	—	—	—	781,536	—
Taxes	112,389	—	—	—	112,389	10
Depreciation and Amortization	159,459	58,434	45,004	14,700	277,597	55,401
Other Operating Expenses	—	6,894	8,615	3,685	19,194	(30,317)
<b>Total Operating Expenses</b>	<b>1,053,384</b>	<b>257,879</b>	<b>462,990</b>	<b>328,780</b>	<b>2,103,033</b>	<b>444,933</b>
Operating Income (Loss)	137,526	43,617	79,944	22,350	283,437	23,794
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment and Interest Income	31,177	11,593	17,883	11,030	71,683	5,736
Interest Expense	(91,586)	(22,062)	(13,261)	(5,359)	(132,268)	(14,691)
Amortization of Bonds Premiums and Discounts, Net	—	—	—	—	—	4,873
Amortization of Refunding Loss	—	—	—	—	—	527
Bond Issuance Costs	—	—	—	—	—	—
Gain (Loss) on Sale of Capital Assets	—	—	—	—	—	(210)
Lease Interest Revenue	—	—	—	—	—	507
Lease Revenue	—	—	—	—	—	906
Lease and Subscription Interest Expense	—	(19)	(19)	—	(38)	(4,639)
Lease and Subscription Expense	—	153	187	9	349	24,253
Right to Use Lease and Subscription Amortization	—	—	—	(49)	(49)	(22,069)
Contributions and Grants	1,598	—	735	167	2,500	233
Others, Net	3,153	6,408	(341)	876	10,096	(8,651)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(55,658)</b>	<b>(3,927)</b>	<b>5,184</b>	<b>6,674</b>	<b>(47,727)</b>	<b>(13,225)</b>
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	81,868	39,690	85,128	29,024	235,710	10,569
Capital Contributions and Grants	43,290	9,820	11,611	—	64,721	8,687
Transfers In	—	—	—	—	—	18,098
Transfers Out	—	—	—	—	—	(36,809)
Environmental Remediation	—	—	(60,172)	—	(60,172)	—
<b>Change in Net Position</b>	<b>125,158</b>	<b>49,510</b>	<b>36,567</b>	<b>29,024</b>	<b>240,259</b>	<b>545</b>
Net Position - Beginning of Year	2,290,333	771,311	736,054	199,202	3,996,900	500,441
Prior-Year Adjustment	—	—	—	—	—	—
Net Position - Beginning of Year as Restated	2,290,333	771,311	736,054	199,202	3,996,900	500,441
Net Position - End of Year	<u>\$ 2,415,491</u>	<u>\$ 820,821</u>	<u>\$ 772,621</u>	<u>\$ 228,226</u>	<u>\$ 4,237,159</u>	<u>\$ 500,986</u>
Internal Service Fund Activities Related to Enterprise Funds					101,117	
Net Position of Business-Type Activities					<u>\$ 4,338,276</u>	
Change in Net Position as above					\$ 240,259	
Internal Service Fund Activities Related to Enterprise Funds					6,459	
Adjusted Change in Net Position of Business-Type Activities					<u>\$ 246,718</u>	

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**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Business-Type Activities Enterprise Funds				Governmental Activities	
	Light	Water	Drainage and Wastewater	Nonmajor Funds	2023	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash Received from Customers	\$ 1,114,529	\$ 311,893	\$ 549,062	\$ 342,394	\$ 2,317,878	\$ 467,739
Cash Paid to Suppliers	(476,949)	(72,597)	(255,496)	(170,803)	(975,845)	(166,448)
Cash Paid to Employees	(155,762)	(73,449)	(73,845)	(97,728)	(400,784)	(187,570)
Cash Paid for Taxes	(106,147)	(47,719)	(72,349)	(38,024)	(264,239)	(4,095)
Net Cash from Operating Activities	375,671	118,128	147,372	35,839	677,010	109,626
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Principal Payments on Long-Term Debt and Interfund Loans	(12,228)	—	—	—	(12,228)	—
Interest Paid on Long-Term Debt	(10,882)	—	—	—	(10,882)	—
Operating Grants Received	1,598	846	735	167	3,346	258
Transfers In	(1,048)	—	—	—	(1,048)	18,098
Transfers Out	(54,342)	—	—	—	(54,342)	(36,809)
Bonneville Receipts for Conservation	4,716	—	—	—	4,716	—
Payments to Vendors on Behalf of Customers for Conservation	(21,554)	—	—	—	(21,554)	—
Loans Provided to Other Funds	—	—	—	—	—	—
Payments for Environmental Liabilities	—	1	(3,409)	—	(3,408)	—
Net Cash from Noncapital Financing Activities	(93,740)	847	(2,674)	167	(95,400)	(18,453)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from Sale of Bonds and Other Long-Term Debt	250,794	—	194,027	—	444,821	—
Principal Payments on Long-Term Debt and Refunding	(115,447)	(52,289)	(33,568)	(7,648)	(208,952)	(8,857)
Capital Expenses and Other Charges Paid	(324,588)	(78,178)	(170,837)	(5,619)	(579,222)	(67,150)
Interest Paid on Long-Term Debt	(102,740)	(29,056)	(32,755)	(6,875)	(171,426)	(9,329)
Capital Fees and Grants Received	277	6,563	37,958	—	44,798	37
Payment to Trustee for Defeased Bonds	(90,448)	—	—	—	(90,448)	—
Interest Received for Suburban Infrastructure Improvements	2,338	—	—	—	2,338	—
Debt Issuance Costs	(707)	—	—	—	(707)	—
Proceeds from Sale of Capital Assets	—	256	1,245	720	2,221	984
Net Cash from Capital and Related Financing Activities	(380,521)	(152,704)	(3,930)	(19,422)	(556,577)	(84,315)
<b>CASH FLOWS FROM INVESTING ACTIVITIES<sup>a</sup></b>						
Interest and Investment Income (Loss)	28,839	9,828	16,406	11,031	66,104	4,536
Net Cash from Investing Activities	28,839	9,828	16,406	11,031	66,104	4,536
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(69,751)	(23,901)	157,174	27,615	91,137	11,394
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>						
Beginning of Year	558,929	228,938	348,349	316,077	1,452,293	120,549
End of Year	<u>\$ 489,178</u>	<u>\$ 205,037</u>	<u>\$ 505,523</u>	<u>\$ 343,692</u>	<u>\$ 1,543,430</u>	<u>\$ 131,943</u>
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>						
Operating Cash and Equity in Pooled Investments	\$ 263,240	\$ 106,296	\$ 346,886	\$ 295,169	\$ 1,011,591	\$ 36,289
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—	—	91,091
Noncurrent Restricted Cash and Equity in Pooled Investments	225,938	98,741	158,637	48,523	531,839	4,563
Total Cash at the End of the Year	<u>\$ 489,178</u>	<u>\$ 205,037</u>	<u>\$ 505,523</u>	<u>\$ 343,692</u>	<u>\$ 1,543,430</u>	<u>\$ 131,943</u>

<sup>a</sup> 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.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Business-Type Activities Enterprise Funds				2023	Governmental Activities
	Light	Water	Drainage and Wastewater	Nonmajor Funds		Internal Service
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>						
Operating Income (Loss)	\$ 137,526	\$ 43,617	\$ 79,944	\$ 22,350	\$ 283,437	\$ 23,794
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>						
Depreciation and Amortization	159,459	58,434	45,004	14,700	277,597	55,401
Depreciation Charged to O&M Accounts	—	—	—	—	—	—
Amortization of Other Liabilities and Other Operating Expenses	24,765	2,038	3,693	—	30,496	59,428
Nonoperating Revenues and Expenses	21,252	6,277	2,492	35	30,056	—
Changes in Operating Assets and Liabilities						
Accounts Receivable	40,860	5,009	(458)	(7,034)	38,377	61
Unbilled Receivables	14,822	380	1,710	(754)	16,158	—
Other Receivables	(15)	—	—	—	(15)	—
Due from Other Funds	—	(267)	(661)	(1)	(929)	(337)
Due from Other Governments	—	(927)	2,688	318	2,079	349
Materials and Supplies Inventory	(12,944)	(1,758)	155	—	(14,547)	(1,124)
Accounts Payable	(7,677)	5,183	1,596	7,247	6,349	15,773
Salaries, Benefits, and Payroll Taxes Payable	—	88	24	2	114	56
Compensated Absences Payable	20	(116)	150	(391)	(337)	119
Due to Other Funds	—	(3,221)	(550)	(12)	(3,783)	27
Due to Other Governments	—	133	1,580	7	1,720	2,424
Claims Payable	48,375	1,728	919	57	51,079	(2)
Taxes Payable	—	4	(243)	(2,665)	(2,904)	4
Unearned Revenues and Other Credits	—	—	—	(2,795)	(2,795)	—
Other Assets and Liabilities	(41,561)	(3,583)	9,329	4,775	(31,040)	(46,347)
Rate Stabilization	(9,211)	5,109	—	—	(4,102)	—
Total Adjustments	238,145	74,511	67,428	13,489	393,573	85,832
Net Cash from Operating Activities	<u>\$ 375,671</u>	<u>\$ 118,128</u>	<u>\$ 147,372</u>	<u>\$ 35,839</u>	<u>\$ 677,010</u>	<u>\$ 109,626</u>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>						
In-Kind Capital Contributions	\$ 182	\$ 2,411	\$ —	\$ —	\$ 2,593	\$ —
Amortization of Debt Related Costs, Net	27,519	—	—	—	27,519	—
Change in Valuation of Power Exchange Assets or Liabilities	—	—	—	—	—	—
Allowance for Funds Used During Construction	—	—	—	—	—	—
Power Exchange Revenues	40,144	—	—	—	40,144	—
Power Exchange Expenses	(40,144)	—	—	—	(40,144)	—
Power Revenue Netted against Power Expenses	18,668	—	—	—	18,668	—
Power Expense Netted against Power Revenues	(12,058)	—	—	—	(12,058)	—
Bond Proceeds Deposited into an Escrow Account for Purposes of Refunding	146,500	—	—	—	146,500	—
Change in Fair Value of Long-Term Investments	11,198	4,481	2,381	—	18,060	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 192,009</u>	<u>\$ 6,892</u>	<u>\$ 2,381</u>	<u>\$ —</u>	<u>\$ 201,282</u>	<u>\$ —</u>

**FIDUCIARY FUNDS**

**PENSION (AND OTHER EMPLOYEE BENEFIT) 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.

**PRIVATE-PURPOSE TRUST FUND**

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

**CUSTODIAL FUND**

Custodial Fund is used to report fiduciary activities that are not required to be reported in pension and other employee benefit trust funds, investment trust funds, or private-purpose trust funds.

The **Custodial Fund** records the balances of five bank accounts held in a custodial capacity for external customers. The City has no legal right to or ownership of the balances. The fund includes balances for Seattle Police evidence, Municipal Court restitution and bail monies, and amounts held by City Light.

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**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2023**  
*(In Thousands)*

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Custodial Fund
<b>ASSETS</b>			
Cash and Equity in Pooled Investments	330,107	247	4,672
Short-Term Investments	—	—	—
Receivables			
Members	3,084	—	—
Employers	4,750	—	—
Interest and Dividends	8,065	—	—
Sales Proceeds	175,278	—	—
Other	—	1	—
Total Receivables	191,177	1	—
Investments at Fair Value			
Fixed Income	931,236	—	—
Equity	2,349,999	—	—
Real Estate	441,499	—	—
Alternative Investments	110,575	—	—
Total Investments at Fair Value	3,833,309	—	—
Securities Lending Collateral	4,976	—	—
Prepaid Expenses	528	—	—
Total Assets	4,360,097	248	4,672
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	5,236	—	—
Salaries, Benefits, and Payroll Taxes Payable	—	—	—
Securities Lending Collateral	4,955	—	—
Investment Commitments Payable	339,347	—	—
Total Liabilities	349,538	—	—
Net Position Restricted:			
Pensions	4,010,559	—	—
Individuals and Organizations	—	248	4,672
Total Net Position	\$ 4,010,559	\$ 248	\$ 4,672

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**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended December 31, 2023  
(In Thousands)**

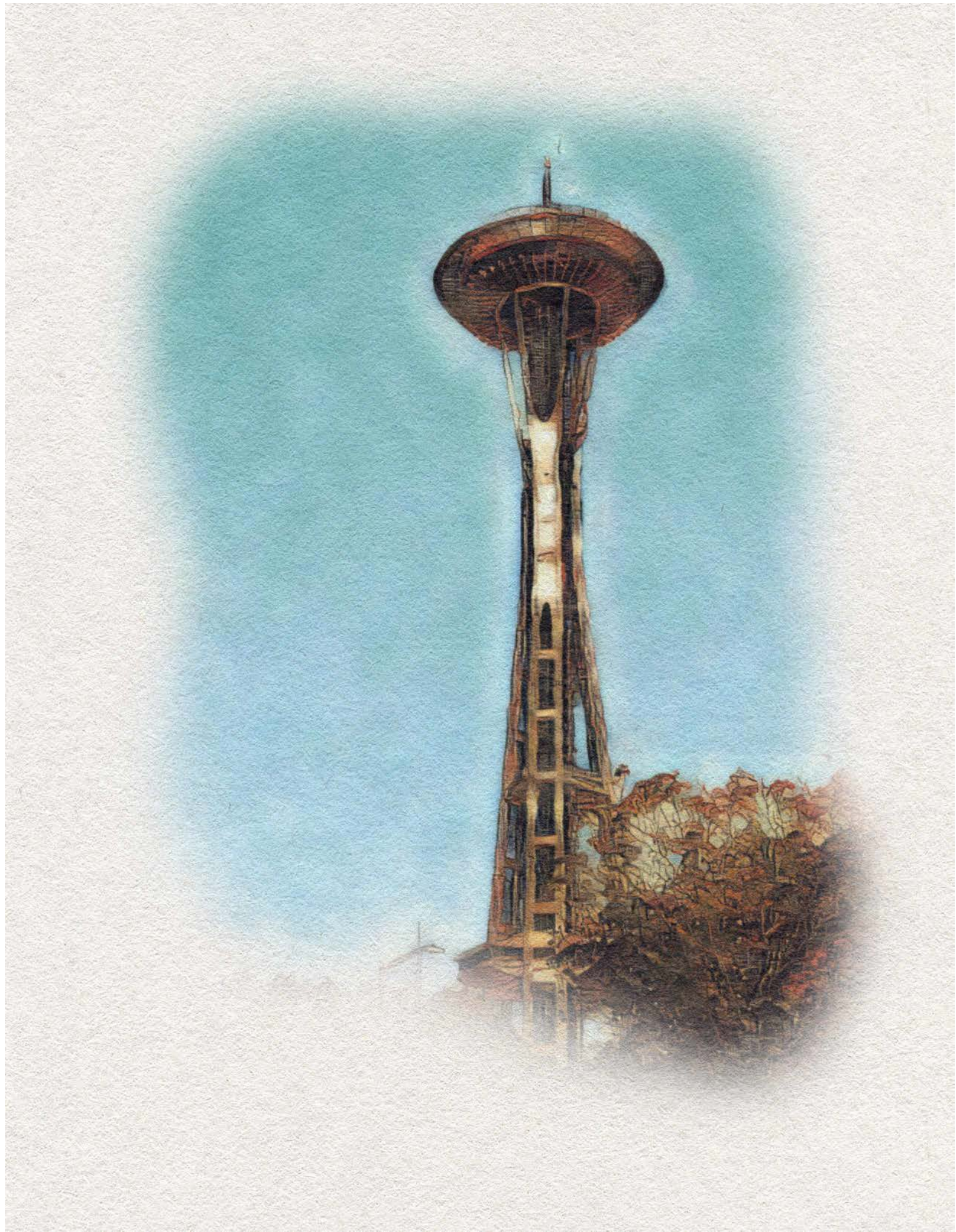
	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Custodial Fund
<b>ADDITIONS</b>			
<b>Contributions</b>			
Employer	\$ 150,423	\$ —	\$ —
Plan Member	85,199	—	—
Total Contributions	235,622	—	—
<b>Investment Income</b>			
From Investment Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	366,185		—
Interest	40,561	12	
Dividends	17,631	—	—
Other Investment Income	18,429	—	—
Total Investment Activities Income	442,806	12	—
From Securities Lending Activities			
Securities Lending Income	289	—	—
Borrower Rebates	66	—	—
Total Securities Lending Income	355	—	—
Securities Lending Expenses			
Management Fees	(89)	—	—
Total Securities Lending Expenses	(89)	—	—
Net Income from Securities Lending Activities	266	—	—
Investment Activity Expenses	(16,805)	—	—
Net Income/(Loss) from Investment Activities	426,267	12	—
Other Income	—	—	(27)
Total Additions	661,889	12	(27)
<b>DEDUCTIONS</b>			
Benefits	249,140	—	—
Refund of Contributions	32,706	—	—
Administrative Expense	8,421	—	—
Other	—	—	—
Total Deductions	290,267	—	—
Change in Net Position	371,622	12	(27)
Net Position - Beginning of Year	3,638,937	236	4,699
Net Position - End of Year	\$ 4,010,559	\$ 248	\$ 4,672

The accompanying notes are an integral part of these financial statements



# **Notes to Financial Statements**

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## NOTES TO FINANCIAL STATEMENTS

### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Seattle (the City) are prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

#### REPORTING ENTITY

The City was incorporated in 1869 with a mayor-council form of government. From 1922 to 2013, the City's nine council members were elected at large, rather than by geographic subdivisions. As a result of a ballot measure passed on November 5, 2013, council members are now elected on a hybrid system of seven district members and two at-large members. The only other elected offices are the City Attorney and Municipal Court judges. Like some other parts of the United States, government and laws are also run by a series of ballot initiatives (allowing citizens to pass or reject laws), referenda (allowing citizens to approve or reject legislation already passed), and propositions (allowing specific government agencies to propose new laws or tax increases directly to the people).

As required by generally accepted accounting principles the financial statements present the City, the primary government and its component units. The decision to include a component unit in the reporting entity is made by applying the criteria set forth in GASB Statement No. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34 (GASB 61). Under GASB 61, a legally separate entity must be included as a component unit if it is fiscally dependent upon the primary government and there is a financial benefit or burden relationship present. The financial statements include the organizations for which the elected officials of the City 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.

The City presents its component units information in Note 12.

**Related Organizations.** The City is also responsible for appointing the members of the governing body of the following organizations, but the accountability for these organizations do not extend beyond making the appointment. These organizations are excluded from the City's financial statements:

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

**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 with King County in a joint venture with regard to the Seattle-King County Work Force Development Council. More information regarding joint ventures can be found in Note 13.

**Jointly Governed Organizations.** These organizations may appear similar to joint ventures as they provide goods or services to the citizenry of two or more governments. However, they do not meet the definition of a joint venture because there is no ongoing financial interest or responsibility by the participating governments. The City participates with regional local governments in jointly governed organizations. Please see Note 13 for more information.

### ACCOUNTING STANDARDS

In 2023, the City implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (PPPs). A PPP is an arrangement in which a government transferor contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This Statement requires a transferor to recognize a receivable for installment payments and a deferred inflow of resources to account for a PPP in financial statements prepared using the current financial resources measurement focus. Governmental fund revenue would be recognized in a systematic and rational manner over the PPP term.

The City also implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). Under this Statement, a government generally should recognize a right-to use subscription asset and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources in subsequent financial reporting periods.

Statement No. 99, Omnibus 2022, addresses and further clarifies several practice issues, such as requirements related to derivatives, leases, PPPs and SBITAs. The effective periods of Statement No. 99 covered multiple fiscal years. The City implemented the remaining requirements of this statement in the current fiscal year. The City does not have any derivative or hedging instruments as defined by Statement No. 99. For more information on the City's investment instruments, please see Note 3.

### BASIS OF PRESENTATION – 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 information on all non-fiduciary activities of the primary government. As a rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Resources of fiduciary activities, which are not available to finance governmental programs, are excluded from the government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**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 and reduced by the outstanding balances of any bond proceeds; deferred inflows and outflows of resources attributable to capital assets; 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 its 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 amount remaining that is 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 or segment, including depreciation on capital assets that are clearly associated with a given function. In general, expenses related to personnel functions are reported as indirect expenses. The City's policy is to allocate indirect costs to a specific function or segment. Program revenues

are revenues derived directly from the program itself. These revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and other revenues not included as program revenues are reported as general revenues.

Interfund activities within governmental funds or within enterprise funds of the City are eliminated. The effects of interfund services provided and used between functions are not eliminated, 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 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 480,000 customers in the Seattle area as well as to other city agencies.
- The **Water Fund** accounts for operating the City's water utility. The fund was established to account for activities of the water system operated by Seattle Public Utilities (SPU). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through purveyors, such as suburban water districts and municipalities. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City's water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.
- 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.

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, and radio systems.
- Fiduciary funds account for assets held in a trustee or custodial capacity. Fiduciary funds include the Employees' Retirement Fund, S. L. Denny Fund and custodial 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 S. L. Denny Fund, a private-purpose trust, holds a nonexpendable gift. Investment income is available to aid disabled firemen. custodial fund are not used to support the government's own programs and so these funds are excluded from the government-wide financial statements.

### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

**Government-wide Financial Statements.** Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash

flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met.

**Governmental Fund Financial Statements.** Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues that are measurable but not available are recorded as receivables and offset by deferred inflows of resources.

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 generally are recorded when a liability is incurred, regardless of when payment is made, based on accrual accounting. However, debt service expenditure, judgments and claims, worker's compensation, and compensated absences are recorded only when payment is due.

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year-end are no longer specifically reported as reservations of fund balances for governmental type funds. They are included in the restricted, committed, or assigned fund balance as defined by GASB Statement No. 54

**Proprietary Fund Financial Statements.** Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability incurred, regardless of the timing of the cash flows. Certain costs in the enterprise funds are reported as an asset and expensed in future years when costs are allocated to those years, and 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 as revenues and receivable.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Light, Water, Solid Waste, Drainage and Wastewater Utilities, the Construction and Inspections 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 non-operating revenues and expenses.

**Fiduciary Fund Financial Statements.** Financial statements for the pension trust, private-purpose trust, and custodial fund 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.

**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, post-employment benefits, and other contingencies. Actual results may differ from those estimates.

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

**Cash and Investments.** 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 based on 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 the market approach valuation technique. 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.

For more on the City's investment policies, see Note 3.

**Receivables, Due To and Receivables, Due From Other Funds and Governments, Interfund Loans, and Advances Receivable.** Taxes receivable consist of property taxes and general business and occupation taxes. See Note 4 Receivables for additional information. Accrued interest receivable consists of amounts earned on investments, notes, and contracts at the end of the year.

Special assessments are recorded when levied. Special assessments receivable consists of current and delinquent assessments and related interest and penalties.

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 including amounts owed for which billings have not been prepared. Notes and contracts receivable arise from written agreements or contracts 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. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances. A separate schedule of interfund loans receivable and payable is furnished in Note 4.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

**Inventories.** Inventories 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 position. Proprietary funds inventories are held until expensed when consumed. Unconsumed amounts are generally valued using the weighted average cost method by City Light and the moving average method by Seattle Public Utilities, which approximates the fair value.

**Capital Assets.** Capital assets, which include land, land rights, utility plant, buildings and improvements, machinery and equipment, and infrastructure assets are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are valued at acquisition 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.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset or significantly extend the asset's original estimated useful life. The costs for normal 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. Where historical costs for certain infrastructure assets are unavailable, estimated historical costs were established via sources such as 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 cost is estimated by deflating the current replacement cost using the appropriate price index.

Expenses related to Construction In Progress are capitalized when incurred, and only expensed if they are subsequently determined to be non-capitalizable. Upon completion, Construction In Progress assets are reclassified to their appropriate asset category.

All exhaustible capital assets are depreciated. 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	33 - 100 years
Building	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. These techniques can result in the reporting of accumulated depreciation in excess of the costs of capital assets.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for in the same manner as in the government-wide financial statements.

**Restricted Assets.** In accordance with 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. Specific debt service reserve requirements are described in Note 9 Long-term Debt.

**Other Charges.** Other charges include preliminary costs of projects and information systems and programmatic conservation costs. Costs related to projects that are ultimately constructed are transferred to utility plant while costs related to abandoned projects are expensed. Conservation program costs in City Light and Water Fund 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.** Payments made in advance to vendors for certain goods or services, such as building rent, that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The expenditures/expenses are recognized in the period of consumption or occupancy. Prepaids recorded in governmental type funds do not reflect current appropriated resources and shall be reported as non-spendable fund balance. The City recognizes a reserve of fund balance for prepaid items only when the amount in the fund is material to the financial statements.

**Leases.** The City is a lessee on multiple leases. The City recognizes a lease liability and a lease asset at the commencement of the lease term. The lease liability is measured at the present value of payments expected to be made during the noncancellable lease term and uses the discount rate charged by the lessor or the incremental borrowing rate if the discount rate is not known.

The City reduces the lease liability by the principal portion of the payments received and recognizes an outflow of resources for interest on the liability. The lease asset is amortized on a straight-line basis over the lease term.



The City is a lessor on multiple leases. The City recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources are measured at the value of the lease receivable.

The City recognizes interest revenue on the lease receivable and an inflow of resources from the deferred inflows of resources over the term of the lease. The lease receivable is reduced by the principal payments received and the deferred inflow of resources is recognized as revenue over the life of the lease term.

**Subscription-Based Information Technology Arrangements (SBITAs)** are defined as a contract that conveys control of the right to use another party's (the SBITA vendor's) information technology software, alone or in combination with tangible underlying capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction.

The City recognizes a subscription liability and an intangible right-to-use subscription asset at the commencement of the subscription term. The subscription liability is recognized at the net present value of future subscription payments and is adjusted over time by subsequent payments and interest. Future subscription payments are discounted using the City's estimated incremental borrowing rate. Future subscription payments include fixed and/or variable payments, based on the contract between the subscriber and vendor. The subscription asset is initially recorded as the sum of the subscription liability, payments made at the commencement of the subscription term, and capitalizable implementation costs, less any incentives received prior to the commencement of the subscription term and is subsequently amortized over the life of the subscription.

**Public-Private Partnerships (PPP).** The City is the transferor in 11 PPP arrangements. The agreements convey to the operators the right to build, expand and/or renovate capital assets and operate and maintain the facility or property. Depending on the contract, the City has the right to approve the type of services the operators may provide and the fees that may be charged by the operators to the public. As per the agreements, the operators provide amenities and facilities which generate revenues for the City and also create valuable business and employment opportunities for the public. In some cases the operator may provide public benefits, such as free admission to the underserved, in lieu of making a cash payment directly to the City.

The PPP Agreements do not contain any upfront payments from the operators nor are there any guarantees or commitments by the City, except for certain agreements where the City pays operating support and maintenance. These payments relate to the maintenance and operation of the underlying asset and are recognized as expenditures as they occur.

**Deferred Outflows/Inflows of Resources.** In addition to assets, the Statement of Net Position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Two items qualify for reporting in this category – deferred charge on refunding and deferred outflow for pensions and other post-employment benefits (OPEB). A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions and OPEB results from contributions made after the measurement date, the difference between projected and actual investment earnings, the difference between expected and actual experience, changes in actuarial assumptions, and changes in proportions.

Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources reported in the business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates. The deferred inflows of resources reported in government-wide statements represent the following:

- Pensions and other post-employment benefits
- Grants received before meeting time requirements, but after all other eligibility requirements have been met
- Unavailable revenue from property taxes, district court receivables and abatement receivables
- Assets transferring to the City at the end of a Public-Private Partnership (PPP) contract term

These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

See Note 4 for additional information of deferred outflows and inflows of resources.

**Compensated Absences.** Compensated absences consist of unused vacation pay, sick pay, and other paid leaves earned by employees. Employees earn vacation based upon the date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation balances remaining at retirement or termination are considered vested and payable to the employee. 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 non-current 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.

More information about this liability can be found in Note 7.

**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 (see Note 15 Contingencies). Other Accrued Liabilities. Other accrued liabilities include deposits, interest payable on obligations, lease-purchase agreements, and revenues collected in advance.

Interfund debt is recorded in the appropriate funds even though such debt may result in a non-current liability for a governmental fund because the debt is not a general obligation of the City.

**Unearned Revenues.** Unearned revenues include amounts collected or billed in advance of providing the service. The balances consist primarily of contract revenues, 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.

**Long-Term Obligations.** Long-term obligations are described in Note 9.

**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.

The flow assumption is to consider restricted amounts have been spent when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. The flow assumption of the City is to reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**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 General Fund 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)

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transfers by ordinance from other city funds; (2) automatic transfer of 0.5% of forecasted tax revenues; and (3) 50% of unanticipated excess fund balance of the General Fund. At no time shall the maximum funding level exceed 5% of the General Fund tax revenues forecast.

The City maintains the Emergency Fund to pay for unanticipated or unplanned expenditures that occur during the course of the fiscal year. Any use of the Emergency Fund shall be accompanied by an ordinance approved by three-fourths of the City Council. At the beginning of each year, sufficient funds shall be appropriated to the Emergency Fund 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 Fund during the year for any expenditure incurred, by transferring unexpended and unencumbered balances from other City funds, or from other reimbursements the City may receive.

A summary of governmental fund balances at December 31, 2023, is as follows:

Table 1-1

GOVERNMENTAL FUND BALANCES <sup>a</sup>

(In Thousands)

Fund Balances	General	Transportation	Other Governmental	Total
<b>Nonspendable</b>				
Not in spendable form <sup>a</sup>		\$ —	\$ 475	\$ 475
Legally or contractually required to be maintained intact	—	—	50	50
<b>Nonspendable Subtotal</b>	\$ 49	\$ —	\$ 525	\$ 574
<b>Restricted</b>				
General	3,681	—	19	\$ 3,700
Transportation	—	93,469	617	\$ 94,086
Animal Services	—	—	1,479	\$ 1,479
Arts & Culture	—	—	260	\$ 260
Capital & Continuing Programs	—	—	176,982	\$ 176,982
Community & Economic Development	292	—	9,080	\$ 9,372
Community Outreach	—	—	35	\$ 35
Educational & Development Services	—	—	130,504	\$ 130,504
Emergency Preparedness	—	—	123	\$ 123
Employee Benefits	142,228	—	—	\$ 142,228
Fire	35,116	—	388	\$ 35,504
General Bond Interest & Redemption	—	—	9,020	\$ 9,020
Health & Human Services	—	—	1,576	\$ 1,576
Housing Services	—	—	176,910	\$ 176,910
Library Purposes	9,552	—	28,105	\$ 37,657
Local Improvement District	—	—	9,987	\$ 9,987
Parks & Recreation	—	—	97,211	\$ 97,211
Police	19,100	—	882	\$ 19,982
Endowment	—	—	114	\$ 114
<b>Restricted Subtotal</b>	\$ 209,969	\$ 93,469	\$ 643,292	\$ 946,730
<b>Committed</b>				
General	7,434	—	—	\$ 7,434
Transportation	—	21,585	—	\$ 21,585
Arts & Culture	—	—	12,756	\$ 12,756
Capital & Continuing Programs	151,541	—	—	\$ 151,541
Community & Economic Development	275,085	—	—	\$ 275,085
Employee Benefits	5,121	—	—	\$ 5,121
Health & Human Services	8,480	—	—	\$ 8,480
Litigation	20,183	—	—	\$ 20,183
Revenue Stabilization & Reserve	14,796	—	—	\$ 14,796
<b>Committed Subtotal</b>	\$ 482,640	\$ 21,585	\$ 12,756	\$ 516,981
<b>Assigned</b>				
General	12,019	—	—	\$ 12,019
Transportation	5	—	89,701	\$ 89,706
Arts & Culture	18,480	—	—	\$ 18,480
Capital & Continuing Programs	6,041	—	—	\$ 6,041
Community & Economic Development	1,629	—	418	\$ 2,047
Community Outreach	2,560	—	7,218	\$ 9,778
Emergency Preparedness	58,660	—	—	\$ 58,660
Health & Human Services	—	—	23,663	\$ 23,663
Housing Services	—	—	30,390	\$ 30,390
Parks & Recreation	—	—	14,180	\$ 14,180
<b>Assigned Subtotal</b>	\$ 99,394	\$ —	\$ 165,570	\$ 264,964
<b>Unassigned</b>				
General	333,543	—	—	\$ 333,543
Capital & Continuing Programs	—	—	(4)	\$ (4)
Community & Economic Development	—	—	(54)	\$ (54)
Revenue Stabilization & Reserve	65,329	—	—	\$ 65,329
Seattle Center	—	—	(5,949)	\$ (5,949)
<b>Unassigned Subtotal</b>	\$ 398,872	\$ —	\$ (6,007)	\$ 392,865
<b>Total</b>	\$ 1,190,924	\$ 115,054	\$ 816,136	\$ 2,122,114

<sup>a</sup> Resource that cannot be spent due to their form, such as inventory and prepaid items.

## (2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### BUDGETARY INFORMATION

The City budgets for the General Fund and various special revenue funds on an annual basis. The special revenue funds which have legally adopted annual budgets are the Parks 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 through the adopted budget ordinance. 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, multi-year appropriations made for capital projects, grants, or endowments.

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 funding source. It is revised and extended annually. The City Council adopts the CIP as a planning document but does not appropriate the multi-year 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.

**Amending the Budget.** Budgetary control for the operating budget generally is maintained at the budget control level (BCL) within departments with the following exceptions: the Library Fund has its total budget set at the 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. Examples of the BCL would be "K-12 Programs" and "Post-Secondary Programs" within the Education and Early Learning department or "Inspections" and "Land Use Services" within the Construction & Inspection department.

The City Council may by ordinance abrogate, decrease, or re-appropriate any unexpended budget authority during the year. The City Council, with a three-fourths vote, may also increase appropriations. Emergency Fund 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. The following restrictions to budget transfers within a budget year are imposed by ordinance. Total budget transfers into a BCL may not exceed 10% of its original budgeted allowance, and in no case may they be greater than \$500,000. Total transfers out may not exceed 25% 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 BCL, departments may transfer appropriations without the City Budget Office's approval.

**Budgetary Reporting.** Budget amounts shown in the financial statements are the authorized amounts, both original and final, as approved for 2023. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

This annual financial report includes budgetary comparisons for annually budgeted governmental operating funds only. The budgetary comparisons are presented on a budgetary basis. The budgetary basis 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.

Budgetary comparisons for proprietary funds may be requested from the Department of Finance and Administrative Services.

**Deficit Fund Balances and Net Position.** The Seattle Center Fund reported a deficit fund balance of \$5.9 million as of December 31, 2023. Ordinance 12618 provides the Seattle Center interfund support up to \$18 million through December 31, 2033. The funds will be provided by the Real Estate Excise Tax 2 (REET II) fund. This money was provided to Seattle Center due to the COVID-19 pandemic. The pandemic prevented any events and gatherings which were essential to the Seattle Center's operations and finances during the majority of 2020 and into 2021 when the pandemic peaked. The future revenues from activity of the Seattle Center and newly built arena is how the funds are expected to be repaid before 2033.

The Coronavirus Local Fiscal Recovery Fund reported a deficit fund balance of \$54,000 as of December 31, 2023. The cause of this deficit is the result of a timing difference between year end closing processes and fund expense reporting deadlines to the U.S. Treasury. Revenues are earned by the fund as their corresponding expenses are reported to the U.S. Treasury on a quarterly basis – which reporting was due before all year end expenses were recorded. The deficit will be removed with first quarter reporting in April 2024.

## (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, 2023, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2023, the City held \$15,000 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 the City's investments in the City's name.

The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is defined in Statement No. 72 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

Valuation techniques to determine fair value should be consistent with one or more of three approaches: the market approach, cost approach, and income approach. The City uses a combination of the market and cost approach for the valuation of pooled investments.

The City's overnight repurchase agreement with Wells Fargo Bank, N.A. is accounted for at cost.

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

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

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

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

As a basis for considering market participant assumptions in fair value measurements, Statement No. 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Department can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability. Valuation adjustments such as for nonperformance risk or inactive markets could cause an instrument to be classified as Level 3 that would otherwise be classified as Level 1 or Level 2.

The City's investments in U.S. Treasuries are Level 1 assets. The remainder of the City's investments are Level 2 assets. The City does not invest in Level 3 assets.

As of December 31, 2023, the City's investment pool held the following investments:

**Table 3-1**

**INVESTMENTS AND MATURITIES  
TREASURY RESIDUAL POOLED INVESTMENTS  
(In Thousands)**

Investments	Value as of December 31, 2023	Fair Value Measurements Using			Measured at Amortize d Cost	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Corporate Bonds	\$ 67,267	\$ —	\$ 67,267	\$ —	\$ —	537
Commercial Paper Total	0	—	—	—	—	—
International Bank for Reconstruction & Development	48,924	—	48,924	—	—	247
Local Government Investment Pool	406,431	406,431	—	—	—	—
Municipal Bonds	150,811	—	150,811	—	—	772
Repurchase Agreements	17,297	17,297	—	—	—	9,497
U.S. Government Agency Mortgage-Backed Securities	312,777	—	312,777	—	—	1,754
U.S. Government Agency Securities	1,417,009	—	1,417,009	—	—	404
U.S. Treasury and U.S. Government-Backed Securities	1,240,539	1,240,539	—	—	—	679
<b>Total</b>	<b>\$ 3,661,055</b>	<b>\$1,664,267</b>	<b>\$1,996,788</b>	<b>\$ —</b>	<b>\$ —</b>	
Weighted Average Maturity of the City's Pooled Investments						626

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. To mitigate interest rate risk the City intentionally immunizes its known and expected cash flow needs. To best accomplish meeting its investment objectives, the City has divided the Pool into two separate portfolios: Operating and Strategic.



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

The Strategic Portfolio consists of cash that is in excess of known and expected liquidity needs. Accordingly, this portfolio is invested in debt securities with longer maturities than the Operating Portfolio, which over a market cycle, is expected to provide a higher return and greater investment income. Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1-7 year index. The duration of the Strategic Portfolio is targeted between 75.0 percent and 125.0 percent of the benchmark.

To further mitigate interest rate risk a minimum of 60% of the Operating Portfolio and 30% of the Strategic Portfolio must be invested in asset types with high liquidity, specifically U.S. Government obligations, U.S. Government Agency obligations, LGIP, Demand Accounts, Repo, Sweep, and Commercial Paper.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investments must adhere to state statutes. State statute and the City's Statement of Investment Policy do not stipulate credit quality requirements for U.S. Government or U.S. Government Agency Obligations but provide for minimum credit ratings for investments in municipal bonds, commercial paper and corporate bonds. State statute limits the maximum maturity and percentage allocation of investments in commercial paper and corporate bonds but not for municipals. The City's investment policy limits the maximum percentage allocation that can be invested in municipal bonds, commercial paper and corporate bonds. In addition, commercial paper, and corporate bond purchases must adhere to the investment policies and procedures adopted by the Washington State Investment Board (Policy No. 2.05.500 adopted 3/16/95 and revised again 9/15/16) that includes the following credit and maximum maturity constraints:

- A commercial paper issuer must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Ratings Organizations (NRSROs), at the time of purchase (P-1, A-1+, A-1, F1+, F1, by Moody's, S&P and Fitch, respectively). If the commercial paper is rated by more than two NRSROs, it must have the highest rating from all of the organizations.
- Commercial Paper investments may not have maturities exceeding 270 days. Any Commercial Paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase in one of the two highest rating categories of a NRSRO.
- Corporate bonds at the time of purchase must have a credit rating of not less than "A" by any nationally recognized rating agency and must mature within 5.5 years.
- Commercial paper and corporate bonds combined may not exceed 25% of the total portfolio.
- No single issuer of commercial paper may exceed 3% of the total portfolio.
- No single issuer of corporate bonds rated AA or better by all rating agencies may exceed 3% of the total portfolio.
- No single issuer of corporate bonds rated single A by all rating agencies may exceed 2% of the total portfolio.
- Investments in a single credit issuer, consisting of commercial paper and corporate bonds combined, may not exceed 3% of the total portfolio.

The City subscribes to public finance research from Fitch Ratings and all fixed income asset types from Standard & Poor's Ratings Direct. The City conducts internal due diligence of all investments with credit risk and maintains an "approved list" of issuers. Finally, the City monitors the credit worthiness of its investments over time until they mature or are potentially sold.

**Concentration Risk.** State statute and the City's Statement of Investment Policy do not stipulate concentration limits for holdings of U.S. Government or U.S. Government Agency Obligations. However, as noted under credit risk, the City's Statement of Investment Policy outlines maximum percentage allocations for municipal securities, commercial paper as well as corporate bonds.

**Table 3-2** **CONCENTRATION OF CREDIT RISK**  
(In Thousands)

Issuer	Fair Value	Percent of Total Investments
AMAZON.COM INC	\$ 15,194	0.4 %
APPLE INC	7,408	0.2
FEDERAL AGRICULTURE MORTGAGE CORPORATION	248,019	6.8
FEDERAL FARM CREDIT BANK	291,404	8.0
FEDERAL HOME LOAN BANK	572,730	15.6
FEDERAL HOME LOAN MORTGAGE CORPORATION	287,136	7.8
FEDERAL HOME MORTGAGE SECURITIES	36,784	1.0
FEDERAL NATIONAL MORTGAGE ASSOCIATION	293,713	8.0
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	48,924	1.3
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	22,282	0.6
MUNICIPAL BONDS	150,811	4.1
PITTSBURGH NATIONAL CORPORATION BANK	22,383	0.6
REPURCHASE AGREEMENTS, SWEEP	17,297	0.5
U.S. TREASURY AND GOVERNMENT-BACKED SECURITIES	1,240,539	33.9
WASHINGTON STATE TREASURER'S INVESTMENT POOL	406,431	11.1
Total Investments	<u>\$3,661,055</u>	<u>100.0 %</u>

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, Wells Fargo, rather than the trading counterparty or the trading counterparty's trust department or agent. The City mitigates counterparty risk by settling trades through its custodian on a delivery-versus-payment method.

By investment policy, the City maintains a list of approved securities dealers for transacting business. The City also conducts its own due diligence as to the financial wherewithal of its counterparties.

Foreign Currency Risk. The City's pooled investments do not include securities denominated in foreign currencies.

### INVESTMENTS OF THE SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)

Investments of the Seattle City Employees' Retirement System (SCERS) are accounted for in the Employees' Retirement Fund, a fiduciary fund that 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.

Fair value measurements are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset:

- Level 1: unadjusted quoted prices for identical instruments in active markets
- Level 2: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable
- Level 3: significant inputs are unobservable

The following schedule presents investments categorized according to the fair value hierarchy, and is preceded with additional information regarding investments measured at the net asset value as of December 31, 2023:

Table 3-3

**SCERS' INVESTMENTS**  
(In Thousands)

INVESTMENTS BY FAIR VALUE LEVEL	Fair Value Measurements Using			
	Value as of December 31, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Public Equity Securities	\$ 955,295	\$ 955,278	\$ 1	\$ 16
Fixed Income Securities	778,732	150,939	589,006	38,787
Total Investments by fair value level	\$ 1,734,027	\$ 1,106,217	\$ 589,007	\$ 38,803
<b>INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)</b>				
Fixed Income	\$ 152,504			
Infrastructure	110,575			
Private Equity	555,227			
Public Equity	839,477			
Real Estate	441,499			
Total Investments measured at the NAV	<u>2,099,282</u>			
Total Investments	<u>\$ 3,833,309</u>			
Securities lending collateral	\$ 4,976			
<b>INVESTMENTS</b>				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity	\$ 555,227	\$ 355,066	Daily, Quarterly	1 - 90 Days
Public Equity	839,477	—	Daily, Monthly	1 - 60 Days
Fixed Income	152,504	77,828	Daily, N/A	5 Days, N/A
Real Estate	441,499	97,168	Quarterly, N/A	45 Days, N/A
Infrastructure	110,575	33,519	N/A	N/A
Total investments measured at the NAV	<u>\$ 2,099,282</u>	<u>\$ 563,581</u>		

**Credit Risk:** Credit risk is the risk that an issuer, or other counterparty, to an investment will not fulfill its obligations. The Core Fixed Income asset class is primarily allocated to investment-grade securities with low credit risk. The Board provides each of the System's Core Fixed Income investment managers with a set of investment guidelines that include a minimum allocation to investment-grade securities. The Credit Fixed Income asset class is primarily allocated to below investment-grade securities with correspondingly higher credit risk.

As of December 31, 2023, the fixed income portfolio of the SCERS had the following investment maturities:

**Table 3-4** **SCERS' FIXED INCOME PORTFOLIO**  
(In Thousands)

Investment Type	Fair Value	Investment Maturities (In Years)			
		<1	1 - 5	6 - 10	>10
Agencies	\$ 12,974	\$ —	\$ 12,061	\$ 913	\$ —
Derivatives	1,404	(778)		922	1,259
Asset Backed Security	34,980	—	22,349	9,538	3,094
Foreign Sovereign	5,898	2,154		859	2,884
Corporate Debt	302,754	10,643	129,547	101,208	61,357
Mortgage Backed Security	265,717	—	2,201	5,454	258,062
Municipal	3,286	—	1,407	807	1,072
Treasury Notes and Bonds	151,720	4,954	41,334	41,714	63,718
Total Fixed Income Securities	\$ 778,733	\$ 16,973	\$ 208,899	\$ 161,415	\$ 391,446
Fixed Income Fund	152,504				
Total Fixed income	\$ 931,237				

**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. Market or interest rate risk is the greatest risk faced by an investor in the fixed income securities market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The Board provides each of the System's Core Fixed Income investment managers with a set of investment guidelines that includes a limit on the difference in duration between the portfolio and its applicable benchmark.

As of December 31, 2023, the fixed income portfolio of the SCERS had the following investment ratings:

**Table 3-5** **SCERS' FIXED INCOME RATINGS BY STANDARD AND POOR'S**  
(In Thousands)

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CCC and Below	Not Rated
Agencies	\$ 12,974	\$ 12,974							
Derivatives	1,404								1,404
Asset Backed Security	34,980	25,103	6,456	621	362			194	2,245
Corporate Debt	302,754	7,883	8,709	56,236	127,740	35,495	50,865	14,343	1,483
Foreign Sovereign	5,898		789	3,744					1,366
Mortgage Backed Security	265,717	178,804					73		86,840
Municipal	3,286	310	2,214	762					
Treasury Notes and Bonds	151,720	151,720							
Total Fixed Income Securities	\$ 778,733	\$ 376,794	\$ 18,168	\$ 61,363	\$ 128,102	\$ 35,495	\$ 50,938	\$ 14,537	\$ 93,338
Fixed Income Funds	152,504								
Total Fixed Income	\$ 931,237								

**Table 3-6 SCERS’ ASSET ALLOCATION**

<b>Asset Class</b>	<b>Actual</b>	<b>Target Allocation</b>
Public Equity	46.8 %	48.0 %
Private Equity	14.5	11.0
Core Fixed Income	20.3	18.0
Credit Fixed Income	4.0	7.0
Real Estate	11.5	12.0
Infrastructure	2.9	4.0
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>

**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, which 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.

**SECURITIES LENDING TRANSACTIONS**

The City’s 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.

In accordance with SCERS’ Investment Policy and RCW 39.59.020, the System participates, through a custodial agent, in a securities lending program whereby securities are lent for the purpose of generating additional income to the System. The System lends securities from its investment portfolio on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must meet or exceed 102% of the market value of the securities lent, providing a margin against a decline in the market value of the collateral. The contractual agreement with the System’s custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income it is due on the securities lent. Cash and U.S. government securities were received as collateral for these loans. The System invests cash collateral received; accordingly, investments made with cash collateral appear as an asset. A corresponding liability is recorded as the System must return the cash collateral to the borrower upon the expiration of the loan. Gross income from securities lending transactions are recorded in the operating statements as well as the various fees paid to the institution that oversees the lending activity.

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, 2023, the fair value of securities on loan was \$4,806,439. Associated cash collateral totaling \$4,954,916 was received. The fair market value of the reinvested collateral was \$4,975,758 at December 31, 2023.

**REVERSE REPURCHASE AGREEMENTS**

RCW 35.39.030 and City investment policy allow the investment of City monies in excess of current City needs in reverse repurchase agreements. At December 31, 2023, the City does not engage in this type of investment strategy.

**(4) RECEIVABLES, INTERFUND TRANSACTIONS, AND DEFERRED OUTFLOWS/  
INFLOWS OF RESOURCES**

**TAXES RECEIVABLE**

**Property Taxes.** 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.

**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, if 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 \$1.06 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2023. In addition, the levy included \$0.92 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2023 levy was \$1.99 per \$1,000 of assessed value. Not included in this total is the King County levy for Medic One/Emergency Medical Services, from which the City receives a direct, proportional distribution of proceeds. This was renewed by voters at election in November 2019 for collection in 2020 at \$0.265 per \$1,000 of assessed value and decreased to \$0.21 in 2023. Further, this doesn't include \$0.39 per \$1,000 of assessed value attributable to the Seattle Metropolitan Park District (SMPD) levy. The SMPD is a separate taxing authority from the City.

**Business Taxes.** The City's business taxes include general business taxes and utilities related business taxes. The business taxes from utilities make up 21.3% of total business tax revenues.

The following table shows tax revenues and receivables as reported in the fund financial statements:

**Table 4-1**

**TAX RECEIVABLES AND REVENUES**  
*As of and for the Year Ended December 31, 2023*  
*(In Thousands)*

	Taxes Receivable	Tax Revenues
Property Taxes	\$ 19,593	\$ 789,865
Business Taxes	235,267	973,816
	\$ 254,860	\$ 1,763,381

**INTERFUND TRANSACTIONS**

**Interfund Transfers.** Transfers between funds 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. The City eliminates or reclassifies transfers between funds in the process of aggregating data for the government-wide statements.

Transfers between governmental funds which were eliminated in the Statement of Activities were as follows:

Table 4-2

**INTERFUND TRANSFERS**

*(In Thousands)*

Transfers Out	Transfers In				Total
	General	Internal Service	Transportation <sup>a</sup>	Nonmajor Governmental	
General Fund	\$ —	\$ 1,030	\$ —	\$ 40,193	\$ 41,223
Internal Service Fund	6,500	—	—	30,309	36,809
Transportation <sup>a</sup>	—	—	—	22,656	22,656
Nonmajor Governmental Fund	8,167	17,068	—	20,927	46,162
<b>Total Transfers</b>	<b>\$ 14,667</b>	<b>\$ 18,098</b>	<b>\$ —</b>	<b>\$ 114,085</b>	<b>\$ 146,850</b>

<sup>a</sup> Government-Wide, Transportation Transfers In and Transfers Out net zero. Timing of Budget shift at end of year resulted in visibility of movement.

**Interfund Receivables and Payables.** Balances between funds not representative of lending or borrowing arrangements are reported as due to/due from other funds in the balance sheets for governmental funds and statements of net position for proprietary funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

The table below shows the interfund receivables and payables reported in the fund financial statements at December 31, 2023:

**Table 4-3** **DUE FROM AND TO OTHER FUNDS**  
*(In Thousands)*

Due From	Due To							Total
	General	Major Governmental	Nonmajor Governmental	Light	Water	Drainage and Wastewater	Nonmajor Enterprise	
General Fund	\$ —	\$ —	\$ 49	\$ —	\$ —	\$ —	\$ —	\$ 49
Major Governmental	—	—	—	—	—	—	—	—
Nonmajor Governmental	—	—	—	—	—	—	—	—
Water	—	—	—	—	—	—	—	—
Drainage and Wastewater	—	—	—	—	—	—	—	—
Nonmajor Enterprise	—	—	—	—	—	—	—	—
<b>Total Due from Other Funds</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 49</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 49</b>

**Interfund Advances and Loans.** 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. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable financial resources. 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.

At December 31, 2023, the following interfund debt was outstanding:

**Table 4-4** **ADVANCES, NOTES, AND LOANS FROM AND TO OTHER FUNDS**  
*(In Thousands)*

Advances, Notes, and Loans From	Advances, Notes, and Loans To	Amount
REET II Capital Fund	Seattle Center Fund	14,757
Information Technology Fund	Transportation Fund	24,000
Total City		<u>\$ 38,757</u>

All of the interfund loans were approved by City Council ordinance. Each loan is to be repaid with interest on the loan at the rate of return of the City's Consolidated Cash Pool. The entire principal and interest amount of the loan drawn is intended to be repaid with future tax proceeds and other anticipated revenues.



**Table 4-5** **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				
Charges on Advanced Refunding Pension and OPEB Plans	\$ —	\$ —	\$ —	\$ —
	—	74,374	435,147	509,521
<b>Total Deferred Outflows of Resources</b>	<b>\$ —</b>	<b>\$ 74,374</b>	<b>\$ 435,147</b>	<b>\$ 509,521</b>
Deferred Inflows of Resources				
Property Taxes	\$ 15,357	\$ —	\$ (17,605)	\$ (2,248)
Special Assessment	87,888	—	(1,452)	86,436
Charges on Advanced Refunding	—	4,106	6,511	10,617
Leases	123	15,825	160,404	176,352
Pension and OPEB Plans	—	10,204	106,791	116,995
<b>Total Deferred Inflows of Resources</b>	<b>\$ 103,368</b>	<b>\$ 30,135</b>	<b>\$ 254,649</b>	<b>\$ 388,152</b>

**Charges on Advanced Refunding.** The governmental funds record gains and losses from advanced refunding of debt as deferred inflows and outflows, respectively, on the government-wide financial statements. These amounts are amortized as a component of interest expense.

**Pension and OPEB Plans.** As a result of implementing GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the City recognizes deferred inflows and outflows of resources related to its pension and OPEB plans. Detailed information about these deferred inflows and outflows of resources for each pension and OPEB plan can be found in Note 11.

**Property Taxes.** For 2023, total taxes outstanding were recorded as a tax receivable asset within governmental funds. Unable to meet the revenue recognition criteria, the City’s governmental funds recorded the balance of the tax receivable asset as a Deferred Inflow of Resources. The reconciliation of 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 to record the tax revenues to the Statement of Activities.

**Special Assessment.** The Local Improvement District 6750 and Waterfront Local Improvement District 6751 Funds recorded a deferred inflow of resources which reflects the total expected future collections from the Districts. The assessment expected to be collected during the upcoming fiscal period is adjusted from the deferred inflows of resources and recognized as revenue within the government-wide presentation.

Business-Type Activities

**Table 4-6** DEFERRED OUTFLOWS/INFLOWS OF RESOURCES  
BUSINESS-TYPE ACTIVITIES  
(In Thousands)

Deferred Outflows/Inflows of Resources	Seattle Public Utilities					Total
	City Light	Water	Drainage and Wastewater	Solid Waste	Construction & Inspections	
Deferred Outflows of Resources						
Pension and OPEB	\$ 103,575	\$ 30,008	\$ 34,317	\$ 9,206	\$ 33,246	\$ 210,352
Charges on Advance Refunding	9,569	10,811	3,638	1,589	—	25,607
Total Deferred Outflows of Resources	<u>\$ 113,144</u>	<u>\$ 40,819</u>	<u>\$ 37,955</u>	<u>\$ 10,795</u>	<u>\$ 33,246</u>	<u>\$ 235,959</u>
Deferred Inflows of Resources						
Pension and OPEB	\$ 17,247	\$ 4,424	\$ 3,978	\$ 1,648	\$ 2,305	\$ 29,602
Revenue Stabilization Account	40,779	47,550	—	40,549	—	128,878
Regulatory Credits	105,527	—	—	—	—	105,527
Charges/Gains on Advance Refunding	6,229	7,962	14,244	1,585	—	30,020
Total Deferred Inflows of Resources	<u>\$ 169,782</u>	<u>\$ 59,936</u>	<u>\$ 18,222</u>	<u>\$ 43,782</u>	<u>2,305</u>	<u>\$ 294,027</u>

**Revenue Stabilization Account.** Funding of Revenue Stabilization Accounts (RSAs) from operating cash effectively defers operating revenues. For City Light the balance of the RSA was \$40.8 million as of December 31, 2023. For Seattle Public Utilities (SPU), the balance of the RSA was \$88.1 million as of December 31, 2023, of which \$47.6 million belongs to Water and \$40.5 million belongs to Solid Waste.

**Regulatory Credits.** This deferral is made up of regulatory credits, which are the result of City Light (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 City Light the balance of the credits was \$105.5 million as of December 31, 2023.

## (5) SHORT-TERM ENERGY CONTRACTS AND DERIVATIVE INSTRUMENTS

City Light engages in an ongoing process of resource optimization, which involves the economic selection from available energy resources to serve City Lights’s load obligations and using these resources to capture available economic value. City Light 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. City Light also makes recurring projections of resource availability at these points in time based on variables such as estimates of stream flows, availability of generating units, historic and forward market information, contract terms, and experience. Based on these projections, City Light 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 60 months forward. Under these forward contracts, City Light 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, City Light does not take market positions in anticipation of generating profit. Energy transactions in response to forecasted seasonal resource and demand variations require approval by City Light’s Risk Oversight Council. In April 2020, City Light entered the California ISO Energy Imbalance Market (EIM) which is an energy market system that balances fluctuations in supply and demand by automatically finding lower cost resources to meet real-time power needs and serve consumer demand across the western region. The EIM manages congestion on transmission lines to maintain grid reliability and supports integrating renewable resources. In addition, the EIM makes excess renewable energy available to participating utilities at low cost.

It is the City’s policy to apply the normal purchase and normal sales exception of Statement No. 53 of the GASB, Accounting and Financial Reporting for Derivative Instruments, as appropriate. Certain forward purchase and sale of electricity contracts 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, City Light 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.

The following table presents (in millions) the aggregate contract amounts, fair value, and unrealized gain (loss) of City Light’s commodity derivative instruments qualifying as normal purchases and normal sales on December 31, 2023:

Table 5-1

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 0.1	\$ 0.1	\$ 0.0
Purchases	3.8	3.8	—
Total	\$ 3.9	\$ 3.9	\$ 0.0

Fair value measurements as of December 31, 2023, used an income valuation technique consisting of Kiode Forward Curves, which is considered a level 2 input in accordance with GASB 72, Fair Value Measurement and Application. 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 Seattle City Council adopted a resolution granting City Light 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. City Light did not have any such activity for 2023. In addition, the Seattle City Council has deferred recognition of the effects of reporting the fair value of derivative financial instruments for ratemaking purposes, and City Light 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 City Light is active in the wholesale energy market, it is subject to market risk.

**Credit Risk.** Credit risk relates to the potential losses that City Light 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. City Light 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. City Light also seeks assurances of performance through collateral requirements in the form of letters of credit, parent company guarantees, or prepayment.

City Light 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, City Light 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 City Light'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 City Light's operations. Due to City Light's primary reliance on hydroelectric generation, the weather, including springtime snow melt, runoff, and rainfall, can significantly affect City Light'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.

(6) CAPITAL ASSETS

Table 6-1  
Page 1 of 2

CHANGES IN CAPITAL ASSETS  
(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
<b>GOVERNMENTAL ACTIVITIES <sup>a</sup></b>				
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 623,083	\$ 9,186	5,480	\$ 626,789
Construction in Progress	679,557	358,241	267,614	770,184
Other Capital Assets	13,230	336	3	13,563
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,315,870</b>	<b>367,763</b>	<b>273,097</b>	<b>1,410,536</b>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and Improvements	2,738,521	115,720	9,746	2,844,495
Machinery and Equipment	516,639	25,499	16,201	525,937
Infrastructure	2,886,192	104,823	159	2,990,856
Other Capital Assets	104,184	6,366	0	110,550
Right to Use Lease - Subscription	10,912	9,855	0	20,767
Right to Use Lease - Building	161,203	11,949	—	173,152
Right to Use Lease - Equipment	1,968	787	78	2,677
Right to Use Lease - Land	200,069	—	23,318	176,751
Right to Use Lease - Other	1,889	601	—	2,490
<b>Total Capital Assets Being Depreciated</b>	<b>6,621,577</b>	<b>275,600</b>	<b>49,502</b>	<b>6,847,675</b>
<b>Accumulated Depreciation</b>				
Buildings and Improvements	1,200,208	81,095	1,949	1,279,354
Machinery and Equipment	353,532	34,885	15,416	373,001
Infrastructure	1,222,223	93,277	28	1,315,472
Other Capital Assets	44,128	13,442	5	57,565
Right to Use Lease - Subscription	5,966	1,254	—	7,220
Right to Use Lease - Building	29,135	14,831	—	43,966
Right to Use Lease - Equipment	799	516	39	1,276
Right to Use Lease - Land	13,227	4,317	3,929	13,615
Right to Use Lease - Other	168	213	—	381
<b>Total Accumulated Depreciation</b>	<b>2,869,386</b>	<b>243,830</b>	<b>21,366</b>	<b>3,091,850</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,752,191</b>	<b>31,770</b>	<b>28,136</b>	<b>3,755,825</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 5,068,061</b>	<b>\$ 399,533</b>	<b>\$ 301,233</b>	<b>\$ 5,166,361</b>

<sup>a</sup> The capital assets for governmental activities include the capital assets of the internal service funds.

Table 6-1  
Page 2 of 2

CHANGES IN CAPITAL ASSETS  
(In Thousands)

	Restated Balance January 1	Additions	Deletions	Balance December 31
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 283,949	\$ 1,639	\$ —	\$ 285,588
Construction in Progress	1,096,751	703,461	548,710	1,251,502
Other Capital Assets	8,915	1,052	—	9,967
Total Capital Assets Not Being Depreciated	1,389,615	706,152	548,710	1,547,057
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Plant in Service, Excluding Land	10,169,181	458,299	52,752	10,574,728
Buildings				—
Machinery and Equipment	852		139	713
Other Capital Assets	31,967	694	29	32,632
Right to Use Lease - Subscription	898			898
Right to Use Lease - Building	168			168
Right to Use Lease - Equipment	274		4	270
Right to Use Lease - Land	1,613			1,613
Total Capital Assets Being Depreciated	10,204,953	458,993	52,924	10,611,022
<b>Accumulated Depreciation</b>				
Plant in Service, Excluding Land	3,895,795	280,175	62,308	4,113,662
Buildings	0			0
Machinery and Equipment	852		139	713
Other Capital Assets	5,916	875		6,791
Right to Use Lease - Subscription	442			442
Right to Use Lease - Building	73	37		110
Right to Use Lease - Equipment	63	113	3	173
Right to Use Lease - Land	352	176		528
Total Accumulated Depreciation	3,903,493	281,376	62,450	4,122,419
Total Capital Assets Being Depreciated, Net	6,301,460	177,617	(9,526)	6,488,603
Business-Type Activities Capital Assets, Net	\$ 7,691,075	\$ 883,769	\$ 539,184	\$ 8,035,660

<sup>a</sup> The capital assets for governmental activities include the capital assets of the internal service funds.

Table 6-2

**DEPRECIATION EXPENSE BY FUNCTION**  
*(In Thousands)*

<b>GOVERNMENTAL ACTIVITIES</b>	
General Government	\$ 11,961
Public Safety	1,852
Transportation	102,561
Economic Environment	1
Culture and Recreation	50,922
Subtotal	<u>167,297</u>
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets	<u>76,533</u>
Total Governmental Activities	<u><u>243,830</u></u>
<b>BUSINESS-TYPE ACTIVITIES</b>	
Light	\$ 174,100
Water	56,598
Solid Waste	11,137
Drainage and Wastewater	38,569
Planning and Development	972
Total Business-Type Activities	<u><u>281,376</u></u>

## **(7) COMPENSATED ABSENCES**

The following table presents accrued compensated absences grouped by governmental activities, business-type activities, and pension trust funds as of December 31, 2023.

<b>Table 7-1</b>	<b>COMPENSATED ABSENCES</b>	
	<i>(In Thousands)</i>	
<b>Governmental Activities</b>		
Governmental Funds	\$	86,051
Internal Service Funds		
Finance and Administrative Services		5,815
Information Technology		<u>9,577</u>
Total Internal Service Funds		<u><u>15,392</u></u>
<b>Business-Type Activities</b>		
Enterprise Funds		
Light		21,331
Water		5,726
Drainage and Wastewater		7,015
Solid Waste		1,575
Construction and Inspection		<u>4,614</u>
Total Enterprise Funds		<u><u>40,261</u></u>
<b>Pension Trust</b>		
Employees' Retirement		<u>388</u>
<b>Total Compensated Absences Liability</b>	<b>\$</b>	<b><u><u>142,092</u></u></b>

Note 9, Long-Term Debt, includes compensated absences in governmental activities and business-type activities in the aggregate and the amount estimated to be due within one year.



**(8) LEASES**

**Lease Receivable**

The City is a Lessor of various leases, such as parks, museums, gardens, and land with Governmental activities. In the Business-type activities leases are predominantly land used in conjunction with Seattle City Light. These leases have various length terms through 2083. Governmental activities in the City recognized \$9.9M in lease revenue and \$6.0M in interest revenue during the current fiscal year related to these leases. Business-Type activities in the City recognized \$5.2M in lease revenue and \$1.0M in interest revenue during the current fiscal year related to these leases. As of December 31, 2023, the City's lease receivable is \$235.7M and the deferred inflow is \$223.9M.

The schedule below shows future expected rent receipts:

<b>Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 5,596	\$ 5,217	\$ 10,813	\$ 4,752	\$ 1,016	\$ 5,768
2025	5,003	5,152	10,155	4,892	977	5,869
2026	4,696	5,101	9,797	4,872	901	5,773
2027	4,429	5,066	9,495	2,698	843	3,541
2028	4,309	5,046	9,355	2,747	796	3,543
2029 - 2033	17,465	25,906	43,371	14,392	3,241	17,633
2034 - 2038	14,982	27,891	42,873	15,748	1,922	17,670
2039 - 2043	17,119	20,650	37,769	10,216	560	10,776
2044 - 2048	19,600	17,604	37,204	665	158	823
2049 - 2053	29,098	13,530	42,628	643	92	735
2054 - 2058	40,195	7,519	47,714	500	23	523
2059 - 2063	17,705	934	18,639	62	4	66
2064 - 2068	1,654	40	1,694	65	3	68
2069 - 2073	1,343	11	1,354	67	2	69
2074 - 2078	—	—	—	71	1	72
2079 - 2083	—	—	—	20	—	20
<b>Total</b>	<b>\$ 183,194</b>	<b>\$ 139,667</b>	<b>\$ 322,861</b>	<b>\$ 62,410</b>	<b>\$ 10,539</b>	<b>\$ 72,949</b>

**Lease Payable**

The City is a lessee of various leases for land, buildings, equipment, and air space through fiscal year 2068. Payments are made periodically based on each individual contract term. Payments to principal in 2023 reduced overall liability by \$24.9M. \$4.6M was charged to interest in 2023.

Future principal and interest lease payments as of December 31, 2023 were as follows:

<b>Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 14,054	\$ 4,687	\$ 18,741	\$ 273	\$ 5	\$ 278
2025	12,591	4,494	17,085	237	3	240
2026	11,284	4,303	15,587	193	3	196
2027	11,182	4,118	15,300	184	2	186
2028	11,259	3,937	15,196	184	1	185
2029 - 2033	47,154	17,392	64,546	216	1	217
2034 - 2038	43,740	14,116	57,856	—	—	—
2039 - 2043	29,190	11,469	40,659	—	—	—
2044 - 2048	27,092	9,316	36,408	—	—	—
2049 - 2053	28,195	7,369	35,564	—	—	—
2054 - 2058	35,515	5,027	40,542	—	—	—
2059 - 2063	44,934	2,065	46,999	—	—	—
2064 - 2068	4,187	16	4,203	—	—	—
<b>Total</b>	<b>\$ 320,377</b>	<b>\$ 88,309</b>	<b>\$ 408,686</b>	<b>\$ 1,287</b>	<b>\$ 15</b>	<b>\$ 1,302</b>

## The City of Seattle

### Subscription Based Information Technology Contracts Payable

The City has entered into 42 qualified SBITA agreements through 2027. Payments are made periodically based on each individual contract term.

	<u>Gross Asset Balance</u>	<u>Accumulated Amortization</u>	<u>Net Asset Balance</u>
Governmental Activities:			
Subscriptions	\$ 20,766	\$ 7,220	\$ 13,547
Total Governmental Activities	<u>\$ 20,766</u>	<u>\$ 7,220</u>	<u>\$ 13,547</u>
Business-Type Activities:			
Subscriptions	\$ 898	\$ 442	\$ 457
Total Governmental Activities	<u>\$ 898</u>	<u>\$ 442</u>	<u>\$ 457</u>

Future principal and interest lease payments as of December 31, 2023 were as follows:

**Table 8-3** Subscription Lease Payable (In Thousands)

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 3,951	\$ 186	\$ 4,137	\$ 175	\$ 16	\$ 191
2025	2,766	89	2,855	180	11	191
2026	342	12	354	185	6	191
2027	89	2	91	—	—	—
2028	—	—	—	—	—	—
2029 - 2033	—	—	—	—	—	—
Total	<u>\$ 7,148</u>	<u>\$ 289</u>	<u>\$ 7,437</u>	<u>\$ 540</u>	<u>\$ 33</u>	<u>\$ 573</u>

### Subscription payments not included in liability

Variable payments based on future performance of the city, usage of the underlying IT assets, or number of user seats, were not included in the measurement of the subscription liability. Rather, these variable and other payments were recognized as outflows of resources in the period in which the obligation for those payments was incurred. The City had 2 SBITAs with variable payments not included in the measurement of the subscription liability for the fiscal year ended December 31, 2023.

The amount of outflows of resources recognized in the fiscal year ended December 31, 2023 for variable and other payments not previously included in the measurement of the subscription liability are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Variable Subscription Payments	\$ 498	\$ —	\$ 498
Total Variable Payments	<u>\$ 498</u>	<u>\$ —</u>	<u>\$ 498</u>

### Public-Private Partnership Agreements (PPPs)

The City is the transferor in 5 PPP arrangements: 3 contracted at the Department of Parks and Recreation (Parks), one at the Seattle Center Department (Center), and one at the Department of Facilities and Administrative Services (FAS). The agreements convey to the operators the right, either through licenses or permits, to construct capital assets and operate and maintain service concessions. In the Center and FAS agreements, the City has the right to approve the type of services the operators may provide and the fees that may be charged by the operators to the public. In the Parks arrangements, the operator maintains the authority to set fees.

As per the agreements, the operators provide amenities and maintain facilities, which generate revenues for the City and also create business and employment opportunities for the public. Parks operators maintain and provide amenities for the City's zoo, aquarium, and Museum of History and Industry (MOHAI). The Center operator maintains and operates the monorail. The FAS operator maintains and operates Benaroya Hall.

The PPP agreements do not contain any upfront payments from the operators. The City's consideration in these agreements is made up of a percentage of monorail revenue as well as benefits provided to the public by the operators of the zoo, aquarium, MOHAI, and Benaroya Hall. A discount rate of 3.18% was applied to guaranteed future benefits to be received in the Benaroya Hall arrangement. The City through the Parks department makes guaranteed operating support payments to the zoo, aquarium, and MOHAI. These payments totaled \$12.0 million in 2023.

The total net asset value associated with the above PPP arrangements is \$135.0 million and reported within Buildings & Improvements and Machinery & Equipment on the Statement of Net Position. The deferred inflows resulting from such arrangements are \$13.3 million at December 31, 2023. Inflows of resources generated by these arrangements that were not included in the receivable for installment payments total \$9.1 million in 2023.

The City through the Seattle Center department is the transferor in an additional seven PPPs with terms of 30-60 years. While the City will receive a constructed asset at the end of these agreements, a receivable and deferred inflow has not been recorded as the underlying asset is expected to be fully depreciated during the term of the agreement.

**(9) LONG-TERM DEBT**

**GENERAL OBLIGATION BONDS**

The City issues general obligation (GO) bonds to provide funding for the acquisition and the construction of major capital facilities. GO bonds have been issued for both governmental and business-type activities, are direct obligations and pledge the full faith and credit of the City. The City issues two types of GO bonds – Limited Tax General Obligation (LTGO) bonds and Unlimited Tax General Obligation (UTGO) bonds.

In June 2023, the City issued \$111.9 million of LTGO tax-exempt improvement and UTGO refunding bonds which mature from November 2023 through November 2043. The bonds were issued with an average coupon rate of 5.000%. Proceeds of the bonds will be used to pay all or part of the costs of construction and acquisition of various City capital projects, such as the Human Capital Management System and the Criminal Justice Info System. A portion of the proceeds was used to fund the Waterfront Operations and Tribal Interpretive Center (\$13.0 million) and Data & Telephone Infrastructure (\$14.0 million). As a result of the refunding debt service, the City reduced total debt service requirements by \$2.8 million resulting in a net present value economic gain.

The original amount of GO bonds issued for which amounts are still outstanding at the end of 2023 was \$1.468 billion. The principal balance of those bonds as of December 31, 2023 was \$936.4 million. The following table presents the individual GO bonds outstanding as of December 31, 2023:

**Table 9-1**

Page 1 of 2

**GENERAL OBLIGATION BONDS**

*(In Thousands)*

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rate	Original Amount	Redemptions		Bonds Outstanding
					2023	To Date <sup>A</sup>	December 31, 2023
<b>LIMITD TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED</b>							
Improvement and Refunding, 2010, Series A	03/31/10	8/1/2030	3.039	66,510	11,745	37,960	28,550
Improvement, 2013, Series A	06/04/13	10/1/2033	2.375	42,315	15,255	42,315	—
Improvement and Refunding, 2013, Series B (Taxable)	06/04/13	1/1/2025	1.427	55,075	975	53,055	2,020
Improvement and Refunding, 2014	04/10/14	5/1/2034	2.497	62,770	2,135	45,680	17,090
Improvement and Refunding, 2015, Series A	05/21/15	6/1/2035	2.401	160,945	13,195	98,030	62,915
Improvement, 2015, Series B (Taxable)	05/21/15	4/1/2035	3.452	28,175	1,255	9,400	18,775
Improvement and Refunding, 2016, Series A	05/25/16	4/1/2036	2.188	103,660	6,605	53,345	50,315
Improvement, 2016, Series B (Taxable)	05/25/16	4/1/2036	2.801	6,070	275	1,810	4,260
Improvement, 2017, Series A	06/14/17	11/1/2047	2.964	73,080	4,200	22,375	50,705
Improvement and Refunding, 2017, Series B (Taxable)	06/14/17	11/1/2037	3.038	12,400	835	4,740	7,660
Improvement, 2018, Series A	05/22/18	12/1/2038	2.705	23,230	2,320	10,525	12,705
Improvement, 2018, Series B (Taxable)	05/22/18	12/1/2038	3.594	26,745	1,340	6,215	20,530
Improvement, 2019, Series A	08/08/19	5/1/2049	2.208	35,870	2,720	10,110	25,760
Improvement, 2019, Series B (Taxable)	08/08/19	5/1/2039	2.736	11,100	470	1,820	9,280
Improvement and Refunding, 2020, Series A	09/22/20	8/1/2040	0.930	79,625	7,435	19,230	60,395
Improvement and Refunding, 2021, Series A	05/20/21	12/1/2041	1.570	142,860	6,060	11,725	131,135
Improvement and Refunding, 2021, Series B	05/20/21	12/1/2041	1.880	21,170	1,325	2,640	18,530
Improvement and Refunding, 2022, Series A	05/18/22	9/1/2042	3.122	132,570	9,945	14,065	118,505
Improvement and Refunding, 2023	06/21/23	11/1/2043	3.064	76,310	—	—	76,310
Total Limited Tax General Obligation Bonds				\$ 1,160,480	\$ 88,090	\$ 445,040	\$ 715,440

**Table 9-1** **GENERAL OBLIGATION BONDS (continued)**  
 Page 2 of 2 *(In Thousands)*

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rate	Original Amount	Redemptions		Bonds Outstanding December 31, 2023
					2023	To Date <sup>A</sup>	
<b>UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED</b>							
Improvement, 2013	06/04/13	12/1/2042	3.281	50,000	40,500	50,000	—
Improvement, 2014	04/10/14	12/1/2043	3.673	16,400	420	3,245	13,155
Improvement, 2015	05/21/15	12/1/2044	3.575	169,135	4,075	27,655	141,480
Improvement, 2016	05/25/16	12/1/2045	3.084	36,740	870	4,635	32,105
Refunding, 2023	06/21/23	12/1/2042	3.451	35,620	1,360	1,360	34,260
Total Unlimited Tax General Obligation Bonds				<u>\$ 307,895</u>	<u>\$ 47,225</u>	<u>\$ 86,895</u>	<u>\$ 221,000</u>
Total General Obligation Bonds				<u>\$1,468,375</u>	<u>\$ 135,315</u>	<u>\$ 531,935</u>	<u>\$ 936,440</u>

<sup>A</sup> Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that had outstanding balances at the beginning of the year.

<sup>B</sup> 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 receive 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. However, starting in fiscal year 2014, the subsidy payments have been reduced as a result of sequestration mandated by the U.S Congress. The subsidy cuts are expected to last through fiscal year 2024.

The requirements to amortize the general obligation bonds as of December 31, 2023, are presented in the following table. Debt service for the LTGO bonds is met by transfers 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 issuance and were approved by at least 60% of voters. In such cases, the number of voters approving the bond issuance and tax levy must exceed 40% of the voters in the most recent election preceding the vote on the bonds.

**Table 9-2** **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY**  
**GENERAL OBLIGATION BONDS**  
*(In Thousands)*

Year Ending	Governmental Activities			
	December 31	Principal	Interest	Total
2024	\$	91,010	\$ 40,057	\$ 131,067
2025		91,410	35,922	127,332
2026		76,440	31,666	108,106
2027		66,575	28,418	94,993
2028		64,735	25,530	90,265
2029 - 2033		246,925	88,117	335,042
2034 - 2038		160,630	46,346	206,976
2039 - 2043		117,745	17,577	135,322
2044 - 2048		20,760	1,381	22,141
2049 - 2049		210	4	214
Total	\$	<u>936,440</u>	<u>\$ 315,018</u>	<u>\$ 1,251,458</u>

**SPECIAL ASSESSMENTS BONDS WITH GOVERNMENTAL COMMITMENT**

The City is obligated to make payment on special assessment bonds, the debt service of which is paid from collections of 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 City redeemed \$1.7 million of special assessment bonds in 2023, and the amount of bonds outstanding at the end of 2023 was \$92.6 million, all of which represents the remaining principal on 2021 bonds issued for the Waterfront LID 6751.

The following tables provide more detail on the outstanding special assessment bonds and the assessment revenues levied to pay for the bonds:

**Table 9-3 SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**

*(In Thousands)*

Name of Issue	Issuance	Last	Effective Interest	Original Issuance	Redemptions		Bonds Outstanding
	Date	Maturity	Rate	Amount	2023	To Date	December 31, 2023
Local Improvement District No. 6750 Bonds, 2006	09/16/06	12/15/2026	4.260 %	\$ 21,925	\$ 210	\$ 21,925	\$ —
Local Improvement District No. 6751 Bonds, 2021	11/01/21	11/1/2043	2.584 %	97,361	1,490	4,805	92,556
Total				<u>\$ 119,286</u>	<u>\$ 1,700</u>	<u>\$ 26,730</u>	<u>\$ 92,556</u>

**Table 9-4 Local Improvement District Assessment Collection Information**

Calendar/Fiscal Year End Dec. 31	Installment Payments Billed <sup>A</sup>	Installment Payments Collected <sup>B</sup>	Unpaid Principal Balance of Assessments <sup>C</sup>	Installments that are Delinquent <sup>D</sup>
<b>Local Improvement District No. 6750 Bonds, 2006</b>				
2014	\$1,186,600	\$1,781,162	11,819,398	\$249,080
2015	1,186,600	1,996,091	10,572,835	291,124
2016	1,148,384	1,768,274	9,153,197	287,510
2017	1,126,841	1,492,796	7,854,542	359,974
2018	1,122,696	1,561,443	7,192,381	378,532
2019	1,451,992	1,535,808	5,860,549	404,062
2020	1,388,604	1,337,357	4,357,624	398,015
2021	1,340,707	1,395,685	3,072,493	472,106
2022	1,315,819	1,006,455	2,007,591	107,789
2023	1,313,417	1,104,457	1,039,206	118,675
<b>Local Improvement District No. 6751 Bonds, 2021</b>				
2021	—	851,926	96,554,415	—
2022	3,714,714	6,125,452	93,795,289	—
2023	4,102,902	3,947,351	93,046,127	—

<sup>A</sup> Represents installment payments due and billed in the calendar year.

<sup>B</sup> Represents total amount received in respect of assessments in calendar year, including payments of assessment installments (consisting of both principal and interest) due and billed in current calendar year, plus amounts received as prepayments of outstanding principal balances of unpaid assessments and amounts received in respect of delinquent installments.

<sup>C</sup> Represents principal balance of assessments that is outstanding and unpaid, including amounts that are not yet due and payable at year-end.

<sup>D</sup> Represents cumulative amount of the principal portion of installment payments that were due and billed in any calendar year, but which remained unpaid at year-end.

The requirements to amortize the special assessments with governmental commitment as of December 31, 2023 are shown below:

**Table 9-5** **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SPECIAL ASSESSMENT BONDS WITH GOVERNMENTAL COMMITMENT**  
*(In Thousands)*

Year Ending December 31	Principal	Interest	Total
2024	\$ —	\$ 2,890	\$ 2,890
2025	—	2,890	2,890
2026	—	2,890	2,890
2027	—	2,890	2,890
2028	—	2,890	2,890
2029 - 2043	92,556	43,350	135,906
Total	<u>\$ 92,556</u>	<u>\$ 57,800</u>	<u>\$ 150,356</u>

**NOTES AND CONTRACTS PAYABLE – GOVERNMENTAL ACTIVITIES**

The Seattle Department of Transportation (SDOT) has outstanding loans drawn in several years from the Washington State Public Works Trust Fund loan program. The loans were drawn at varying annual interest rates ranging from 0.25% to 3.0%. The proceeds of the loans support city road and bridge improvements. The City paid \$1.5 million principal and \$0.2 million interest in 2023. The outstanding balance on the loans was \$11.3 million as of December 31, 2023. The following table presents the annual debt service requirements to maturity on the loans as of December 31.

**Table 9-6** **ANNUAL DEBT SERVICE REQUIREMENTS TO MATURITY  
SEATTLE DEPARTMENT OF TRANSPORTATION  
PUBLIC WORKS TRUST FUND LOANS**  
*(In Thousands)*

December 31	Principal	Interest	Total
2024	\$ 991	\$ 171	\$ 1,162
2025	924	139	1,063
2026	924	129	1,053
2027	924	118	1,042
2028	924	108	1,032
2029 - 2033	3,806	384	4,190
2034 - 2038	2,858	142	3,000
Total	<u>\$ 11,351</u>	<u>\$ 1,191</u>	<u>\$ 12,542</u>



# The City of Seattle

## REVENUE BONDS

The City issues revenue bonds to provide financing for the capital programs of the four utilities – City Light, Water, Drainage and Wastewater, and Solid Waste. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds.

The following table presents revenue bonds outstanding as of December 31, 2023:

**Table 9-7**  
**Page 1 of 2**

**REVENUE BONDS**  
**(In Thousands)**

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rates <sup>E</sup>	Original Amount	Redemptions		Bonds Outstanding December 31, 2023
					2023	To Date <sup>A</sup>	
<b>MUNICIPAL LIGHT AND POWER BONDS</b>							
2010 Improvement, Series A <sup>B</sup>	05/26/10	2/1/2040	3.57 %	\$ 181,625	\$ 7,460	\$ 19,265	\$ 162,360
2010 Improvement, Series C <sup>C</sup>	05/26/10	2/1/2040	3.11	13,275	—	—	13,275
2011 Improvement, Series B <sup>D</sup>	02/08/11	2/1/2027	1.96	10,000	—	—	10,000
2012 Improvement and Refunding, Series A	07/17/12	6/1/2041	3.15	293,280	12,420	254,005	39,275
2012 Improvement, Series C <sup>D</sup>	07/17/12	6/1/2033	0.59	43,000	—	—	43,000
2013 Improvement and Refunding	07/09/13	7/1/2043	4.05	190,755	52,475	190,755	—
2014 Improvement and Refunding	11/05/14	09/01/44	3.10	265,210	42,215	169,565	95,645
2015 Improvement, Series A	07/09/15	05/01/45	3.57	171,850	35,360	75,305	96,545
2016 Improvement, Series A <sup>D</sup>	01/28/16	01/01/41	1.03	31,870	—	—	31,870
2016 Refunding, Series B	01/28/16	04/01/29	2.08	116,875	10,335	42,820	74,055
2016 Improvement and Refunding, Series C	09/28/16	10/01/46	2.93	160,815	8,800	41,205	119,610
2017 Improvement and Refunding, Series C	09/28/17	09/01/47	3.16	385,530	48,955	78,735	306,795
2018 Improvement, Series A	06/19/18	01/01/48	3.53	263,755	5,170	23,080	240,675
2018 Refunding, Series C-1 <sup>G</sup>	09/04/18	11/01/46	.28% - 5.69%	49,245	43,810	49,245	—
2018 Refunding, Series C-2 <sup>G</sup>	09/04/18	11/01/46	.28% - 5.69%	49,245	43,810	49,245	—
2019 Improvement, Series A	10/16/19	04/01/49	0.032	210,540	3,595	13,785	196,755
2019 Refunding, Series B	11/05/19	02/01/26	0.013	140,275	24,085	68,790	71,485
2020 Improvement, Series A <sup>F</sup>	08/05/20	07/01/50	0.021	198,305	2,155	6,620	191,685
2021 Parity, Series A	07/15/21	07/01/51	0.025	259,795	8,425	16,755	243,040
2021 Parity, Series B	08/10/21	05/01/45	.27% - .36%	100,620	—	—	100,620
2022 Parity	07/13/22	07/01/52	3.94	257,715	18,180	18,180	239,535
2023 Parity, Series A	07/27/23	03/01/53	3.75	273,625	—	—	273,625
2023 Parity, Series B	10/26/23	11/01/46	2.18% - 4.78%	85,840	—	—	85,840
Total Light and Power Bonds				\$ 3,753,045	\$ 367,250	\$ 1,117,355	\$ 2,635,690

<sup>A</sup> 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.

<sup>B</sup> 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.

<sup>C</sup> 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.

<sup>D</sup> Issued as taxable New Clean Renewable Energy Bonds.

<sup>E</sup> Interest rates for fixed rate Parity Bonds are the True Interest Costs. Interest rates for variable rate Parity Bonds are the minimum and maximum rates for the reporting year.

<sup>F</sup> 2012A and 2013 Bonds were partially defeased in November 2020 and August 2021.

<sup>G</sup> 2013 and 2014 Bonds were partially defeased in July 2022.

**Table 9-7**  
**Page 2 of 2**

**REVENUE BONDS**  
**(In Thousands)**

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rates <sup>E</sup>	Original Amount	Redemptions		Bonds Outstanding December 31, 2023
					2023	To Date <sup>A</sup>	
<b>MUNICIPAL WATER BONDS</b>							
2010 Improvement, Series A B	01/21/10	08/01/40	3.72 %	\$ 109,080	\$ 3,815	\$ 17,910	\$ 91,170
2012 Refunding	05/30/12	09/01/34	2.63	238,770	—	228,020	10,750
2015 Improvement and Refunding	06/10/15	11/01/45	3.18	340,840	20,015	151,405	189,435
2017 Improvement and Refunding	01/25/17	08/01/46	2.99	194,685	6,230	33,205	161,480
2021 Improvement and Refunding	06/17/21	08/01/34	1.03	82,220	3,395	5,625	76,595
2022 Improvement and Refunding	07/28/22	09/01/52	3.44	93,260	17,305	18,205	75,055
Total Water Bonds				\$ 1,058,855	\$ 50,760	\$ 454,370	\$ 604,485
<b>MUNICIPAL DRAINAGE AND WASTEWATER BONDS</b>							
2009 Improvement, Series A <sup>B</sup>	12/17/09	11/01/39	3.54 %	\$ 102,535	\$ 3,615	\$ 23,120	\$ 79,415
2014 Improvement and Refunding	07/10/14	05/01/44	3.58	133,180	4,965	48,830	84,350
2016 Improvement and Refunding	06/22/16	10/01/46	2.92	160,910	4,545	24,050	136,860
2017 Improvement and Refunding	06/28/17	07/01/47	3.15	234,125	5,950	38,525	195,600
2021 Improvement and Refunding	05/19/21	09/01/51	2.11	111,010	2,125	4,145	106,865
2022 Improvement and Refunding	06/22/22	09/01/42	2.98	117,165	8,025	18,770	98,395
2023 Improvement and Refunding	06/08/23	02/01/53	4.19	97,940	—	—	97,940
Total Drainage and Wastewater Bonds				956,865	29,225	157,440	799,425
<b>MUNICIPAL SOLID WASTE BONDS</b>							
2014 Improvement and Refunding	06/12/14	05/01/39	3.34 %	\$ 95,350	\$ 4,910	\$ 29,915	\$ 65,435
2015 Improvement	06/25/15	02/01/40	3.65	35,830	1,080	7,185	28,645
2016 Improvement and Refunding	06/30/16	12/01/41	2.79	35,335	510	3,090	32,245
2021 Improvement and Refunding	07/01/21	08/01/36	1.34	25,670	1,260	2,370	23,300
Total Solid Waste Bonds				\$ 192,185	\$ 7,760	\$ 42,560	\$ 149,625
Total Utility Revenue Bonds				\$ 5,960,950	\$ 454,995	\$ 1,771,725	\$ 4,189,225

<sup>A</sup> 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.

<sup>B</sup> 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.

<sup>C</sup> 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.

<sup>D</sup> Issued as taxable New Clean Renewable Energy Bonds.

<sup>E</sup> Interest rates for fixed rate Parity Bonds are the True Interest Costs. Interest rates for variable rate Parity Bonds are the minimum and maximum rates for the reporting year.

<sup>F</sup> 2012A and 2013 Bonds were partially defeased in November 2020 and August 2021.

<sup>G</sup> 2013 and 2014 Bonds were partially defeased in July 2022.

The requirements to amortize the revenue bonds as of December 31, 2023 are presented below:

**Table 9-8 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	
2024	\$ 131,635	\$ 119,075	\$ 44,025	\$ 27,963	\$ 32,100	\$ 35,482	\$ 8,160	\$ 6,478	\$ 404,918
2025	122,790	111,397	46,170	25,723	33,680	33,862	8,585	6,061	388,268
2026	120,400	105,524	44,140	23,447	34,200	32,259	9,020	5,623	374,613
2027	99,540	99,715	42,405	21,286	35,575	30,627	9,470	5,172	343,790
2028	103,190	94,650	40,505	19,123	34,050	28,853	9,935	4,707	335,013
2029 - 2033	458,115	406,222	170,380	70,253	174,435	120,143	56,175	16,240	1,471,963
2034 - 2038	528,580	297,693	118,385	37,444	176,795	81,071	36,950	6,057	1,282,975
2039 - 2043	542,290	178,363	57,130	15,790	142,870	45,533	11,330	449	993,755
2044 - 2048	394,730	74,843	31,735	5,462	96,960	18,805	—	—	622,535
2049 - 2053	134,420	13,785	9,610	1,231	38,760	4,507	—	—	202,313
Total	<u>\$ 2,635,690</u>	<u>\$ 1,501,267</u>	<u>\$ 604,485</u>	<u>\$ 247,722</u>	<u>\$ 799,425</u>	<u>\$ 431,142</u>	<u>\$ 149,625</u>	<u>\$ 50,787</u>	<u>\$ 6,420,143</u>

**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 & Wastewater Fund have availed of these loans to enhance and protect the City’s water, drainage, and wastewater systems.

Amounts paid for all SPU Water loans in 2023 were \$2.0 million in principal and \$0.3 million in interest. Total loans outstanding as of December 31, 2023, are \$18.6 million. The minimum debt service requirements to maturity are included in Table 9-9.

Amounts paid to all SPU Drainage & Wastewater loans in 2023 were \$4.3 million principal and \$1.4 million in interest. Total loans outstanding as of December 31, 2023, are \$224.0 million. The minimum debt service requirements to maturity are included in Table 9-9.

Table 9-9

**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	
2024	\$ 2,050	\$ 263	\$ 4,483	\$ 1,581	\$ 8,377
2025	2,050	234	9,922	3,031	15,237
2026	1,825	205	10,849	2,882	15,761
2027	1,613	180	11,002	2,721	15,516
2028	1,453	157	11,158	2,557	15,325
2029 - 2033	6,254	501	55,572	10,296	72,623
2034 - 2038	3,381	120	54,140	6,098	63,739
2039 - 2043	—	—	44,895	2,681	47,576
2044 - 2048	—	—	12,996	698	13,694
2049 - 2053	—	—	6,318	325	6,643
2054 - 2058	—	—	2,617	40	2,657
Total	\$ 18,626	\$ 1,660	\$ 223,952	\$ 32,910	\$ 277,148

Table 9-10

**CHANGES IN LONG-TERM LIABILITIES <sup>A</sup>**  
*(In Thousands)*

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
General Obligation Bonds	\$ 959,825	\$ 111,930	\$ 135,301	\$ 936,454	\$ 91,010
Issuance Premiums and Discounts, Net	99,873	14,286	14,913	99,246	11,236
Special Assessment Bonds with Governmental Commitment <sup>B</sup>	94,256	—	1,700	92,556	482
Total Bonds Payable	1,153,954	126,216	151,914	1,128,256	102,728
Notes and Contracts					
Leases	326,704	20,876	42,502	305,078	14,054
Other Notes and Contracts	12,847	—	1,494	11,353	991
Total Notes and Contracts	339,551	20,876	43,996	316,431	15,045
Compensated Absences	100,809	111,911	111,276	101,444	5,072
Claims Payable					
General Contamination Cleanup <sup>C</sup>	11,455	4,581	4,659	11,377	207
Workers' Compensation	40,545	29,608	22,533	47,620	20,353
General Liability	72,271	55,143	27,605	99,809	21,525
Health Care Claims	18,765	309,754	310,076	18,443	18,443
Total Claims Payable <sup>D</sup>	143,036	399,086	364,873	177,249	60,528
Arbitrage Rebate Liability	—	—	—	—	—
Unfunded Other Post Employment Benefits	521,107	521,537	516,096	526,548	—
Net Pension Liability	662,931	420,362	—	1,083,293	—
Other Noncurrent Liabilities	874	—	441	433	433
Total Long-Term Liabilities from Governmental Activities	\$ 2,922,262	\$ 1,599,988	\$ 1,188,596	\$ 3,333,654	\$ 183,806
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds Payable					
Revenue Bonds	4,186,815	457,405	454,995	4,189,225	215,920
Issuance Premiums and Discounts, Net	466,537	43,283	42,925	466,895	—
Total Bonds Payable	4,653,352	500,688	497,920	4,656,120	215,920
Notes and Contracts					
Leases	1,288	667	462	1,493	273
Other Notes and Contracts	162,688	86,283	6,393	242,578	6,533
Total Notes and Contracts	163,976	86,950	6,855	244,071	6,806
Compensated Absences	41,054	42,431	43,225	40,260	2,013
Claims Payable					
General Contamination Cleanup <sup>C</sup>	312,996	98,793	16,266	395,523	12,768
Workers' Compensation	12,231	7,418	6,372	13,277	5,656
General Liability	19,872	10,800	7,067	23,605	4,319
Total Claims Payable <sup>D</sup>	345,099	117,011	29,705	432,405	22,743
Unearned Revenues	117,043	213,719	259,354	71,408	33,334
Habitat Conservation Program Liability	6,799	2,180	496	8,483	553
Landfill Closure and Postclosure Costs	16,585	1,179	1,710	16,054	3,874
Arbitrage Rebate Liability	213	129	89	253	—
Unfunded Other Post Employment Benefits	16,404	—	1,899	14,505	—
Net Pension Liability	333,396	262,459	—	595,855	—
Other Noncurrent Liabilities	2,897	12,034	1,455	13,476	—
Total Long-Term Liabilities from Business-Type Activities	\$ 5,696,818	\$ 1,238,780	\$ 842,708	\$ 6,092,890	\$ 285,243

<sup>A</sup> Some amounts may have rounding differences with the Statement of Net Position.

<sup>B</sup> The Special Assessment Bonds carry neither premiums nor discounts.

<sup>C</sup> See Note 10, Environmental Liabilities for a detailed discussion.

<sup>D</sup> See Note 15, 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.

### Changes in Long-Term Liabilities

The City's internal service funds predominantly serve governmental funds. For this reason, the above totals for 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 \$15.4 million and \$1.8 million, respectively, and are liquidated from each fund's own resources. Notes and contracts (including public works trust fund 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 Construction and Inspections (DCI) for general liability. The General Fund pays for DCI'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 City Light. For further discussion on purchased power, see Note 14, Commitments.

## ADVANCE AND CURRENT REFUNDINGS

To lower interest costs, the City may on occasion refund and defease certain bonds by issuing new refunding bonds and/or using existing resources to repay certain outstanding bond issues prior to their original maturity dates. In most cases, City resources and the proceeds of refunding bonds are deposited into 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 are considered defeased, and the corresponding liabilities are not included in the statement of net position.

**Governmental Type Activity.** In June 2023, the City refunded and defeased in substance \$54.4 million of outstanding 2013A Series limited tax general obligation (LTGO) bonds and 2013 Series unlimited tax general obligation (UTGO) bonds. The bonds carried an aggregate average interest rate of 1.2%. The refunding 2023 LTGO and UTGO bonds were issued at an aggregate average interest rate of 3.2%. The City deposited bond proceeds of \$41.0 million for UTGO 2013 and \$14.1 million for LTGO 2013A with an escrow agent, comprised of the par value of the new bonds. This included an additional amount for original issue premiums, \$1.6 million for LTGO and \$5.1 million for UTGO. The escrow agent used the proceeds to pay issue costs of \$156 thousand and purchase state and local government securities to provide for the repayment of old bonds at their September 2023 call date. The difference between the reacquisition price and carrying amount of the old bonds resulted in a refunding gain of \$3.7 million which will be amortized over the life of the old bonds through 2033.

**Business Type Activity.** The debt service on the 2023A Bonds requires a cash flow over the life of the bonds of \$463.0 million, including \$189.4 million in interest. The refunding gain on the 2023A Bonds was \$3.6 million and there was no gain or loss on the 2023B Bonds. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2023A Bonds totaled \$4.6 million and the aggregate economic gain on refunding totaled \$3.1 million at present value. Bonds defeased in August 2023 partially refunded certain 2014, 2015A Bonds and 2017C Bonds on an advanced refunding basis. Advance refunding is a refunding in which the refunded issue(s) remains outstanding for a period of more than 90 days after a bond defeasance transaction, the proceeds of which are held in escrow invested in securities and used to pay principal and interest on the refunded issue(s). The source of refunding for the 2014, 2015A and 2017C bonds was from operating cash whereby \$99.1 million of state and local government securities were purchased and placed in escrow to pay principal and interest on the refunded bonds and the accounting gain on refunding for 2023 was \$3.9 million.

The following is a schedule of outstanding bonds that are either refunded or defeased:

Table 9-11

REFUNDED/DEFEASED BONDS  
(In Thousands)

Name of Issue	Issuance Date	Last Maturity	Effective Interest Rate	Original Amount	LTD Amount Transferred To Trustee	Trustee Redemptions To Date 2023	Defeased Outstanding December 31, 2023
<b>GENERAL OBLIGATION BONDS</b>							
Limited Tax (Non-Voted)							
2013A Improvement	06/04/13	10/1/2033	2.375	42,315	13,865	13,865	—
Unlimited Tax (Voted)							
2013 Improvement	06/04/13	12/1/2042	3.281	50,000	40,500	40,500	—
<b>REVENUE BONDS</b>							
Municipal Light and Power							
2012 Improvement and Refunding, Series A	07/17/12	06/01/41	3.150	293,280	78,775	78,775	—
2013 Improvement and Refunding	07/09/13	07/01/43	4.050	190,755	156,185	156,185	—
2014 Improvement and Refunding	11/05/14	09/01/44	3.100	265,210	41,465	—	41,465
2015 Improvement and Refunding, Series A	07/09/15	05/01/45	3.570	171,850	29,280	—	29,280
2017 Improvement and Refunding, Series C	09/28/17	09/01/47	3.160	385,530	36,650	—	36,650
Municipal Water							
2012 Improvement and Refunding	05/30/12	49188	2.631	18,750	—	—	18,750
Municipal Drainage and Wastewater							
2014 Improvement and Refunding	07/10/14	52718	3.578	19,235	—	—	19,235
Municipal Solid Waste							
N/A							
Total Refunded/Defeased Bonds				<u>\$ 1,436,925</u>	<u>\$ 396,720</u>	<u>\$ 289,325</u>	<u>\$ 145,380</u>

**ARBITRAGE**

The City reviews arbitrage rebate liability on its outstanding tax-exempt bonds and certificates of participation under Section 148(f) of the Internal Revenue Code. Such reviews are conducted when bonds 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). As of December 31, 2023, the City reported no arbitrage rebate liability on its general obligation bonds and \$0.3 million on its revenue bonds.



### (10) ENVIRONMENTAL LIABILITIES

The following list of liabilities are split between the City Light fund, Drainage and Wastewater fund and the Solid Waste fund. For purposes of this section all liabilities will be listed in regard to The City of Seattle or The City.

**Lower Duwamish Waterway (LDW) Superfund site.** The U.S. Environmental Protection Agency (EPA) has indicated that it will require the remediation of the LDW site under its Superfund authority. In order to manage the liability, the City has worked with the EPA and other PRPs to complete a Remedial Investigation (RI) and Feasibility Study (FS). On November 2, 2012, the EPA and Ecology approved the Lower Duwamish Waterway Group's FS. The EPA announced their proposed cleanup plan in February 2013 for public comment. The remaining scope of cleanup by PRPs has been decided by the EPA in the 2014 Record of Decision. The City recorded an estimate of its share of the estimated total cost. Remedial design work began in 2019.

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

**Terminal 117 Upland & Sediments, Duwamish Waterway Sediments (T-117).** The City is responsible for investigation and cleanup of the Port of Seattle Terminal 117 Streets, Upland and Sediments sites, which is an Early Action Area of LDW. The T-117 is not owned by City Light. City Light has been sharing costs with the POS to study and clean-up contaminated sediments at the T-117 EAA. During 2007 the T-117 site was expanded to include the upland parcel adjacent to the sediments and the nearby streets (discussed below). Current PRPs include the City and POS. The POS is the lead on the sediment and upland cleanup. A Settlement Agreement between the City, Malarkey, Sannes and the Duwamish Manufacturing Company, the POS and King County was effective July 30, 2008. The Engineering Evaluation and Cost Analysis (EE/CA) was finalized in 2010 and an Agreed Order was signed June 6, 2011. The clean-up of the sediments and the upland began in May 2013 and was finished in 2015. EPA approval of the final construction closeout and project closeout was received in July 2018. The Long-Term Monitoring and Maintenance Plan (LTMMP) was approved by EPA in September 2018. Long term monitoring events are completed in accordance with the LTMMP. An annual report is submitted in March each year. Annual monitoring reports were submitted in 2018, 2019, 2020, 2022, and 2023. The annual monitoring report covering January 1 through December 31, 2023, was submitted to EPA in March 2024. The City recorded a liability of \$3.3 million as of December 31, 2023. The ultimate liability is indeterminate.

**East Waterway Site.** In 2006 the EPA issued an AOC for a Supplemental RI and FS for the East Waterway, an operable unit of the Harbor Island Superfund Site. The Port of Seattle (the Port) alone signed the AOC. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the RI/FS work required by the EPA. The RI and FS are complete. The FS identifies a range of alternatives for cleanup construction that range in cost from \$256 million to \$411 million (2016 dollars). EPA released their Proposed Plan in 2023. The Record of Decision is expected in late 2024. Remedial design activities would start in late 2025 at the earliest. The City recorded an estimate of its share of the estimated total cost.

**Gas Works Park Sediment Site.** In April 2002, the Department of Ecology (DOE) named the City and another party, Puget Sound Energy, as PRPs 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 RIs and FSs for the sediment site: one in the western portion of the site led by the City, and another in the eastern portion of the site led by 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 and eliminated the eastwest split. Based on the 2012 Agreement, the City pays for 20% of the Shared Costs incurred by Puget Sound Energy for the cleanup work. DOE approved the site RI/FS in January 2023. A Clean-up Action Plan, which is the State's equivalent to a Record of Decision under the Model Toxics Control Act, was developed in 2023 and will be an exhibit to a Consent Decree for design and construction of the sediment cleanup. The Consent Decree is expected in early 2024.

**Terminal 108.** EPA notified the City in 2019 that it is a Potentially Responsible Party for a site adjacent to the Lower Duwamish Waterway that is known as Terminal 108 or T108. The City's potential liability arises from a former sewage treatment plant that was located there. Other PRPs include the Port of Seattle, which is the current owner of the site, King County, the United States and several private entities. In 2020, the Port of Seattle, City of Seattle (SPU), and King County entered into an agreed Administrative Order with EPA and a cost-sharing agreement among themselves to complete an Engineering Evaluation and Cost Analysis (EE/CA). Work has begun on the investigative phase of the EE/CA at the T108 site in accordance with the Administrative Order, which will lead to a recommended removal or cleanup action. Preparation of the draft EE/CA report is expected to begin in late 2024 and continue into 2025. Liabilities are estimated through the EE/CA. The City's ultimate liability is indeterminate.

**South Park Marina.** The Washington Department of Ecology notified the City in 2016 that it is a Potentially Liable Party for contamination at the South Park Marina, which is adjacent to Terminal 117. The City Light Department is the lead department for the City at this site. The Potentially Liable Parties (PLPs), which are the City, the Port, and South Park Marina (SPM), signed a final Agreed Order for a Remedial Investigation (RI) in April 2019. A Common Interest and Cost Sharing Agreement among the PLPs was signed in 2019 with an interim cost share of one-third each. In 2019, the City contracted with a consultant to complete the RI. The City's share is split between City Light (97.5%) and SPU (2.5%). The City's ultimate liability is indeterminate.

**South Park Landfill.** The City of Seattle and a private developer are under a Consent Decree with the Washington State Department of Ecology (Ecology) to implement a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. Previously the City was advancing a design based on an Interim Action Workplan approved by Ecology. SPU delayed the project to re-define the project scope. The delay and scope changes caused the City to fall behind the schedule in the Consent Decree and Ecology has determined that the City must amend the existing Consent Decree and Cleanup Action Plan to reflect the revised project and new timeline.

As of March 2023, a redefined scope has been approved by SPU. Amendments to the Consent Decree and Cleanup Action Plan have been drafted. Both documents were scheduled to go out for public comment in November 2023. Following any additional revisions, the documents will be finalized, and the Consent Decree Amendment will be entered following a public comment period. Design of SPU's Project is underway, and construction is anticipated to start in 2025 with completion in 2028.

In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. In 2015, the developer completed Ecology-approved interim cleanup action on its portion of the site. A similar agreement is likely between the City and one additional property owner.

**The Harbor Island Superfund Site.** In 1983, the U.S. Environmental Protection Agency (EPA or Agency) designated this site as a federal Superfund site. The City and other entities are sharing costs equally for investigating contamination in the East Waterway (EW) alongside Harbor Island. The City of Seattle's (City) share is split between the City's 45% and Seattle Public Utilities (SPU) 55%. The City's involvement stems from its sale of transformers to a company on Harbor Island. The Port of Seattle (POS) is performing the work. EPA approved the RI report in January 2014 and approved the final FS in June 2019. The EPA released the Proposed Plan in April 2023. The next major milestone for the project is EPA's release of the Record of Decision (ROD), which is anticipated in May 2024. The clean-up construction timing and cost estimates will not be known until the Agency identifies a preferred remedy; the final FS has identified a range of costs on which the clean-up estimate is based. The City does not own EW. The City anticipates that EPA will issue a notification letter to Potential Responsible Parties (PRP) informing them of their potential liability for the EW Cleanup. The timing of this notification is unknown. The current EW Group is working to define an allocation or mediation process that will commence once additional PRPs are identified. The City owns property adjacent to the EW but does not own any of the waterway or sediments. The City recorded a liability of \$72.1 million as of December 31, 2023. The ultimate liability is indeterminate.

**North Boeing Field/Georgetown Steam Plant (NBF/GTSP).** The City, King County, and Boeing signed an Administrative Order issued by the DOE requiring them to investigate and possibly remove contamination in an area that encompasses the NBF, the City's GTSP, and the King County Airport. This site was also the subject of the lawsuit brought by the City against Boeing. Boeing agreed to pay 67% of the costs for DOE's implementation of the current order. The order requires completion and then implementation of a RI and FS. The final RI work plan was issued in November 2013. In January 2015, all parties executed the First Amendment to the NBF/GTSP Agreed Order, making the PLP's responsible for conducting and completing remedial action at the site. The City is responsible for one third of the costs, with City Light's share at 95% and SPU's share at 5%. The draft RI was submitted in June 2016. DOE directed additional investigation in offsite areas following the submittal of RI. The additional investigation and negotiation on RI comments delayed the submittal of the revised draft RI. The revised draft RI was submitted in late 2023.

In 2022, the DOE notified the PRP's that Perfluoroalkyl and Polyfluoroalkyl Substances (PFAS) were determined to be hazardous substances under Model Toxic Control Act (MTCA) and additional investigation was necessary to address these potential contaminants. Current activities include negotiations with DOE to determine the scope and schedule for the PFAS investigation and preparation of the revised draft RI report. The FS process will begin following approval of RI which may not occur until the after the PFAS investigation is complete. The timing of the approval is currently unknown. Boeing and the City will each pay 100% of costs for remedial action at their own facilities. Storm drain sampling conducted during the RI revealed the presence of chemicals in the storm lines that drain the GTSP roof. City light agreed with DOE to replace the GTSP roof as an interim action prior to finalization of the RI/FS. Roof replacement began in December 2020 and was completed in early 2021. The City recorded a liability of \$0.8 million as of December 31, 2023. The ultimate liability is indeterminate.

**Newhalem.** This project is comprised of three sites.

**The Ladder Creek Settling Tank.** This project is one of three sites within City Light's Skagit River Hydroelectric Project being conducted under a 2019 Settlement Agreement with the National Park Service (NPS). The project is located near Newhalem, WA and is a cleanup of contaminated debris and soil resulting from the incineration of a building structure that covered a large water settling tank during the 2015 Goodell Creek Forest Fire. The removal work was completed in 2018 to comply with CERCLA requirements under a Time Critical Removal Action (TCRA) administered by NPS. The final TCRA Completion Report has been approved, and a final reporting of two years of post-TCRA vegetative restoration monitoring has been approved. NPS will keep the project open while conducting periodic vegetative restoration monitoring through approximately 2025. NPS owns the land.

**Newhalem Penstock.** This project is the second of three sites within City Light's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with NPS. The project is also located near Newhalem and includes preparation of an Engineering Evaluation and Cost Analysis (EE/CA) to comply with CERCLA requirements under a Non-time Critical Removal Action administered by NPS. The draft EE/CA was completed in 2022 and the final was approved in 2023, and fully executed in Q1 2024. NPS owns the land.

**Diablo Dry Dock.** This project is the third of three sites within City Light's Skagit River Hydroelectric Project being conducted under the 2019 Settlement Agreement with NPS. The project is located near Diablo, WA and includes preparation of an EE/CA to comply with CERCLA requirements under a Non-time Critical Removal Action administered by the NPS. GeoSyntec is under a contract to provide City Light with consulting services related to the EE/CA. The first phase of the EE/CA field investigation was completed in October 2023, and the draft and final EE/CA Reports are planned for 2023-2025. NPS owns the land.

The City recorded a liability of \$1.5 million as of December 31, 2023, for all three Skagit sites. The ultimate liability is indeterminate.

**Substations.** Cleanup activities are being conducted at a number of substation sites. At Magnolia Substation, site assessment performed in 1999 identified Polychlorinated Biphenyl's (PCB's) on two concrete pads located outside of the concrete substation yard. Further evaluation done in 2015 identified pesticide, cadmium, and PCB contamination on the property. The site has a designated Environmental Critical Area along the eastern property line, a steep slope, requiring the cleanup to be permitted with the Seattle Department of Construction and Inspections (SDCI). Cleanup and restoration of most of the site was completed in 2020 and 2021. One small area of contamination was left in place and covered with a protective layer of soil due to desired preservation of an overlying mature tree. Removal of this soil is not currently planned. Soil within an enclosed courtyard on the property is planned for characterization and possible cleanup during 2024. The City recorded a liability of \$0.2 million as of December 31, 2023. The ultimate liability is indeterminate.

**Ross Dam.** The tunnel that houses a bypass penstock designed to convey water from Ross reservoir beneath Ross Dam is contaminated with metals residues from former coating operations. To prevent their release into Skagit River, work to remove the accumulated sediment in the lower tunnel system was completed in 2023. Due to unanticipated conditions, physical constraints and significant delays caused by the Sourdough Creek wildfire, portions of the upper tunnel could not be addressed during the 2023 work. On-going monitoring of the system and water quality is planned to be implemented in 2024 and 2025. The City recorded a liability of less than \$0.1 million as of December 31, 2023. The City's ultimate liability is indeterminate.

**Cedar Falls Lead Abatement.** In 2008, lead contamination exceeding State cleanup levels in soil was discovered in several locations along City Light's Cedar Falls penstocks and associated structures during an investigation related to planned seismic upgrades. The penstocks are located in Seattle's Cedar River Municipal Watershed. An assessment of the nature and extent of contamination along the entirety of the Penstock System conducted from 2009 through 2012 determined that, in some locations, soil near the penstocks and bridges contained lead and arsenic above state cleanup standards. Paint coatings in some areas, including three locations directly over the Cedar River, also contained lead and asbestos. Mercury was also discovered in soils in one isolated area. Future project costs include continuing implementation of a Longterm Environmental Management Plan, including several contaminant source removal activities and associated monitoring. City Light owns the penstocks and most associated structures. SPU owns the land. This program currently includes two general areas of work: Overall Penstocks System Environmental Management Plan Implementation and Source Control/Removal projects. Lead-based paint removal and recoating on the three penstock bridges was completed in November 2016 under a public works contract, Upper Truss Bridge bank soil stabilization was completed in spring 2017, a Trestle Bridge contaminated soil stability survey was completed in summer 2019 and Gatehouse lead paint abatement

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progressed in 2022 and 2023. Other planned projects and their general timelines include complete Gatehouse lead paint abatement (2024) and Gatehouse mercury soil cleanup (2025). City Light is responsible for 100% of these costs. The City recorded a liability of \$0.4 million as of December 31, 2023. The ultimate liability is indeterminate.

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 49. For most of the sites, estimated outlays were based on current cost and no adjustments were made for discounting or inflation. The Duwamish site cost estimates were adjusted to remove discounting and to record the costs in 2023 dollars. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs reflect cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to scope changes, price fluctuations, technological advances, or applicable laws.

The City is pursuing other third parties that may have contributed to the contamination of the sites noted.

The changes in the provision for environmental liability (in thousands) at December 31, 2023 are as follows:

	<b>2023</b>
Beginning Environmental Liability, Net of Recovery	\$ 324,450
Payments or Amortization	(20,263)
Incurred Environmental Liability	102,713
Ending Environmental Liability, Net of Recovery	\$ 406,900

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2023 are as follows:

	<b>2023</b>
Environmental Liability, Current	\$ 12,975
Environmental Liability, Noncurrent	393,925
Total	\$ 406,900

Information on the City's environmental liability is also presented in Table 9-10 of Note 9, Long-Term Debt.

## (11) PENSIONS, DEFERRED COMPENSATION, AND OTHER POSTEMPLOYMENT BENEFITS

City 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 plan(SCERS) is considered part of the City’s reporting entity and is reported as pension trust fund. The City has determined that the Fireman’s Pension and Police Relief Funds are not reported as trust funds, and therefore accounted for as part of the General Fund. The State of Washington, through the Department of Retirement Systems (DRS), administers and reports LEOFF Plans 1 and 2. The following table represents the aggregate pension amounts for all plans for the year 2023:

**Table 11-1      Aggregate Pension Amounts - All Plans**  
*(In Thousands)*

Pension liabilities	\$	1,679,148
Pension assets		290,082
Deferred outflows of resources		706,320
Deferred inflows of resources		111,957
Pension expense		150,498

### SEATTLE CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)

#### Plan Description

The Seattle City Employees’ Retirement System (SCERS) is a cost sharing multiple employer defined benefit public employee retirement plan. SCERS is established and administered by the City in accordance with Seattle Municipal Code (SMC) 4.36. SCERS is a pension trust fund of the City.

SCERS is administered by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Human Resources Director, two active members and one retired member of the System who are elected by other SCERS members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

All employees of the City are eligible for membership in SCERS except uniformed police and fire personnel who are covered under a retirement system administered by the State of Washington. Employees of METRO and the King County Health Department who established membership in SCERS when these organizations were formerly City of Seattle departments were allowed to continue their membership (there are currently fewer than 15 active members in this category). There are currently 7,513 retirees and beneficiaries receiving benefits, and 9,309 active members of the System. There are 1,647 terminated, vested employees entitled to future benefits, based on the 2022 audited financial report issued by SCERS.

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% 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. SCERS provides post-retirement benefit increases including an automatic 1.5% annual Cost-of-Living Adjustment (COLA) increase and a 65% restoration of purchasing power benefit.

The City of Seattle adopted a second tier (Tier II) for the System in 2016. Starting January 1, 2017, new eligible employees join this second tier. Tier II is a defined benefit plan much like the original tier but has a lower contribution rate for members and calculates final average salary based on the highest 60 consecutive months of service. Other changes related to the second tier can be found in the Seattle Municipal Code 4.36.

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.

SCERS issues an independent financial report. A copy of the report is available from the SCERS office, located at 720 Third Avenue, Suite 900, Seattle, WA, 98104. The report can also be requested by telephone at (206) 386-1293 or by accessing the website [http://www.seattle.gov/retirement/annual\\_report.htm](http://www.seattle.gov/retirement/annual_report.htm).

### Summary of Significant Accounting Policies

**Basis of Accounting.** SCERS 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. All assets, liabilities, and additions to and deductions from plan net position (including contributions, benefits, and refunds) 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.

Plan investments, including securities lending transactions as discussed in Note 3, are reported at fair value. Fair value is defined as the amount at which an investment could be exchanged in a current arm's length transaction between willing parties in which the parties each act knowledgeably and prudently. All investments are valued based on objective, observable, unadjusted quoted market prices in an active market on the measurement date, if available. In the absence of such data, valuations are based upon those of comparable securities in active markets. For illiquid or hard to value investments such as real estate, private equity, and other private investments, valuations are based upon data provided by the respective investment managers. These private asset valuations are generally based upon estimated current values and/or independent appraisals.

Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest and dividend income earned, less investment expense, plus income from securities lending activities, less deduction for security lending expenses. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Securities and securities transactions are reflected in the financial statements on a trade-date basis. Investments are made in accordance with the Prudent Person Rule as defined by the State of Washington RCW 35.39.060.

**Contributions and Reserves.** Member and employer contribution rates are established by SMC 4.36. The employer contribution rate is determined by the actuarial formula identified as the Entry Age 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 required contributions, including amounts necessary to pay administrative costs, are determined through annual actuarial valuations.

Tier I members are those who joined the plan prior to January 1, 2017 and contribute a fixed 10.03% of pay. The City of Seattle adopted a second tier (Tier II) of the System for new eligible employees starting January 1, 2017. And these members contribute 7.00% of pay

Minimum actuarially determined employer contribution rates were 15.33% and 16.10% for 2022 and 2021, respectively. In 2022 and 2021, a blended employer contribution rate of 16.10% was adopted as a combination of a 16.20% rate for Tier I members and 15.72% for Tier II members.

As of December 31, 2022, SCERS reported total pension liability of \$5.1 billion, plan fiduciary net position of \$3.6 billion, the net pension liability 1.5 billion, and the funded ratio of 70.63% based on the actuarial valuation.

An actuarial report with valuation date of January 1, 2023, is presently underway, and expected to be available at the Retirement Office after June 1, 2024.

## Information about the Net Pension Liability

**Assumptions and Other Inputs.** The City’s total pension liability as of December 31, 2022 under SCERS was determined by the actuarial valuation as of January 1, 2022, with the results rolled forward to the December 31, 2022 measurement date.

The actuarial assumptions that determined the total pension liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2018 through December 31, 2021.

Actuarial assumptions used were as follows:

The total pension liability as of December 31, 2022 was determined by actuarial valuations as of January 1, 2022. Generally accepted actuarial techniques were applied to roll forward the total pension liability to December 31, 2022.

The following actuarial cost method and key actuarial assumptions and other inputs were applied to the measurement period of December 31, 2022:

Investment Rate of Return: 6.75% compounded annually, net of expenses

General Wage Increases: 3.35%

Inflation: 2.60%

Actuarial Cost Method: Individual Entry Age Normal

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

Best estimates of geometric real rates of return and target allocation for each major asset class, effective January 1, 2020 are summarized in the following table:

**Table 11-2 Estimated Real Rates of Return by Asset Class**

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Equity: Public	4.90%	48.0%
Equity: Private	7.5	11.0
Fixed Income: Core	2.1	18.0
Fixed Income: Credit	5.3	7.0
Real Assets: Real Estate	3.0	12.0
Real Assets: Infrastructure	4.4	4.0
Diversifying Strategies	N/A	—
		100.0%

The above table reflects the expected (30 year) real rate of return for each major asset class. The expected inflation rate is projected at 2.60% in 2022.

**Discount Rate.** The discount rate used to measure the total pension liability was 6.75% for 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 6.75%, as well as what the City's proportionate share of the net pension liability would be when the discount rate moves one percentage point lower and higher (in thousands):

**Table 11-3** **Sensitivity of the Net Pension Liability to Changes in the**

	1% Lower	Current Discount Rate	1% Higher
	5.75 %	6.75 %	7.75 %
Net Pension Liability	\$ 2,160,125	\$ 1,512,547	\$ 970,955

There were no significant changes in assumptions since the last valuation including the inflation rate, growth rate and discount rate.

**Changes in the Net Pension Liability.** On December 31, 2022, SCERS reported the collective net pension liability of \$1.5 billion, of which the City recorded \$1.5 billion for its proportionate share of the collective net pension liability. The City's proportion is based on the City's contributions to the plan. The following table shows the changes in the City's proportionate share of the net pension liability for the year ended December 31, 2022, which was rolled forward to come up with the net pension liability as of December 31, 2022 (in thousands):

**Table 11-4** **SCHEDULE OF CHANGES IN NET PENSION LIABILITY<sup>a</sup>**

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021	4,961,025	4,132,905	828,120
Changes for the Year			
Service Cost	128,171		128,171
Interest on Total Pension Liability	334,828		334,828
Effect of Plan Changes			—
Effect of Economic/ Demographic	(11,010)		(11,010)
Effect of Assumptions Changes or Inputs			—
Benefit Payments	(234,288)	(234,288)	—
Refund Contributions	(29,204)	(29,204)	—
Administrative Expenses		(7,729)	7,729
Member Contributions		82,921	(82,921)
Employers Contributions		145,321	(145,321)
Net Investment Income		(452,709)	452,709
Balance at December 31, 2022	\$ 5,149,522	\$ 3,637,217	\$ 1,512,305

<sup>a</sup> Reported difference between Actuary Report due to Annual Report excluding King County Valuation.



**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

The City recognized its proportionate share of pension expense in the amount of \$189.2 million for 2022. The City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the pension plan at December 31, 2022 as follows (in thousands):

**Table 11-5 Proportionate Share of Deferred Outflows and Inflows of Resources <sup>a</sup>**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,199	\$ 19,811
Change of Assumption	94,245	
Net Difference Between Projected and Actual Earnings Contributions and Proportionate Share of Pension Expense	264,132	
Contributions Made Subsequent to Measurement Date	15,509	15,829
	150,046	
<b>Total</b>	<b>\$ 526,131</b>	<b>\$ 35,640</b>

<sup>a</sup> Reported difference between Actuary Report due to Annual Report excluding King County Valuation.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense in the fiscal years ended December 31 as follows (in thousands):

**Table 11-6 Recognized Pension Plan Expense <sup>a</sup>**

**Year Ended December 31**

<b>2023</b>	\$ 11,513
<b>2024</b>	57,651
<b>2025</b>	114,772
<b>2026</b>	157,334
<b>2027</b>	(827)
<b>Thereafter</b>	—

<sup>a</sup> Reported difference between Actuary Report due to Annual Report excluding King County Valuation.

**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 plan 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 firefighters on March 1, 1970, under the old City plans in excess of current LEOFF benefits. Generally, benefits under the LEOFF system are greater than or equal to the benefits under the old City plans 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’s liabilities is especially sensitive to the difference between wage and CPI increase assumptions.

All law enforcement officers and firefighters 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 firefighters 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 these plans. 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. As of January 1, 2023, 508 firefighters and surviving spouses and 587 police retirees and surviving spouses met the 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.

The Seattle Firefighters’ Pension Board is a five-member quasi-judicial body chaired by the Mayor or his/her designee, which formulates policy, rules on disability applications, and provides oversight of the Firefighters’ Pension Fund. Four staff employees of the board handle all of its operational functions. Staff positions associated with Firefighter’s Pension Fund are not reflected in the City’s position list.

The Seattle Police Pension Board is a seven-member quasi-judicial body chaired by the Mayor or his/her designee, which formulates policy, rules on disability applications, and provides oversight of the Police Pension Fund. Three staff employees of the board handle all of its operational functions. Staff positions associated with Police Relief and Pension are reflected in the City’s position list.

Refer to the Other Postemployment Benefits (OPEB) 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.

These pension plans do not issue separate financial reports.

Current membership in Firemen’s Pension and Police Relief and Pension consisted of the following at December 31, 2023:

**Table 11-7                      Membership in Firemen’s Pension and Police Relief and Pension**

	<b>Firemen's Pension</b>	<b>Police Relief and Pension</b>
Retirees and Beneficiaries Receiving Benefits	508	587
Terminated Plan Members Entitled To But Not Yet Receiving Benefits	—	—
Active Plan Members, Vested	—	—
Active Plan Members, Non-vested	—	—

**Summary of Significant Accounting Policies**

**Basis of Accounting.** The City fully implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, Amendments to Certain Provisions of GASB Statements 67 and 68 (GASB 73)*, in 2017. The City has determined that the Fireman’s Pension and Police Relief Funds are not reported as trust funds, and therefore accounted for as part of the General Fund. The City does not collect contributions or hold assets in trust for the Firemen’s Pension and Police Relief and Pension plans. Any monies provided by the City for future benefit payments are not legally protected from creditors and are not dedicated to the provision of pensions to plan members. Per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the plans do not meet GASB 68’s the criteria for pension plans administered through trusts. Therefore, the plans are accounted for as part of the General Fund.

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The financial statements for the Firemen's Pension and Police Relief and Pension Funds were prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

Investments are recorded at fair value as shown in 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 Fund are financed by police auction proceeds and the General Fund. Contribution rates are not applicable to these plans.

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.

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, thus creating the Firemen's Pension Actuarial Account. In 2006, the Board of Directors amended the fully funded date from 2018 to December 31, 2023. The funding policy does not fund for future medical liabilities. The employer contributions for retiree medical are set equal to the disbursements for medical benefits and administration. All other contributions are considered pension contributions. The fair value of the net assets of Firemen's pension was \$34.55 million as of December 31, 2023. No similar program has been established for the Police Relief and Pension Fund.

The Total Pension Liability (TPL) as of December 31, 2023, based on the actuarial valuation as of January 1, 2023, was \$95.8 million for Firemen's Pension and \$70.8 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.

### Information about the Total Pension Liability

**Assumptions and Other Inputs.** The total pension liability was determined by an actuarial valuation as of the valuation date (January 1, 2023), calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date (December 31, 2023). Actuarial assumptions used were as follows:

- a. Inflation: 2.50%
- b. Salary Increases: 3.25%
- c. Investment rate of return: 3.25% compounded annually, net of expenses
- d. Mortality rates: Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates I Projection Scale MP-2017.

**Discount Rate.** The discount rate used to measure total pension liability was 3.25%. GASB 73 requires the discount rate used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method) to be.

A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The Bond Buyer General Obligation 20-bond municipal bond index for bonds that mature in 20 years was 3.26% as of December 28, 2023. Rounding this to the nearest 1/4% results in a discount rate of 3.25% as of the December 31, 2023 measurement date.

**Sensitivity of the Total Pension Liability to Changes in the Discount Rate.** The following presents the Total Pension Liability, calculated using the discount rate of 3.25%, as well as what the Total Pension Liability would be when the discount rate moves one percentage point lower and higher (in thousands):

**Table 11-8 Discount Rate Sensitivity of Pension Liability**

	1% Lower 2.25%	Current Discount Rate 3.25%	1% Higher 4.25%
Fireman's Pension Plan	\$ 103,641	\$ 95,769	\$ 88,868
Police Relief and Pension Plan	76,595	70,832	65,815

**Changes in the Total Pension Liability.** At December 31, 2023, the Firemen's Pension and the Police Relief and Pension plans reported the pension liability of \$95.8 million and \$70.8 million respectively.

**Table 11-9 Changes in Total Pension Liability  
(In Thousands)**

	Firemen's Pension	Police Relief and Pension
Balance at December 31, 2022	\$ 91,254	\$ 76,721
Changes for the Year		
Service Cost		
Interest on Total Pension Liability	3,218	2,662
Effect of Plan Changes		
Effect of Economic/Demographic gains or losses	7,364	(5,787)
Effect of Assumptions Changes or Inputs	3,566	6,356
Benefit Payments	(9,634)	(9,119)
Balance at December 31, 2023	\$ 95,768	\$ 70,833

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended December 31, 2023, the City recognized an increase of pension expenses in the amount of \$14.1 million for the Firemen's Pension and \$3.2 million for the Police Relief Pension plans, respectively. On December 31, 2023, there were no deferred outflows of resources or deferred inflows of resources related to these pension plans.

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' RETIREMENT SYSTEM**

The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) is administered by the Washington State Department of Retirement Systems (DRS). Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans – Plan 1 and Plan 2 – both of which are cost-sharing, multiple-employer public employee defined benefit retirement plans.

The Washington State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems. The DRS, a department within the primary government of the State of Washington, issues a publicly available annual financial report (AFR) that includes financial statements and required supplementary information for each LEOFF plan. The

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DRS AFR may be obtained by writing to Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380. It may also be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

**Table 11-10**                      **LEOFF Plan 1**

<u>Years of Service</u>	<u>Percent of FAS</u>
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 ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions: Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2023. Employers paid only the administrative expense of 0.20% of covered payroll.

**LEOFF Plan 2** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the final average salary (FAS) per year of service based on the highest consecutive 60 months. Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3% for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually, and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions: LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18%. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2023.

LEOFF Plan 2 required contribution rates for 2023 were as follows:

Table 11-11

LEOFF Plan 2 Required Contribution Rates  
As a Percentage of Covered Payroll

January - August		
Actual Contribution Rates	Employer	Employee
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>5.3%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
<b>Total</b>	<b>8.71%</b>	<b>8.53%</b>
September-December		
Actual Contribution Rates	Employer	Employee
State and local governments	5.12%	8.53%
Administrative Fee	0.20%	—
<b>Total</b>	<b>5.32%</b>	<b>8.53%</b>
Ports and Universities	8.53%	8.53%
Administrative Fee	0.20%	—
<b>Total</b>	<b>8.73%</b>	<b>8.53%</b>

The City's actual contributions to LEOFF Plan 2 were \$17.3 million for the year ended December 31, 2023.

The Legislature, by means of a special funding arrangement, appropriates money from the State's General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2023, the state contributed \$87,966,142 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount was \$11,070,416.

**Information about the Total Pension Liability**

**Actuarial Assumptions.** The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study and the 2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022 to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments. Actuarial assumptions used were as follows:

- Inflation: 2.75% total economic inflation
- Salary increases: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.

- Investment rate of return: 7.0%
- Mortality rates: Mortality rates were developed using the Society of Actuaries’ Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation:

- OSA updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% (7.4% for LEOFF 2) to 7.0%, and the salary growth assumption was lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA’s biennial economic experience study.

**Discount Rate.** The discount rate used to measure the total pension liability for all DRS plans was 7.0%. To determine that rate, an asset sufficiency test was completed to test whether each pension plan’s fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA’s assumptions, the pension plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

**Long-Term Expected Rate of Return.** The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA’s and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class.** Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2023, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB’s most recent long-term estimate of broad economic inflation.

**Table 11-12 Estimated Rates of Return by Asset Class**

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

**Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate.** The table below presents the City’s proportionate share of the net pension asset calculated using the discount rate of 7.0%, as well as what the City’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage point lower (6.0%) or 1-percentage point higher (8.0%) than the current rate (in thousands):

**Table 11-13                      Sensitivity of Net Pension Assets to Changes in the Discount Rate**

		1% Decrease	Current Discount Rate	1% Increase
		6%	7%	8%
LEOFF Plan 1	\$	93,869	\$ 105,863	\$ 116,263
LEOFF Plan 2		(30,502)	184,220	359,950

**Pension Plan Fiduciary Net Position.** Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

**Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension Asset or Liability.** At December 31, 2023, the City reported a pension asset of \$290.1 million for its proportionate share of the net pension assets (in thousands) as follows:

**Table 11-14    City's Proportionate Share of Net Pension Asset**

	Share in Dollars	
LEOFF 1	\$	105,863
LEOFF 2		184,220
Total	\$	290,083

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City. The amount recognized by the City as its proportionate share of the net pension asset, the related State support, and the total portion of the net pension asset that was associated with the City were as follows (in thousands):

**Table 11-15    Proportionate Share of Plant 1 and Plan 2 Net Pension Asset**

	Share in Dollars	
	LEOFF 1	LEOFF 2
Employer's Proportionate Share	\$ 105,863	\$ 184,220
State's Proportionate Share of the net pension asset associated with the Employer	716,052	117,641
Total	\$ 821,915	\$ 301,861



At June 30, the City’s proportionate share of the collective net pension asset was as follows:

**Table 11-16 Proportionate Share of the Collective Net Pension Asset**

	<b>2023</b>	<b>2022</b>	
	<u>As of June 30, 2023</u>	<u>As of June 30, 2022</u>	<u>Change in Proportion</u>
LEOFF 1	3.56 %	3.55 %	0.01 %
LEOFF 2	7.68 %	8.18 %	(0.50)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022 are used as the basis for determining each employer’s proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2023. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2022, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2023, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2023, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2023, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense.** For the year ended December 31, 2023, the City recognized its proportionate share of pension expense as follows:

	<u>Pension Expense</u>	
LEOFF 1	\$	(9,563)
LEOFF 2		<u>(20,098)</u>
Total	\$	(29,661)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2023, the City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (In Thousands):

**Table 11-18 Proportionate Share of Deferred Outflows and Inflows of Resources**

	LEOFF 1		LEOFF 2	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ —	\$ 75,248	\$ 1,516
Net difference between projected and actual investment earnings on pension plan investments	—	7,020	—	38,980
Changes of assumptions	—	—	47,058	15,132
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	49,185	13,668
Contributions subsequent to the measurement date	—	—	8,697	—
<b>TOTAL</b>	<u>\$ —</u>	<u>\$ 7,020</u>	<u>\$ 180,188</u>	<u>\$ 69,296</u>

Deferred outflows of resources related to pensions resulting from the City contributions made after the measurement date but before the end of the City's reporting period will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

**Table 11-19 Recognized Pension Plan Expense**

Year ended December 31:		
	LEOFF 1	LEOFF 2
<b>2024</b>	\$ (4,813)	\$ (10,952)
<b>2025</b>	(6,040)	(17,246)
<b>2026</b>	3,747	38,222
<b>2027</b>	86	16,614
<b>2028</b>	—	17,499
<b>Thereafter</b>	—	58,059

**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, attainment of age 59½, or certain unforeseen emergencies.

As required by law, the assets of the deferred compensation plan are held in trust by an independent committee, and are not subject to control by the City. The City has no ownership or financial interests with respect to the assets of the deferred

compensation plan. Employees participating in the deferred compensation plan control their own plan accounts and make their own investment elections from the options available under the plan.

The independent auditor for the deferred compensation plan has determined that for financial statement purposes, the plan is not considered a component unit of the City of Seattle under GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The City has three other postemployment benefits (OPEB) plans – Health Care Blended Premium Subsidy, OPEB benefits under Firemen’s Pension, and Police Relief and Pension. In 2018, the City implemented GASB Statement No. 75, Accounting and Financial Reporting of Postemployment Benefit Other Than Pensions (GASB 75), which concerns the accounting for and disclosure of OPEB. The following table represents the aggregate OPEB amounts for all OPEB plans subject to the requirements of GASB 75 for the year 2023.

**Table 11-20** **Aggregate OPEB amounts for all OPEB plans subject to GASB 75**  
*(In Thousands)*

	<u>Healthcare Blended Premium Subsidy</u>	<u>Firemen’s Pension</u>	<u>Police Relief and Pension</u>	<u>All Plans</u>
OPEB liabilities	\$ 50,016	\$ 255,503	\$ 235,535	\$ 541,054
OPEB assets	—	—	—	—
Deferred outflows of resources	13,554	—	—	13,554
Deferred inflows of resources	34,640	—	—	34,640
OPEB expenses/ expenditures	(1,540)	11,728	(2,500)	7,688

**Plan Description**

Health Care Blended Premium Subsidy is a single employer defined benefit public employee health care plan. 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% of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The 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.

OPEB under Firemen’s Pension and Police Relief and Pension Plans - 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 are single employer defined benefit OPEB plans and 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.

On December 31, 2023, the following employees were covered by the benefit terms:

**Table 11-21** **OTHER POST-EMPLOYMENT BENEFITS**  
**Employees Covered by Benefit Terms**

	Health Care Blended Premium Subsidy	Firemen’s Pension	Police Relief and Pension Plan
Inactive employees or beneficiaries currently receiving benefits	414	580	482
Inactive employees entitled to but not yet receiving benefits			
Active employees	11,472	3	1
Total	11,886	583	483

OPEB plans under Firemen’s Pension and Police Relief and Pension were closed to new entrants.

All OPEB plans are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

**Actuarial Methods and Assumptions**

The total OPEB liability for each OPEB plan in their actuarial valuation was determined using the following actuarial assumptions and other inputs:

**Table 11-22 OTHER POST-EMPLOYMENT BENEFITS Actuarial Assumptions**

Description	Healthcare Blended Premium Subsidy	Firemen's Pension (LEOFF1)	Police Relief and Pension (LEOFF1)
Actuarial Valuation Date	1/1/2023	1/1/2023	1/1/2023
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation rate	---	2.50 %	2.50 %
Salary Increases	---	3.25 %	3.25 %
Discount rate	3.72%, based on 20-year municipal bond yields	3.25%, based on 20-year municipal bond yields	3.25%, based on 20-year municipal bond yields
Healthcare cost trend rates	The health care cost trend assumptions were based on national average information from a variety of sources, including S&P Healthcare Economic Index, NHCE data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by City of Seattle.	The Modeling is based on the published report by the Society of Actuaries (SOA) on long-term medical trend. For pre-65, trend is 6.40% in 2019, decreasing to 5.80% in 2020, and decreasing to 5.1% in 2021 through 2022. For post-65, trend is 5.70% in 2019, decreasing to 5.40% in 2020, and decreasing by varying amounts until 2073 thereafter.	The Modeling is based on the published report by the Society of Actuaries (SOA) on long-term medical trend. For pre-65, trend is 6.40% in 2019, decreasing to 5.80% in 2020, and decreasing by varying amounts until 2028. For post-65, trend is 5.70% in 2019, decreasing to 5.40% in 2020, and decreasing by varying amounts until 2073 thereafter.
Mortality rates	For actives: PubG-2010 Employee Table multiplied by 95%. Retirees: PubG-2010 Retired Mortality Table multiplied by 95%. Disabled: PubG-2010 Disabled Mortality Table multiplied by 95%. Rate are projected generationally using Scale MP-2021 ultimate rates	Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.	Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017
Others		Effective January 1, 2020, the long-term care policy has been expanded to include a \$150 per day coverage for assisted living, including basic room and board.	

The following table presents the sensitivity of total OPEB liability calculation to a 1 percent increase and a 1 percent decrease in the discount rates used to measure the total OPEB liability for each plan:

**Table 11-23** **Discount Rate Sensitivity of OPEB Liability**  
*(In Thousands)*

	Total OPEB Liability at Rate		
	1% Decrease	Current Rate	1% Increase
<b>City of Seattle Health Care Blended Premium Subsidy Plan</b>	54,693	50,016	45,779
<b>Firemen’s Pension Plan</b>	283,195	255,503	231,879
<b>Police Relief and Pension Plan</b>	260,631	235,535	214,137

The following table presents the sensitivity of total OPEB liability calculation to a 1 percent increase and a 1 percent decrease in the healthcare cost trend rates used to measure the total OPEB liability:

**Table 11-24** **Healthcare Cost Trend Rate Sensitivity of OPEB Liability**  
*(In Thousands)*

	Total OPEB Liability at Rate		
	1% Decrease	Current Rate	1% Increase
<b>City of Seattle Health Care Blended Premium Subsidy Plan</b>	\$ 44,185	\$ 50,016	\$ 56,959
<b>Firemen’s Pension Plan</b>	233,724	255,503	280,216
<b>Police Relief and Pension Plan</b>	215,906	235,535	257,836

## The City of Seattle

**Changes in the Total OPEB Liability.** The City reported a total OPEB liability of \$541.1 million in 2023. Based on the actuarial valuation date of January 1, 2023, details regarding the City of Seattle Health Care Blended Premium Subsidy Plan, Firemen’s Pension Plan, and Police Relief and Pension Plan as of December 31, 2023 are shown below:

**Table 11-25** **Changes in Total OPEB Liability**  
(In Thousands)

	Health Care Blended Premium Subsidy Plan	Firemen’s Pension	Police Relief and Pension Plan	Total OPEB Liability
Total OPEB Liability at 1/1/2023	\$ 55,703	\$ 243,775	\$ 238,035	\$ 537,513
Service costs	3,563			3,563
Interest	1,196	8,888	8,653	18,737
Changes of benefit terms				—
Differences between expected and actual experience				—
Effect of plan changes				—
Effect of economic/demographic gains or losses		5,185	(6,517)	(1,332)
Changes of assumptions	(8,010)	11,309	10,101	13,400
Benefit payments	(2,436)	(13,653)	(14,737)	(30,826)
Other changes				—
Total OPEB Liability at 12/31/2023	<u>\$ 50,016</u>	<u>\$ 255,504</u>	<u>\$ 235,535</u>	<u>\$ 541,055</u>

The changes in current year’s assumption, such as discount rate, participation rate and other factors resulted in the increase in the OPEB liability for all OPEB plans by \$5.9 million.

**Health Care Blended Premium Subsidy:** Mortality and retirement assumptions for LEOFF was updated to reflect the most recent assumptions developed in the Washington State 2013-2018 Demographic Experience Study Report. The trend assumptions on medical claims and retiree premiums were updated to reflect the expected increase on future medical costs, as well as the permanent repeal of the excise tax on high-cost plans (a.k.a. “The Cadillac tax”) originally imposed by the Affordable Care Act in 2010. Discount rate changed from 2.06% as of January 1, 2022 to 3.72% as of January 1, 2023.

**Firemen’s Pension:** The total OPEB liability was determined by an actuarial valuation as of the valuation date January 1, 2023, calculated based on the discount rate of 3.25%, and then projected to the measurement date of December 31, 2023. The December 31, 2023 financial reporting reflects new coverage of \$150 per day for assisted living, including basic room and board.

**Police Relief and Pension Fund:** The total OPEB liability was determined by an actuarial valuation as of the valuation date January 1, 2023, calculated based on the discount rate of 3.25%, and then projected to the measurement date of December 31, 2023. There have been no significant changes between the valuation date and fiscal year ends.

OPEB plans under Firemen’s Pension and Police Relief and Pension Plan was closed to new entrants.

**Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2023, the City recognized OPEB expense of \$7.7 million. The following table presents deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources for the City at December 31, 2023 for City of Seattle Health Care Blended Premium Subsidy Plan. Firemen’s Pension and Police Relief and Pension Plan have no deferred outflow of resources and no deferred inflows of resources.

**Table 11-26** **Deferred Outflows/Inflows of Resources Related to OPEB**  
*(In Thousands)*

<b>City of Seattle Health Care Blended Premium Subsidy Plan</b>	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 8,557	\$ 12,554
Changes of assumptions	2,542	22,086
Payments subsequent to the measurement date	2,455	
<b>Total</b>	<b><u>\$ 13,554</u></b>	<b><u>\$ 34,640</u></b>

Deferred outflows of resources of \$.56 million resulting from payments subsequent to the measurement date of the total OPEB liability but before the end of the City’s reporting period will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2024. Other amount reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense for City of Seattle Health Care Blended Premium Subsidy as follows:

**Table 11-27** **Recognized OPEB Expense**  
*(In Thousands)*

	<b>Blended Premium Subsidy Plan</b>	<b>Firemen’s Pension Plan</b>	<b>Police Relief and Pension Plan</b>
Year End December 31:			
2024	\$ (181)	\$ —	\$ —
2025	(180)	—	—
2026	(131)	—	—
2027	(124)	—	—
2028	(104)	—	—
Thereafter	(138)	—	—



## **(12) COMPONENT UNITS**

### **DISCRETELY PRESENTED COMPONENT UNITS**

#### **Seattle Public Library Foundation**

The Seattle Public Library Foundation (the 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. 61, The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34 and GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14 (GASB 39), 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 annual financial reports, please contact: The Seattle Public Library Foundation, 1000 Fourth Avenue, Seattle, WA 98104, or by telephone at 206-386-4130.

#### **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. Twelve subsidiaries have been established since the program's inception. 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. Administrative work at SIF 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 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, 2023

(in Thousands)

	Discretely Presented Component Units		
	Seattle Public Library Foundation	Seattle Investment Fund LLC	Total
<b>ASSETS</b>			
Cash and Other Assets	\$ 2,775	\$ 784	\$ 3,559
Investments	90,973	136	91,109
Capital Assets, Net	10	—	10
Total Assets	93,758	920	94,678
<b>LIABILITIES</b>			
Current Liabilities	2,253	—	2,253
Total Liabilities	2,253	—	2,253
<b>NET POSITION</b>			
Net Investment in Capital Assets	0	—	—
Restricted	62,234	—	62,234
Unrestricted	29,271	920	30,191
Total Net Position	\$ 91,505	\$ 920	\$ 92,425

Table 12-2

**CONDENSED STATEMENT OF ACTIVITIES  
SEATTLE PUBLIC LIBRARY FOUNDATION AND  
SEATTLE INVESTMENT FUND LLC**

For the Year Ended December 31, 2023  
(In Thousands)

	Discretely Presented Component Units		
	Seattle Public Library Foundation	Seattle Investment Fund LLC	Total
<b>PROGRAM REVENUES</b>			
Contributions/Endowment Gain	\$ 8,277	\$ —	\$ 8,277
Placement/Management Fee Income	—	—	—
Total Program Revenues	8,277	0	8,277
<b>GENERAL REVENUES</b>			
Investment Income	11,038	4	11,042
Total Program Support and Revenues	19,315	4	19,319
<b>EXPENSES</b>			
Support to Seattle Public Library	6,409	—	6,409
Management and General	837	38	875
Fundraising	566	—	566
Total Expenses	7,812	38	7,850
Change in Net Position	11,503	(34)	11,469
<b>NET POSITION</b>			
Net Position - Beginning of Year	80,002	954	80,956
Net Position - End of Year	<u>\$ 91,505</u>	<u>\$ 920</u>	<u>\$ 92,425</u>

**BLENDED COMPONENT UNIT**

**Seattle Park District**

The Seattle Park District (the District) is a metropolitan park district authorized by Chapter 35.61 of the Revised Code of Washington. The District has the same boundaries as the City. On August 5, 2014, voters in the City approved Proposition 1 to use property taxes collected to provide funding for City parks and recreation including maintaining park lands and facilities, operating community centers and recreation programs, and developing new neighborhood parks on previously acquired sites. The District is governed by the City Council acting ex officio as the District Board. The Seattle Department of Parks and Recreation provides services on behalf of the District under an inter-local agreement between the City and the District.

The District is reported as a special revenue fund in the City’s financial statement. Financial reporting for this fund can be found in the nonmajor governmental funds combining statements located in this report. In addition, separate financial statements are available from Seattle Park District, PO Box 34025, Seattle, WA 98124-4025, or by emailing [SeattleParkDistrict@Seattle.gov](mailto:SeattleParkDistrict@Seattle.gov).

## **(13) JOINT VENTURE AND JOINTLY GOVERNED ORGANIZATIONS**

### **SEATTLE-KING COUNTY WORKFORCE DEVELOPMENT COUNCIL**

The Seattle-King County Workforce Development Council (WDC) is a joint venture between the City and King County. 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 agency to receive the employment and training funds for the County area. The King County Executive and the Mayor of the City, serving as the chief elected officials (CEO) of the local area, have the joint power to appoint the members of 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, 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, the City and King County who each will be responsible for one half of the disallowed amount. As of December 31, 2023, there are no outstanding program eligibility issues that may lead to a liability for the City. WDC contracts with the City which provides programs related to the Workforce Innovation and Opportunity Act.

WDC issues independent financial statements that may be obtained from its offices at 2003 Western Avenue, Suite 250, Seattle, WA; by accessing its website <http://www.seakingwdc.org/annualreport>; or by telephone at 206-448-0474.

### **KING COUNTY REGIONAL HOMELESSNESS AUTHORITY**

The King County Regional Homelessness Authority (the Authority) is a separate independent governmental administrative agency between the City and King County. It was established in the State of Washington on December 12, 2019 pursuant to RCW 39.34.030(3). The purposes of the Authority are providing consolidated, aligned services to individuals and families who are experiencing homelessness or who are at imminent risk of experiencing homelessness in the jurisdictional boundaries of King County; and receiving revenues from the County, Seattle, Funders and other private and public sources for the purpose of the Authority.

The Governing Committee of the Authority consists of King County Executive and two members of the King County Council; Seattle Mayor and two members of the Seattle City Council; three members should be elected officials from cities or towns other than Seattle; and three members representing individuals with Lived Experience, which members shall be selected by the Advisory Committee. All participants do not retain any ongoing financial interest nor any ongoing financial responsibility. Therefore, the Authority is a jointly governed organization.

### **PUGET SOUND EMERGENCY RADIO NETWORK OPERATOR**

Puget Sound Emergency Radio Network Operator (PSERN Operator) is a separate governmental agency pursuant to RCW 39.34.030(3) that is organized as a non-profit corporation under Chapter 24.06 RCW. It is authorized by the Interlocal Corporation Act for the purpose of owning, operating, maintaining, managing and on-going upgrading/replacing of the PSERN system during the Operations Period. The expenses of the PSERN Operator shall be financed through a funding measure approved by voters at the April 2015 election and with user fees (Service Rates) to be assessed against and paid by all User Agencies.

The Board of Directors are composed of four voting members: King County Executive or a designee of the executive approved by the King County Council, City of Seattle Mayor or his/her designee, one mayor or city manager or his/her designee representing the Cities of Bellevue, Issaquah, Kirkland, Mercer Island and Redmond, and one mayor or city manager or his/her designee representing the Cities of Auburn, Federal Way, Kent, Renton and Tukwila. All participants do not have any ongoing financial interest or responsibility; as a result, the PSERN Operator is a jointly governed organization.

## OASIS OPEN DEVELOPMENT FOUNDATION, LLC and the OPEN MOBILITY FOUNDATION

OASIS Open Development Foundation, LLC is a national nonprofit organization founded in 1993 as a consortium of vendors and users devoted to developing guidelines for interoperability among products that support the Standard Generalized Markup Language (SGML). In 1998 this work expanded to include a wide variety of open-source projects to advance the fair, transparent development of open-source software and standards through the power of global collaboration and community. It does business in Seattle as the Open Mobility Foundation.

The Foundation is governed by a Board of Directors that consists of public entities that are responsible for managing the public right-of-way. A Seattle Department of Transportation employee serves on the OMF Board of Directors and currently has joint oversight responsibilities for both OMF and SDOT's commercial vehicle permit program. The City does not have any ongoing financial interest or responsibility. as a result, the Open Mobility Foundation is a jointly governed organization.

## (14) COMMITMENTS

### Encumbrances

The City uses encumbrance accounting under which contracts and other commitments for expenditures are recorded to reserve applicable appropriations.

As of December 31, 2023, the City had the following encumbered amounts:

**Table 14-1**                              **Encumbrances by Fund Category**  
*(In Millions)*

<b>Fund</b>	<b>Encumbrances</b>	
General Fund	\$	135.1
Transportation		13.1
Nonmajor Governmental Funds		334.1
Internal Service Funds		104.1
Nonmajor Enterprise Funds		28.6
Major Enterprise Funds		457.9
<b>Totals</b>	<b>\$</b>	<b>1,072.9</b>

### Financial Guarantees

The City has extended nonexchange financial guarantees in the form of contingent loan agreements with other owner/developers of affordable housing. The City will provide credit support, such as assumption of monthly payments for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The City's program, managed by the Office of Housing, currently has loan agreements outstanding of \$1.4 Billion. These agreements have maturity ranges up to 50 years. All projects are currently self-supporting, and the City has not made any payments pursuant to these agreements. It is unlikely that the City will make any payments in relation to these guarantees based on available information at the end of December 31, 2023 and standards prescribed under GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees.

**Capital Improvement Program**

The City adopted the 2023 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$7.45 billion for the years 2023-2028. The adopted CIP for 2023 was \$1.5 billion, consisting of \$862.2 million for City-owned utilities and \$660.8 million for non-utility departments. The utility allocations are: \$484.4 million for City Light, \$114.9 million for Water, \$245.0 million for Drainage and Wastewater, and \$18.0 million for Solid Waste. Expenditures may vary significantly based upon facility requirements and unforeseen events. A substantial portion of contractual commitments relates to these amounts.

**Purchased and Wholesale Power**

City Light expenses associated with energy received under long-term purchased power agreements at December 31, 2023 are shown in the following table:

**Table 14-2** **LONG-TERM PURCHASED POWER**  
*(In Millions)*

	<b>2023</b>
Bonneville Block	\$ 138.2
Bonneville Slice	—
Lucky Peak, including royalties	9.5
British Columbia - High Ross Agreement	13.0
Grant County Public Utility District	1.4
Columbia Basin Hydropower	6.0
Bonneville South Fork Tolt billing credit	(3.7)
Renewable energy - State Line Wind	\$ —
Renewable energy - other	5.9
Exchanges and loss returns energy at fair value	5.1
Long-term purchased power booked out	\$ —
Total	\$ 175.4

**Bonneville Power Administration.** City Light 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. Effective October 1, 2017 there was an amendment to the agreement whereby the City no longer participates as a Slice customer and will now exclusively purchase Block. Block quantities 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 above.

**Lucky Peak.** In 1984, City Light entered into a purchase power agreement with four irrigation districts to acquire 100% 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 Federal Energy Regulatory Commission (FERC) license expires in 2030. The agreement, which expires in 2038, obligates City Light to pay all ownership and operating costs, including debt service, over the term of the contract, whether the plant is operating or operable.

City Light incurred \$9.5 million in 2023, including operations costs and royalty payments to the irrigation districts. City Light provided and billed Lucky Peak \$0.3 million for operational and administrative services in 2023. These amounts are recorded as offsets to purchased power expense.

City Light's receivable from Lucky Peak were less than \$0.1 million at December 31, 2023. City Light's payable to Lucky Peak were \$0.0 million at December 31, 2023.

**British Columbia-High Ross Agreement.** In 1984, an agreement was reached between the Province of British Columbia and City Light under which British Columbia will provide the Department 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, the Department 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. The final fixed capital payment was made to BC Hydro in 2020. Operations and maintenance payments will be made through the life of the agreement. These other costs are included in utility plant-in-service as an intangible asset and are being amortized to purchase power expense over 15 years, from 2021 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 with more than 25,000 customers to meet certain annual targets of eligible new renewable resources and/or equivalent renewable energy credits (RECs) as a percentage of total energy delivered to retail customers. The annual target is at least 15% for 2023. The law also has a compliance option for utilities with declining load to spend 1% of revenue requirements on eligible RECs and/or resources. City Light met the requirements of the compliance option in 2023.

**Fair Value of Exchange Energy.** During 2023, exchange energy settled deliveries were valued using Dow Jones U.S Daily Electricity Price Indices.

**Estimated Future Payments under Purchased Power, Transmission, and Related Contracts.** The City’s estimated payments for purchased power and transmission, Renewable Energy Credits (RECs) and other contracts for the period from 2023 through 2065, undiscounted, are shown in the following table:

**Table 14-3 TRANSMISSION, AND RELATED CONTRACTS**  
*(In Millions)*

Year Ending December 31	Payments <sup>a</sup>
2024	\$ 270.1
2025	a 264.9
2026	224.5
2027	221
2028	b 173.2
2029-2033	205.3
Thereafter (through 2065)	c 126
Total	<u>\$ 1,485.0</u>

a Bonneville transmission agreement expires July 31, 2025  
 b Bonneville Block & Slice agreement expires September 30, 2028  
 c Lucky Peak contract expires September 30, 2038

## Other Regulatory Commitments

**Federal Energy Regulatory Commission (FERC) Fees.** Estimated Federal land use and administrative fees related to hydroelectric licenses total \$140.7 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, when their existing FERC licenses expire. The estimated portion of Boundary fees is included through 2055, the year the current license issued by FERC expires. The Boundary FERC license and related issues are discussed below.

**Current Boundary License.** City Light’s FERC license for the Boundary Project was re-issued on March 20, 2013 with a 42-year life and a total cost of \$48.6 million. The terms and conditions of the new license have been evaluated and City Light continues the license implementation process, which imposes mitigation of endangered species including water quality standards and conservation management.

As part of the license renewal process, City Light negotiated a settlement with external parties such as owners of other hydroelectric projects, Indian tribes, conservation groups and other government agencies. The settlements sought to preserve City Light'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 City Light's license application, were estimated to be \$410.0 million adjusted to 2023 dollars, of which \$158.3 million were expended through 2023. Projected mitigation cost estimates are subject to revision as more information becomes available.

**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 licenses, City Light 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, 2023, to be \$178.5 million, of which \$172.6 million has been expended. Total South Fork Tolt license mitigation costs were estimated at \$2.5 million, of which \$2.5 million were expended through 2022 for the rest of the life of the license with no additional costs in 2023. 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 2023 dollars. Department 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 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 City Light, or where City Light purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all City Light's hydroelectric projects, the ESA listings still affect operations of City Light'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, City Light'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.

Seattle City Light, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. City Light 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 City Light's share of the Early Action program from inception in 1999 through December 31, 2023, are estimated to be \$19.7 million, and \$1.8 million has been allocated for the program in the 2024 budget.

**Project Impact Payments.** Effective May 2020, City Light renewed its contract with Pend Oreille County and committed to pay a total of \$29.8 million over 10 years ending in 2029 to Pend Oreille County for impacts on county governments from the operations of City Light's hydroelectric projects. Effective January 2024, City Light renewed its contract with Whatcom County committing to pay annual impact compensation payments subject to an escalator tied to the Consumer Price Index and ending in 2038. 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 \$3.0 million to Pend Oreille County in 2023 and 2022, respectively, and \$1.2 million to Whatcom County in 2023 and 2022, respectively.

**Habitat Conservation Program Liability.** Seattle Public Utilities (SPU) has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the HCP is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed, while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be \$117.8 million (in 2023 dollars) over a period of 50 years (from the year 2000 through the year 2050).



## The City of Seattle

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Expenditures are being funded from a combination of the Water Fund's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2023 is \$106.0 million. The remaining \$11.7 million to complete the HCP is comprised of an \$8.5 million liability and an estimate of \$3.2 million for construction and operating commitments. The construction activities will add to the Water Fund's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

**Distribution System Reservoirs.** The Water Fund is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs. The total cost of burying six reservoirs is expected to be approximately \$221.6 million through the year 2025; costs beyond 2025 are not estimable as of the date of this report. As of December 31, 2023 and 2022, total cumulative costs incurred were \$181.6 million and \$179.8 million, respectively.

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

Two wholesale customers (including CWA) have block contracts which obligate the City to provide water up to a combined maximum of 41.85 MGD per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. The CWA contract expires in 2063 while other wholesale contracts expire in 2062. In 2020, CWA requested that the City consider selling it additional increments of surplus water that would extend the date at which CWA's block would begin to decline to sometime past 2039. The City's declining block contract does not obligate the City to sell any additional surplus water to CWA or any further extensions, unless by mutual agreement. The City began discussions with CWA in 2022.

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

**Wastewater Disposal Agreement.** The Wastewater Fund has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the Division), which expires in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by the Wastewater's Fund were \$186,991,467 and \$170,521,806 for fiscal years 2023 and 2022, respectively.

**Contractual Obligations.** The City contracts with Waste Management and Recology of King County for the collection of residential and commercial garbage, yard waste, food waste, and recycling. In addition, a few independent vendors provide large scale recycling and food waste for business customers. The collection contracts began in 2019 and are scheduled to end on March 31, 2029, with City options to extend to March 2031 and March 2033. Total payments under these contracts for residential and commercial collection were \$94,330,244 in 2023 and \$89,287,310 in 2022.

The City contracts with Waste Management of Washington, Inc. (formerly known as Washington Waste Systems), for rail-haul and disposal of nonrecyclable City waste. The disposal contract began in 1990 and is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause beginning on March 31, 2024. Total payments under the terms of this contract for waste disposal were \$18,758,472 in 2023 and \$17,011,306 in 2022.

The City contracts with Lenz Enterprises, Inc., and Cedar Grove Composting, Inc. to process yard and food waste into marketable products. The Lenz processing contract began in 2014 and the Cedar Grove processing contract began in 2017. Both contracts are scheduled to end on March 31, 2024. Total payments under the terms of these contracts were \$5,045,159 in 2023 and \$4,570,776 in 2022.

The City contracts with Rabanco, LTD., to process recyclables and marketing those commodities. The Rabanco processing contract began in 2016 and is scheduled to end on March 31, 2024, with a City option to extend to March 31, 2027. Total payments, net of recycling revenue, were \$2,953,319 in 2023 and \$2,096,380 in 2022. This variance resulted from fluctuations in recycling commodity pricing.

**Landfill Closure and Post Closure Care.** In prior years, the Solid Waste Fund delivered its refuse to two leased disposal sites: the Midway and Kent-Highlands landfills. Subsequent to signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. The Solid Waste Fund stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

As of December 31, 2023, accrued landfill closure and post closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to regional transit and I-5 improvement projects. It is the City Council's policy to include the Solid Waste Fund's share of all landfill closure and post closure costs in the revenue requirements used to set future solid waste rates. Therefore, the Solid Waste Fund uses regulatory accounting and total estimated landfill closure, and post closure care costs are accrued and also reflected as a future cost in the accompanying financial statements, in accordance with generally accepted accounting principles. These costs are being amortized as they are recovered from rate payers and will be fully amortized in 2030. Actual costs for closure and post closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2030.

### (15) 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.

In addition, the City purchases excess general liability insurance coverage on a year-to-year basis. The City's self-insured retention for each claim involving general liability is limited to \$10 million per occurrence of such claims through May 2024. Effective June 1, 2023, through May 2024 the City's excess liability insurance limits were \$20 million.

In 2023, the City purchased \$15 million in cyber insurance above a \$1 million self-insured retention. Coverage includes business interruption, system failure, data asset protection, event management, privacy, and network security liability.

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 assets and value of the building. This includes \$100 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, aviation, marine and hull, fiduciary and crime liability, inland marine transportation, volunteers, and an assortment 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.

In 2023, the City purchased one annuity contract totaling \$0.1 million to resolve a single lawsuit. The City did not receive any large liability settlements nor settled any claims exceeding coverage in 2023.

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 Seattle Department of Human Resources estimates case reserves for workers' compensation using statistical techniques and historical experience. In 2023, the City's independent actuaries estimated the ultimate settlement costs for lawsuits, workers' compensation, and other claims at year-end 2022, and health care claims at year-end 2023. The total undiscounted IBNR amount was \$45.9 million in 2023, an increase of \$55.3 million from the prior year.

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 \$0.2 million in 2023. 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.

Workers' compensation and general liabilities recorded in the financial statements are discounted at 1.80 percent for 2023, the City's 2022 estimated annual effective interest rate of return on investments used by the actuaries. The liabilities for health care claims discounted at 2.938 percent for 2023, the City's 2023 average annual rate of return on investments. The total discounted liability at December 31, 2023, was \$202.8 million consisting of \$123.5 million for general liability, \$18.4 million for health care, and \$60.9 million for workers' compensation.

**Table 15-1**

**RECONCILIATION OF CHANGES IN  
AGGREGATE LIABILITIES FOR CLAIMS  
(In Thousands)**

	General Liability	Health Care	Workers' Compensation	Total City
<b>UNDISCOUNTED</b>				
Balance - Beginning of Fiscal Year	\$ 100,706	\$ 19,017	\$ 54,550	\$ 174,273
Less Payments and Expenses During the Year	(34,673)	(310,076)	28,905	(315,844)
Plus Claims and Changes in Estimates	68,068	310,044	(19,368)	358,744
Balance - End of Fiscal Year	<u>\$ 134,101</u>	<u>\$ 18,985</u>	<u>\$ 64,087</u>	<u>\$ 217,173</u>
<b>UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>				
Governmental Activities	\$ 108,381	\$ 18,985	\$ 50,113	\$ 177,479
Business-Type Activities	25,632	—	13,972	39,604
Fiduciary Activities	88	—	2	90
Balance - End of Fiscal Year	<u>\$ 134,101</u>	<u>\$ 18,985</u>	<u>\$ 64,087</u>	<u>\$ 217,173</u>
<b>DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF</b>				
Governmental Activities	\$ 99,809	\$ 18,443	\$ 47,620	\$ 165,872
Business-Type Activities	23,605	—	13,277	36,882
Fiduciary Activities	81	—	2	83
Balance - End of Fiscal Year	<u>\$ 123,495</u>	<u>\$ 18,443</u>	<u>\$ 60,899</u>	<u>\$ 202,837</u>

Pending litigations, claims, and other matters are as follows:

**1221 Madison Street Owners Association** — Claimant alleges that a late December 2020 stair caused the storm drains near its facility to fail causing damages. Current damage allegations are roughly \$1 million. The City's ultimate liability is indeterminate.

**Jayme et al. v. City of Seattle** — Several plaintiffs, including two former Seattle Public Utility employees, allege they were unlawfully separated from employment with various departments within the City of Seattle when they failed to get a COVID-19 vaccine. On November 20, 2023, the Court granted the City's Motion for Partial Summary Judgment, dismissing all claims except those for discrimination based on religion and failure to accommodate under Title VII and the Washington Law Against Discrimination. The court also denied the plaintiffs' Motion to Amend their 4th Amended Complaint to add new plaintiffs. The matter was filed in King County Superior Court on October 28, 2022, and is currently set for trial on May 20, 2024. Given the number of plaintiffs and the need for extensive discovery, it's likely the trial date will be extended. Further, plaintiffs' counsel have filed another multi-plaintiff lawsuit involving all Jayme plaintiffs, plus other plaintiffs the Court would not allow them to add to the Jayme case. See Rochester v. City, below. It's not yet known whether plaintiffs' counsel will be dismissing the Jayme case and proceeding only with the newly filed

Rochester case. However, as of the date of this writing, both cases are pending in King County Superior Court and it is likely motion practice will occur to eliminate duplicative causes of action. An adverse result could include awards of compensatory damages and attorneys' fees. However, given the uncertainty with vaccine mandate litigation, the filing of the new Rochester case and the need for extensive discovery, the City's ultimate liability is indeterminate at this time.

**Providence Healthcare Systems** — Claimant alleges that a late December 2020 storm caused the storm drains near its health care facilities to fail causing extensive damage to their facilities. Claimant's current damage claims are in the range of \$2.5 million. The City's ultimate liability is indeterminate.

**Rochester et. al v. City of Seattle** — A group of plaintiffs, including ten former Seattle Public Utility employees, and twenty-six former City Light employees, allege they were unlawfully separated from employment with various departments within the City of Seattle when they failed to get a COVID-19 vaccine. The matter was filed in King County Superior Court on December 15, 2023, and is currently set for trial on December 16, 2024. However, as of this writing, the City has not yet been served. Given the number of plaintiffs and the need for extensive discovery, it's likely the trial date will be extended. As detailed above, this matter was filed by plaintiffs' counsel in the Jayme case, and includes all the Jayme plaintiffs, plus others the Court would not allow to be added to that matter. It's not yet known whether plaintiffs' counsel will be dismissing the Jayme case and proceeding only with the newly filed Rochester case. However, as of the date of this writing, both cases are pending in King County Superior Court and it's likely motion practice will occur to eliminate duplicative causes of action. Given the uncertainty with vaccine mandate litigation, the still-pending Jayme case and the need for extensive discovery, the City's ultimate liability is indeterminate at this time.

**Romulo v. City of Seattle** — The plaintiff, a Senior Utility Service Inspector for Seattle Public Utilities, alleges discrimination and harassment (hostile work environment) based on disability, race and/or national origin, failure to accommodate a disability and retaliation. A three-week trial ended in March 2021, which resulted in a defense verdict. Plaintiff appealed to Division One of the Court of Appeals. In November 2022, the Court of Appeals reversed dismissal of the cause of action for a hostile work environment. On April 5, 2023, the Washington Supreme Court denied the Plaintiffs Petition for Review and remanded the case for trial on the remaining cause of action. Trial is currently set for March 4, 2024. The City cannot predict whether a material adverse outcome will occur.

**South Park Flooding** — The City has received over twenty claims related to the Duwamish River overtopping its banks and flooding businesses and properties in the South Park area of Seattle on December 27, 2022. Several of the claimants allege that the City/County wastewater and stormwater system was a cause of the flooding. The City resolved many claims related to the flooding in 2023. There are still pending claims, and the City's ultimate liability is indeterminate.

**Akopyan v. City of Seattle** - Plaintiff Estate alleges that City Light failed to adequately light a street in the City of Shoreline. The decedent attempted to cross the North Richmond Beach Road at night on September 2, 2020 and was hit by a car. City Light's ultimate liability is indeterminate.

**Brooks-Joseph v. City of Seattle, Seattle City Light, et. al.** - Plaintiff alleges discrimination based on race. Gender and age, negligent supervision and retention, wrongful discharge and violation of the Washington State Whistleblower Act. Plaintiff also names City Light employee Britt Luzzi and Seattle Public Utility employee Lourdes Podwall as individual defendants. On October 5, 2023, the court granted the City's Motion for Summary Judgment and dismissed this action. On March 19, 2024, the court denied the plaintiff's Motion for Reconsideration. However, the plaintiff has thirty (30) days to appeal to the 9th Circuit Court of Appeals. An adverse result could be reversal of the summary judgment dismissal and remand for further trial proceedings, which could include awards of compensatory damages and attorneys' fees. At this juncture, City Light's ultimate liability is indeterminate.

**Del Castillo v. City of Seattle & Seattle City Light** - Plaintiff Del Castillo alleges discrimination and retaliation based on race, national origin and/or disability, as well as claims of a hostile work environment and wrongful discharge in violation of public policy. An adverse result could include awards of compensatory damages and attorneys' fees. Discovery is ongoing and at this juncture, City Light's ultimate liability is indeterminate. Trial is currently set for September 9, 2024 in King County Superior Court.

**Longacre, Lowrie** – On August 23, 2023, the claimant filed a tort Claim for Damages alleging gender and disability discrimination, hostile work environment, harassment, and whistleblower retaliation. This case was resolved prior to April 30, 2024. The settlement was immaterial to the financial statements.

**Margaret Owens Demand Letter** - City Light received an attorney demand letter dated March 14, 2024 from a former City Light employee alleging allegations of sexual harassment. As of the date of this letter, a formal claim has not been filed and City Light's ultimate liability is indeterminate.

**Monica Jones v. City of Seattle, Seattle City Light, et.al.** – Plaintiff Jones alleges religious, racial and age discrimination, violation of public policy against discrimination, disparate impact, failure to accommodate, wage theft, and numerous violations of the Washington Constitution, all resulting from the City's vaccine mandate. On April 4, 2023, the Court dismissed the individual defendants, as they were never properly served by the plaintiff. An adverse result could include awards of compensatory damages and attorneys' fees. Discovery is ongoing and at this juncture, City Light's ultimate liability is indeterminate. The City anticipates filing a Motion for Summary Judgment on April 26, 2024. This matter was filed in federal court in the Western District of Washington and is set for trial on July 29, 2024.

**Vaccine Mandate Claims** - Several current and former City Light employees have filed tort Claims for Damages related to the City's implementation of a COVID-19 vaccine mandate in October 2021. These claimants allege a variety of claims, including but not limited to discrimination, wrongful discharge, failure to accommodate and violations of the Washington and federal US Constitutions. Each claim is fact specific to the claimant and dependent on evolving public health guidelines and newly emerging case law in response to the pandemic. City Light's ultimate liability is indeterminate; however, an adverse result could include awards of compensatory damages and attorneys' fees.

The following cases from 2022 were resolved:

**Deien v. City** - Plaintiff brought a purported class action against City Light based on City Light billing practices associated with City Light's transition to advanced meters. On April 4, 2023, the Washington State Court of Appeals approved settlement of this case on a class basis for a \$3.5M payment from the City.

**Lavish v. City of Seattle** - Plaintiff Lavish alleged he was injured by an electrical arc while attempting to remove a tree near a City power line in 2021. He alleged City negligence caused his injuries. The Plaintiff voluntarily dismissed the City in May of 2023.

**Sauk-Suiattle Litigation** - In July 2021, the Sauk-Suiattle Indian Tribe (the Tribe) filed the first of three lawsuits against City Light alleging that City Light's operation of the Skagit Hydroelectric Project (the Project) in a manner that de-watered a portion of the Skagit River violates various rights of the Tribe. City Light operates the Project under a thirty-year license from the Federal Energy Regulatory Commission (FERC) granted in 1995. The license allows the de-watering of the Skagit River for a short stretch of the river between the Gorge Dam and the Gorge Powerhouse, and this aspect of the Project has been in place since the 1930s. As of the date of April 30, 2024, all three of these lawsuits are now resolved.

- A. Sauk-Suiattle Litigation — Federal Claim. The initial lawsuit brought by the Tribe was originally filed in Skagit County Superior Court in July 2021. In that suit, the Tribe alleged violations of the Washington and United States constitutions, in addition to the establishing acts of the Territory of Oregon and State of Washington, and other state and federal law, by blocking the passage of fish. The City removed the case to the federal court in the Western District of Washington and moved to dismiss the case. The Tribe moved to remand the case back to Skagit County. Ultimately, the district court denied the Tribe's motion to remand, and then on December 2, 2021, dismissed all of the Tribe's claims. The Tribe appealed this decision to the United States Court of Appeals for the Ninth Circuit (9th Circuit). On December 30, 2022, the 9th Circuit affirmed the district court's dismissal. On January 3, 2023, the Tribe petitioned for rehearing en banc by the 9th Circuit. On January 26, 2023, the 9th Circuit denied the Tribe's petition. On March 28, 2023, the Tribe appealed the 9th Circuit's denial by petitioning for a writ of certiorari in the United States Supreme Court. On October 2, 2023, the Court denied the Tribe's petition for review, which ended the lawsuit in the City's favor.
- B. II. Sauk-Suiattle Litigation - Tribal Court Claim. On January 6, 2022, the Tribe filed its third complaint out of the same set of operative facts. In the Tribal Court, the Tribe makes the following claims: (1) violations of the Tribe's treaty based usufructuary propely interests through blocking fish passage; (2) that the "blockage of water" constitutes and arbitra1y and capricious seizure of salmon habitat and the Tribe's water property rights in violation of the Fourth Amendment; (3) infringement on the Tribe's members religious and cultural practices protected by the American Indian Religious Freedom Act and the First Amendment; and fraud and intentional or negligent infliction of emotional distress. The City first filed a motion to dismiss these claims in January 2022. In February 2022, the City also filed a complaint in federal court in the Western District of Washington seeking to enjoin the Sauk-Suiattle Tribal Court from exercising jurisdiction. Oral argument in the tribal court occurred on May 24, 2022. On July 5, 2022, the district court issued an order staying the City's case until the tribal court has had a full opportunity to determine its own jurisdiction. On November 10, 2022, the judge in the SaukSuiattle Tribal Court dismissed the Tribe's claims against the City finding that it had no jurisdiction. The Tribe appealed this order to the Tribal Court Appeals, with oral argument scheduled for May 2023. Prior to the date of argument, the Parties reached a settlement that dismissed the appeal and vacated the Tribal trial court order. As part of the settlement, the City agreed to dismiss the Federal District Court matter. The litigation has been fully resolved.

- C. III. Sauk-Suiattle Litigation - State Court Claim. The third lawsuit by the Tribe was originally filed in King County Superior Court in September 2021, alleging that City Light was "greenwashing" its operations because it did not allow for fish passage in the stretch of the Skagit River between Gorge Dam and Gorge Powerhouse, and other state law nuisance claims. City Light moved to dismiss this case, which the Comi granted on January 14, 2022. The Tribe appealed the dismissal to Division 1 of the Washington State Comi of Appeals. On March 6, 2023, the Court of Appeals dismissed all of the Tribe's claims except for two nuisance claims and remanded the case to King County Superior Court for further trial proceedings. The Tribe did not reinitiate proceedings, and the parties settled and dismissed the case in February 2024.

There may be other litigation or claims involving alleged substantial sums of money owing; however, the prospect of material adverse outcomes therein is remote or unknown. Other than the aforementioned cases and the claim liabilities recorded in the financial statements, there were no other outstanding material judgments against the City.

### **U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SECTION 108 LOAN PROGRAM**

The City participates in the HUD Section 108 loan program, in which HUD obtains funds from private investors at a very low cost (i.e., low interest rate) and provides the low-cost funds to jurisdictions nationwide including the City. Low-cost funds are available because HUD guarantees repayment to the private investors. The City re-lends these 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.

The City's outstanding Section 108 loan balance as of December 31, 2023 is \$3.1 million. BEDI grant funds amount to \$0.5 million and are used as a loan loss reserve.

### **GUARANTEES OF THE INDEBTEDNESS OF OTHERS**

The City has guaranteed certain bonds issued by public development authorities chartered by the City which are not component units of the City. The guarantees extend through the life of the bonds. If any of these public development authorities have insufficient funds to make scheduled debt payments of the principal and interest on the guaranteed bonds, the City is obligated to transfer sufficient funds to make the payments. Public development authorities for which the City has made all or part of a debt service payment shall reimburse the City for all money drawn on their behalf.

**Museum Development Authority.** Special obligation refunding bonds were issued on April 29, 2014, in the amount of \$44.4 million. The outstanding amount owed as of December 31, 2023, was \$25.5 million. The bonds will become eligible to be refinanced in 2024 to achieve debt service savings, and will be fully retired by April 1, 2031.

**Seattle Indian Services Commission.** Special obligation refunding bonds were issued on November 1, 2004, in the amount of \$5.2 million. The outstanding amount as of December 31, 2023, was \$0.4 million. The bonds will be fully retired on November 1, 2024.

In 2014, the Seattle Indian Services Commission (SISC) experienced unforeseen conditions that left it unable to fulfill its debt obligations on bonds guaranteed by the City. Due to the interruption and suspension of SISC's pledged revenues for debt service, the City was obligated to temporarily provide advances to SISC to service SISC's debt. An Event Notice Relating to Seattle Indian Services Commission was filed with the Municipal Securities Rulemaking Board (MSRB) in 2014 to provide disclosure regarding this event. In 2015, the City began making payments in accordance with the 2004 Cooperation Agreement upon termination of the lease between SISC and the Seattle Indian Health Board. The amount of each advance was treated as a loan to SISC, and beginning in fiscal year 2015 the City's Adopted Budget has included provisions to service SISC's guaranteed bonds per the City's unconditional obligation.

## The City of Seattle

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In 2017, the City and SISC entered into a Facility Use Agreement, pursuant to which the City became the new tenant of the Pearl Warren Building for use by the City as a Navigation Center to assist homeless residents of the City, and for other City purposes. Under the terms of this Facility Use Agreement, the City pays to SISC Annual Rent of \$60,000 (used by SISC for its operations) and Monthly Rent equal to 1/6th of the semiannual bond interest payments and 1/12th of the annual bond principal payments due in that year. The Monthly Rent paid by the City to SISC is used to make the debt service payments on the bonds. Since 2017, the Monthly Rent payable by the City to SISC has been and is scheduled to be sufficient to pay the bonds on a current basis. The City has made no additional advances pursuant to the 2004 Cooperation Agreement since the Facility Use Agreement went into effect in 2017.

Further, as “additional consideration” under the 2017 Facility Use Agreement, SISC’s accumulated liability to reimburse the City for the advances made under the 2004 Cooperation Agreement is reduced by \$11,353.45 each month. The accumulated liability totaled \$953,689.54 as of February 1, 2017, and as of December 31, 2023, was reduced to \$11,353.60. SISC’s accumulated liability will be reduced to \$0 prior to the date that the Bonds are scheduled to mature on November 1, 2024.

As of December 31, 2023, the Commission’s remaining principal and interest amounts guaranteed by the City are \$425,000 and \$19,000, respectively. The City expects that the Monthly Rent payments under the 2017 Facility Use Agreement will continue to be sufficient for SISC to make the scheduled debt service payments through the life of the SISC Bonds without the need for additional advances under the 2004 Cooperation Agreement.

**(16) TAX ABATEMENTS**

Table 16-1  
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**Tax Abatement Programs  
For the Year Ended December 31, 2023  
(In Thousands)**

	Primary Government		Other Governments				
	City of Seattle		King County			State of Washington	
	Multifamily Property Tax Exemption	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology	Multi-Unit Urban Housing Property Tax Exemption	Data Center Server Equipment and Power Infrastructure
<b>1) Purpose of program.</b>	Supports mixed-income residential development in the urban centers to ensure affordability as the community grows	Encourages maintenance, improvement and preservation of privately owned historic landmarks	Provides incentives to landowners to voluntarily preserve open space, farmland or forestland	Provides temporary relief from tax increases caused by major additions or remodels to single-family dwellings	Encourages the creation of high-wage, high-skilled jobs in Washington	Provides property tax exemption to improve residential opportunities in urban centers	Supports immediate investments in technology facilities and resulting employment
<b>2) Tax being abated.</b>	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax	Sales and Use Tax	Real Property Tax	Sales and Use Tax
<b>3) Authority under which abatement agreements are entered into.</b>	SMC Chapter 5.73 RCW Chapter 84.14	RCW Chapter 84.26 RCW 84.26.020(2) RCW 84.26.050(2)	RCW 84.33.130 RCW 84.34.010	RCW 84.36.400	RCW Chapter 82.63	RCW 84.14.020	RCW 82.08.986 RCW 82.12.986
<b>4) Criteria to be eligible to receive abatement.</b>	Property owner must set aside 20-25 percent of the homes as income- and rent-restricted and enter a legally binding agreement with the City detailing the affordability requirements and other stipulations for compliance with the program	The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation; (3) be rehabilitated at a cost equal to 25 percent or more of pre-improvement assessed value within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board	Property must be enrolled as: (1) Open space with points awarded per the Public Benefit Rating Systems (PBRs) by resource category (2) Timber land if 5 to 20 acres are manageable forestland, zoned RA, F or A and devoted primarily to the growth, harvest and management of forest crops for commercial purposes per an approved forest stewardship plan (3) Farm and agricultural land if used to produce livestock or agricultural commodities for commercial purposes (4) Forestland if more than 20 acres are primarily devoted to the growth and harvest of timber	Property to be improved must be a single-family dwelling	Purchases must be for the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology	The Property must be located in a targeted residential area, provide for a minimum of 50 percent of the space for permanent residential occupancy, meet all construction and development regulations, and be completed within three years of the application approval date. To qualify as a rehabilitated unit, the property must also fail to comply with one or more standards of the applicable state or local building or housing codes on or after July 23, 1995	Within 6 years of exemption issued, net employment at the data center facility must increase by a minimum of 35 positions or 3 positions per 20,000 square feet or less of space; positions must be new permanent employment positions requiring 40 hours of weekly work, or equivalent, and receiving a wage equivalent to or greater than 150 percent of the per capita personal income of the county in which the data center is located



Table 16-1  
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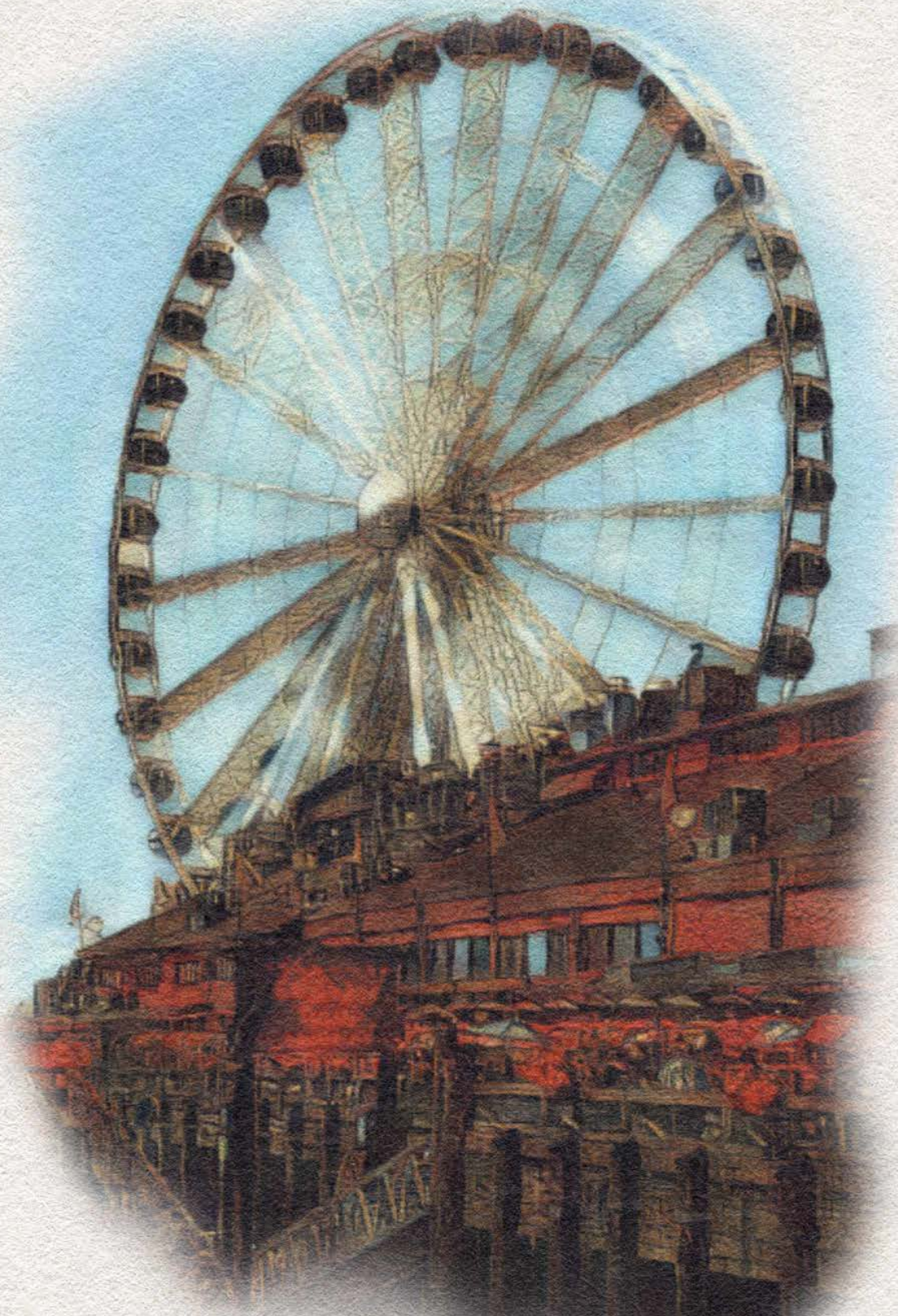
**Tax Abatement Programs  
For the Year Ended December 31, 2023  
(In Thousands)**

	Primary Government		Other Governments				
	City of Seattle		King County			State of Washington	
	Multifamily Property Tax Exemption	Historic Properties Incentives	Current Use	Single-family Dwelling Improvement	High Technology	Multi-Unit Urban Housing Property Tax Exemption	Data Center Server Equipment and Power Infrastructure
<b>5) How recipients' taxes are reduced.</b>	Exemption from property tax assessments, by participating in the program, property owners commit to a compliance period in return for a tax exemption period	Reduction to assessed value subject to property tax for 10 years	Reduction to assessed value subject to property tax	Improvement value not added to assessed value subject to property tax for 3 years	Deferred and ultimate waiver of sales and use taxes when purchasing machinery and equipment, subject to annual certification for up to 7 years	Exemption from property tax assessments. The property owner must apply for an exemption certificate before beginning construction and submit an annual report to the state.	Waiver of sales and use taxes when goods and services are purchased by the qualifying business or tenant
<b>6) How amount of abatement is determined.</b>	Equal to the taxes on the entire appraised value of the property's residential improvements	Based on a special valuation	Difference between "current use" assessed value and "highest and best use" assessed value that would otherwise apply to the property	Equal to 100 percent of the additional property tax due to the increase in assessed value from the improvements, not to exceed 30 percent of the pre-improvement value of the structure	Equal to the taxes otherwise applicable to the goods and services	Equal to the taxes on the entire appraised value of the property's residential improvements	Equal to the taxes otherwise applicable to the goods and service
<b>7) Provisions for recapturing abated taxes.</b>	If a property fails to comply with affordability restriction, the City Director of Housing may cancel the tax exemption, and the County Assessor may impose fines, collect back taxes, and charge interest on back taxes	When property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, additional taxes, applicable penalties and interest are collected	When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected	None	If the project is used for any other purpose at any time during the 8-year certification period, the business must immediately repay a portion of the deferred taxes, determined by a sliding scale ranging from 100 percent recapture in the year 1 to 12.5 percent in year 8	If a portion of the property no longer meets the exemption requirements, the tax exemption is canceled and a lien will be placed on the land for the additional real property tax on the value of the non-qualifying improvements plus a 20 percent penalty and interest	All previously exempted sales and use taxes are immediately due and payable for a qualifying business or tenant that does not meet these requirements
<b>8) Types of commitments made by the City other than to reduce taxes.</b>	None	None	None	None	None	None	None
<b>9) Gross amount of City's revenues being reduced.</b>	\$ 284	\$ 1,343	\$ 54	\$ 18	\$ 11,647	\$ 9,722	\$ —
<b>Total Revenue Reduction</b>							<b>\$ 23,068</b>

<sup>a</sup> Any change in tax revenue to the City is not the direct result of the exemption but rather the associated deferral from adding the new construction of exempt properties to the King County property tax base until after each project's exemption period has terminated.

# **Required Supplementary Information**

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**BUDGET COMPARISON SCHEDULES - MAJOR GOVERNMENTAL**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Budget Comparison Schedules 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.

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ 380,477	\$ 380,477	\$ 377,802	\$ (2,675)
Sales Taxes	335,112	335,112	341,993	6,881
Business Taxes	586,213	586,213	922,130	335,917
Excise Taxes	7,821	7,821	56,435	48,614
Other Taxes	6,008	6,008	26,966	20,958
Total Taxes	1,315,631	1,315,631	1,725,326	409,695
Licenses and Permits	40,642	40,642	49,775	9,133
Grants, Shared Revenues, and Contributions	37,637	37,637	61,700	24,063
Charges for Services	60,018	60,018	101,811	41,793
Fines and Forfeits	(18,264)	(18,264)	29,771	48,035
Concessions, Parking Fees, and Space Rent	34,782	34,782	32,938	(1,844)
Program Income, Interest, and Miscellaneous Revenues	431,203	431,203	176,948	(254,255)
Total Revenues	1,901,649	1,901,649	2,178,269	276,620
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>CITY AUDITOR</b>	2,276	2,914	2,610	(304)
<b>CITY BUDGET OFFICE</b>	8,216	8,474	7,922	(552)
<b>CIVIL RIGHTS OFFICE</b>	7,911	12,296	7,661	(4,635)
<b>CIVIL SERVICE COMMISSIONS</b>	895	993	809	(184)
<b>COMMUNITY POLICE COMMISSION</b>	1,888	1,888	1,796	(92)
<b>COMMUNITY SAFETY</b>	20,523	25,371	22,114	(3,257)
<b>CONSTRUCTION &amp; INSPECTION DEPARTMENT</b>				—
Compliance	9,949	10,101	9,782	(319)
Govt Policy, Safety & Support	1,141	1,296	1,248	(48)
Inspections	250	250	180	(70)
Land Use Services	282	282	203	(79)
<b>ECON &amp; REVENUE FORECASTS DEPARTMENT</b>	702	702	668	(34)
<b>EDUCATION &amp; EARLY LEARNING</b>				
Early Learning	24,532	29,919	22,937	(6,982)
K-12 Programs	3,859	9,123	3,304	(5,819)
Post-Secondary Programs	—	—	—	—
Leadership & Administration	1,327	1,327	1,034	(293)
<b>EMERGENCY MANAGEMENT OFFICE</b>	2,786	6,249	4,086	(2,163)
<b>ETHICS &amp; ELECTIONS COMMISSION</b>	1,276	1,276	1,329	53
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - CAPITAL DEVELOPMENT &amp; CONSTRUCTION MANAGEMENT</b>				
ADA Improvements	900	1,601	750	(851)
Asset Preservation Schedule 1 Facilities	3,150	9,820	4,477	(5,343)
Asset Preservation Schedule 2 Facilities	1,848	4,692	3,601	(1,091)
Garden of Remembrance	—	(146)	—	146
General Govt Facilities	4,576	9,674	2,209	(7,465)
Neighborhood Fire Stations	—	(16,511)	—	16,511
Preliminary Engineering	—	603	304	(299)
Public Safety Facilities - Police	—	4,278	268	(4,010)
Public Safety Facilities - Fire	200	1,458	83	(1,375)
FAS Project Delivery Services	500	500	—	(500)
Information Technology	—	1,471	—	(1,471)

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**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES AND ENCUMBRANCES (continued)</b>				
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - FACILITIES</b>				
Seattle Animal Shelter	—	—	2	2
FAS Oversight - External Proj	—	(15)	—	15
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - FLEETS</b>				
Seattle Animal Shelter	—	—	—	—
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - OTHER SERVICES</b>				
Leadership and Administration	2,620	2,980	2,208	(772)
City Finance	6,461	6,840	5,521	(1,319)
Employee Transit Benefits	4,371	4,371	2,745	(1,626)
FileLocal Agency	468	523	440	(83)
Garden of Remembrance	32	178	—	(178)
Indigent Defense Services	12,606	12,606	10,854	(1,752)
Information Technology	—	3,712	380	(3,332)
Jail Services	21,439	21,439	19,562	(1,877)
Judgment & Claims - Claims	3,524	9,724	3,894	(5,830)
Judgment & Claims - General	88	88	—	(88)
Judgment & Claims - General Liability	—	10,000	—	(10,000)
Judgment & Claims - Litigation	29,182	41,982	30,910	(11,072)
Judgment & Claims - Police Act	8,800	8,800	8,036	(764)
Neighborhood Fire Station	5,274	21,514	—	(21,514)
Oversight - External Projects	1,010	2,779	601	(2,178)
Office of Constituent Services	219	219	160	(59)
General Govt Facilities	—	(725)	—	725
City Services	360	560	272	(288)
City Purchasing & Contracting	—	300	147	(153)
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - REGULATORY COMPLIANCE &amp; CONSUMER PROTECTION</b>				
	6,775	6,775	5,679	(1,096)
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - SEATTLE ANIMAL SHELTER</b>				
	5,032	5,222	4,696	(526)
<b>FINANCE GENERAL</b>				
Appropriation to Special Funds	60,482	64,281	59,968	(4,313)
Reserves	55,973	81,402	50,351	(31,051)
<b>FIRE DEPARTMENT</b>				
Fire Prevention	11,719	11,719	11,716	(3)
Leadership & Administration	48,084	48,903	48,786	(117)
Operations	211,484	230,707	223,947	(6,760)
<b>FIREFIGHTERS PENSION</b>				
	22,973	24,075	21,056	(3,019)
<b>HEARING EXAMINER</b>				
	1,163	1,163	1,144	(19)
<b>HOUSING OFFICE</b>				
Homeownership & Sustainability	8,794	15,029	2,806	(12,223)
Leadership and Administration	1,623	2,102	1,450	(652)
Multifamily Housing	131,651	195,563	66,567	(128,996)
<b>HUMAN RESOURCES</b>				
GTL/LTD/AD&D Insurance Service	6,663	6,663	6,494	(169)
Health Care Services	325,891	325,891	311,889	(14,002)
HR Services	24,861	24,861	23,849	(1,012)
Industrial Insurance Services	39,642	39,642	47,933	8,291
Leadership & Administration	—	668	180	(488)
Unemployment Services	2,840	2,840	1,569	(1,271)

**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

EXPENDITURES AND ENCUMBRANCES (continued)	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>HUMAN SERVICES DEPARTMENT</b>				
Addressing Homelessness	98,766	108,222	68,273	(39,949)
Leadership & Administration	12,293	12,403	11,767	(636)
Preparing Youth for Success	15,881	16,224	15,375	(849)
Promoting Healthy Aging	10,822	10,867	10,445	(422)
Promoting Public Health	16,801	18,345	16,320	(2,025)
Supporting Affordability & Livability	24,615	28,264	18,297	(9,967)
Supporting Safe Communities	52,652	55,582	52,228	(3,354)
<b>IMMIGRANT &amp; REFUGEE AFFAIRS</b>	5,063	7,477	5,487	(1,990)
<b>INFORMATION TECHNOLOGY DEPARTMENT</b>				
Cable Franchise	6,943	6,943	6,399	(544)
Frontline Services & Workplace Applications	225	—	—	—
	422	422	200	(222)
<b>INSPECTOR GENERAL FOR PUBLIC SAFETY</b>	3,934	4,752	3,836	(916)
<b>INTERGOVERNMENTAL RELATIONS OFFICE</b>	3,106	3,376	3,375	(1)
<b>LABOR STANDARDS OFFICE</b>	8,433	9,679	8,797	(882)
<b>LAW DEPARTMENT</b>				
Civil	16,604	16,604	16,557	(47)
Criminal	9,843	11,991	11,059	(932)
Leadership & Administration	12,848	12,848	12,770	(78)
Precinct Liaison	728	728	728	—
<b>LEGISLATIVE DEPARTMENT</b>				
Leadership & Administration	5,106	5,356	5,327	(29)
Legislative Department	15,711	16,019	14,232	(1,787)
<b>MAYORS OFFICE</b>	10,406	10,677	9,885	(792)
<b>MUNICIPAL COURTS</b>				
Administration	18,276	19,079	18,802	(277)
Court Compliance	5,060	5,060	5,049	(11)
Court Operations	17,580	17,843	17,735	(108)
<b>NEIGHBORHOODS DEPARTMENT</b>				
Community Building	8,088	11,761	7,998	(3,763)
Community Grants	6,153	11,943	6,156	(5,787)
Leadership & Administration	5,704	5,826	5,466	(360)
<b>OFFICE OF ARTS &amp; CULTURE</b>				
Arts & Cultural Programs	8,251	13,043	10,030	(3,013)
Cultural Space	1,314	4,944	1,036	(3,908)
Leadership & Administration	3,484	3,676	2,634	(1,042)
Public Art	—	—	—	—
<b>OFFICE OF ECONOMIC DEVELOPMENT &amp; SPECIAL EVENTS</b>				
Business Services	23,265	41,559	16,682	(24,877)
Leadership & Administration	4,371	5,451	4,054	(1,397)
<b>OFFICE OF SUSTAINABILITY &amp; THE ENVIRONMENT</b>	29,123	45,394	17,289	(28,105)
<b>OFFICE OF THE EMPLOYEE OMBUDSMEN</b>	1,152	1,152	1,105	(47)

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**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES AND ENCUMBRANCES (continued)</b>				
<b>PARKS &amp; RECREATION</b>				
2008 Parks Levy	—	—	—	—
Building For The Future Program - Construction in Progress	—	11,879	4,585	(7,294)
Debt & Special Funding	86	1,568	843	(725)
Department Wide Programs	3,976	3,976	3,615	(361)
Fix It First Program -Construction in Progress	20,947	80,237	30,474	(49,763)
Leadership & Administration	37,603	36,603	36,699	96
Maintaining Parks & Facilities	—	—	—	—
Parks & Facilities Maintenance & Repairs	56,184	55,934	55,874	(60)
Recreation Facility Programs	15,902	15,902	15,475	(427)
Zoo and Aquarium Programs	3,018	3,268	3,266	(2)
<b>PLANNING &amp; COMMUNITY OFFICE</b>				
Design Commission	679	687	629	(58)
Equitable Development Initiative	20,172	64,936	15,383	(49,553)
Planning & Community Development	10,001	20,097	10,309	(9,788)
<b>POLICE DEPARTMENT</b>				
Administrative Operations/Technical Services	28,640	29,697	28,764	(933)
Chief of Police	14,797	19,669	15,366	(4,303)
Collaborative Policing	12,557	12,557	12,555	(2)
Compliance & Professional Standards	5,176	5,176	5,174	(2)
Criminal Investigations	43,929	52,999	47,007	(5,992)
East Precinct	18,843	18,843	18,843	—
Leadership & Administration	87,116	92,611	90,155	(2,456)
North Precinct	28,184	28,184	28,183	(1)
Office of Police Account	5,484	5,434	5,396	(38)
Patrol Operations	13,477	13,477	13,475	(2)
South Precinct	19,061	19,061	19,060	(1)
Southwest Precinct	14,202	14,202	14,202	—
Special Operations	57,652	70,697	64,873	(5,824)
West Precinct	22,050	22,510	22,509	(1)
<b>POLICE RELIEF &amp; PENSION</b>	26,741	26,741	17,229	(9,512)
<b>SEATTLE CENTER</b>				
Building & Campus Improvements	10,643	26,087	7,817	(18,270)
Campus	8,427	8,499	8,499	—
Leadership & Administration	6,406	6,409	6,409	—
McCaw Hall	714	756	756	—
Monorail Rehabilitation	—	—	—	—
<b>SEATTLE PUBLIC LIBRARY</b>				
Administrative/Support Service	10,353	10,752	10,085	(667)
Capital Improvements	1,948	9,144	6,077	(3,067)
Chief Librarian's Office	559	929	833	(96)
Human Resources	2,479	2,963	2,826	(137)
Institutional & Strategic Advantage	1,206	1,806	1,652	(154)
Leadership & Administration	—	84	57	(27)
Library Program & Services	49,423	54,789	53,578	(1,211)



**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES AND ENCUMBRANCES (continued)</b>				
<b>SEATTLE PUBLIC UTILITIES</b>				
General Expense	2,032	2,162	2,144	(18)
Leadership & Administration	—	—	(1)	(1)
Utility Service & Operations	25,224	25,791	20,579	(5,212)
<b>TRANSPORTATION DEPARTMENT</b>				
Bridges & Structures	5,255	5,255	5,223	(32)
Central Waterfront	5,013	11,019	4	(11,015)
General Expense	23,014	22,516	8,801	(13,715)
Leadership & Administration	—	—	—	—
Maintenance Operations	12,324	11,784	11,512	(272)
Major Maintenance/Replacement	15,499	25,926	6,883	(19,043)
Major Projects	—	—	—	—
Mobility - Capital	14,886	24,138	5,463	(18,675)
Mobility - Operations	24,690	25,452	25,437	(15)
Parking Enforcement	—	—	—	—
Total Expenditures and Encumbrances	<u>2,410,686</u>	<u>2,911,998</u>	<u>2,245,157</u>	<u>(666,841)</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(509,037)	(1,010,349)	(66,888)	943,461
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Leases & Installments	—	—	—	—
Transfers In	193,704	193,704	14,667	(179,037)
Transfers Out	(211,957)	(195,184)	(41,223)	153,961
Total Other Financing Sources (Uses)	<u>(18,253)</u>	<u>(1,480)</u>	<u>(26,556)</u>	<u>(25,076)</u>
Net Change in Fund Balance	<u>\$ (527,290)</u>	<u>\$ (1,011,829)</u>	(93,444)	<u>\$ 918,385</u>
Fund Balance - Beginning of Year			1,006,202	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			<u>278,106</u>	
Fund Balance - End of Year			<u>\$ 1,190,864</u>	

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**TRANSPORTATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ 108,359	\$ 108,359	\$ 108,921	\$ 562
Sales Taxes	—	—	256	256
Business Taxes	45,035	45,035	51,686	6,651
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Total Taxes	<u>153,394</u>	<u>153,394</u>	<u>160,863</u>	<u>7,469</u>
Licenses and Permits	11,959	11,959	11,926	(33)
Grants, Shared Revenues, and Contributions	92,140	92,140	49,748	(42,392)
Charges for Services	152,677	152,677	150,275	(2,402)
Fines and Forfeits	1,414	1,414	3,011	1,597
Concessions, Parking Fees, and Space Rent	—	—	197	197
Program Income, Interest, and Miscellaneous Revenues	—	—	5,631	5,631
Total Revenues	<u>411,584</u>	<u>411,584</u>	<u>381,651</u>	<u>(29,933)</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>FINANCE &amp; ADMINISTRATIVE SERVICES - FACILITIES</b>				
<b>HUMAN RESOURCES</b>				
Industrial Insurance Services	—	—	—	—
<b>TRANSPORTATION DEPARTMENT</b>				
Bridges & Structures	9,945	10,005	8,136	(1,869)
Central Waterfront	15,240	30,908	22,247	(8,661)
General Expense	29,274	24,311	1,656	(22,655)
Maintenance Operations	34,604	39,849	31,684	(8,165)
Major Maintenance/Replacement	37,112	90,682	39,380	(51,302)
Major Projects	1,922	9,547	2,182	(7,365)
Mobility Operations	28,169	36,600	24,509	(12,091)
ROW Management	47,547	47,524	40,095	(7,429)
Leadership & Administration	—	13,000	8,285	(4,715)
Waterfront & Civic Projects	33,642	33,317	27,319	(5,998)
Mobility - Capital	185,794	283,993	140,530	(143,463)
Parking Enforcement	—	—	—	—
Streetcar Operations - S Lake Union	—	—	—	—
Total Expenditures and Encumbrances	<u>423,249</u>	<u>619,736</u>	<u>346,023</u>	<u>(273,713)</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(11,665)	(208,152)	35,628	243,780

**TRANSPORATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	21	21
Leases & Installments	—	—	(4)	(4)
Transfers In	—	—	—	—
Transfers Out	—	—	(22,656)	(22,656)
Total Other Financing Sources (Uses)	—	—	(22,639)	(22,639)
Net Change in Fund Balance	<u>\$ (11,665)</u>	<u>\$ (208,152)</u>	12,989	<u>\$ 221,141</u>
Fund Balance - Beginning of Year			108,688	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			<u>(6,623)</u>	
Fund Balance - End of Year			<u>\$ 115,054</u>	

### PENSION AND OPEB PLAN INFORMATION

#### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Firemen's and Police Relief and Pension funds are both pension plans that fail to meet the requirements of GASB Statement No. 68. Therefore, Firemen's and Police Relief and Pension funds are accounted for in accordance with GASB Statement No. 73. The required supplementary information (C3) reports the long-term actuarial data on the Schedule of Funding Progress and Schedule of Employer Contributions as of the plans' reporting dates for the past 10 consecutive fiscal years. The information presented in these schedules was part of the latest actuarial valuations at the dates indicated in Note 11.

Under GASB Statement No. 68, the City's cost-sharing multiple-employer plans are the Seattle City Employees' Retirement System (SCERS), the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1 (LEOFF1) and the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF2). As required by GASB Statement No. 68 the required supplementary information (C4, C5) reports a 10 year Schedule of Proportionate Share of the Net Pension Liability as of the plan's measurement date of the collective net pension liability, and a 10 year Schedule of Employer Contribution as of the City's most recent fiscal year-end, for each pension plan separately.

In 2018, the City implemented GASB Statement No. 75, which requires a schedule of changes in total OPEB liability and related ratios for each of the 10 most recent fiscal years as required supplementary information. The schedule separately presents the required information for each OPEB plan (C6).

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PENSION PLAN INFORMATION

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

December 31, 2023

(In Thousands)

*Police Relief and Pension Fund*

Year Ended	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service Cost				\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A
Interest on total pension liability	2,662	1,927	1,927	2,446	3,061	3,024	3,401	N/A	N/A	N/A
Effect of plan changes				—	—	—	—	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	(5,787)	(353)	2,428	(1,144)	5,602	2,569	—	N/A	N/A	N/A
Effect of assumption changes or inputs	6,356	(17,510)	4,534	14,260	11,816	(4,809)	1,689	N/A	N/A	N/A
Benefit payments	(9,119)	(8,622)	(8,092)	(7,997)	(8,075)	(13,227)	(5,593)	N/A	N/A	N/A
Net change in pension liability	(5,889)	(24,558)	797	7,564	12,404	(12,443)	(503)	N/A	N/A	N/A
Total pension liability, beginning	76,721	101,279	100,482	92,917	80,513	92,956	93,459	N/A	N/A	N/A
Total pension liability, ending	70,832	76,721	101,279	100,482	92,917	80,513	92,956	N/A	N/A	N/A
Covered payroll	—	—	—	—	—	—	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

*Firefighters' Pension Fund*

Year Ended	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Service Cost				\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A
Interest on total pension liability	3,218	2,288	2,205	2,383	3,298	3,325	3,623	N/A	N/A	N/A
Effect of plan changes				—	—	—	—	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	7,364	5,273	2,206	15,595	(525)	(2,082)	—	N/A	N/A	N/A
Effect of assumption changes or inputs	3,566	(26,820)	7,583	13,867	9,030	(6,739)	2,118	N/A	N/A	N/A
Benefit payments	(9,634)	(7,782)	(8,299)	(7,988)	(6,939)	(7,197)	(7,485)	N/A	N/A	N/A
Net change in pension liability	4,515	(27,040)	3,693	23,857	4,864	(12,693)	(1,744)	N/A	N/A	N/A
Total pension liability, beginning	91,254	118,294	114,601	90,744	85,880	98,573	100,317	N/A	N/A	N/A
Total pension liability, ending	\$95,769	91,254	118,294	114,601	90,744	85,880	98,573	N/A	N/A	N/A
Covered payroll	—	—	—	—	—	—	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.  
Covered payroll is the payroll on which contributions to a pension plan are based.

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Seattle City Employees' Retirement System**  
**December 31, 2023**  
*(In Thousands)*

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Employer's proportion of the net pension liability (asset)	99.97%	99.97%	99.96%	99.96%	99.95%
Employer's proportionate share of the net pension liability	\$ 1,512,547	\$ 828,352	\$ 978,647	\$ 978,647	\$ 1,518,484
Covered payroll	\$ 900,233	\$ 863,762	\$ 875,457	\$ 783,740	\$ 774,235
Employer's proportionate share of the net pension liability as a percentage of covered payroll	167.83%	95.9%	111.79%	124.87%	196.13%
Plan fiduciary net position as a percentage of the total pension liability	70.63%	83.31%	78.81%	71.48%	64.14%
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Employer's proportion of the net pension liability (asset)	99.95%	99.93%	99.91%	99.89%	N/A
Employer's proportionate share of the net pension liability	\$ 1,106,617	\$ 1,304,140	\$ 1,297,983	\$1,106,800	N/A
Covered payroll	\$ 728,094	\$ 708,562	\$ 638,354	\$626,403	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	151.99%	184.05%	203.33%	176.69%	N/A
Plan fiduciary net position as a percentage of the total pension liability	72.04%	65.6%	64.03%	67.7%	N/A

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

**Notes to Schedule:**

Valuation Timing: Actuarially determined contribution rates are calculated as of January 1, one year prior to the fiscal year in which the contributions will apply.

Methods and assumptions used to determine contribution rates are:

- Actuarial Cost Method: Individual Entry Age Normal
- Amortization method: Level percent
- Remaining amortization period: Closed 30 years as of January 1, 2013 Valuation
- Asset valuation method: 5 years smoothed, non-asymptotic, none corridor
- Inflation: 2.60%
- Investment rate of return: 6.75%
- Cost of Living Adjustments: Annual compounding COLA of 1.5% assumed
- Mortality: Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale.

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**June 30, 2023**  
*(In Thousands)*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer's proportion of the net pension liability (asset)	3.57%	3.56%	3.57%	3.56%	3.58%
Employer's proportionate share of the net pension liability	\$ 105,863	\$ 102,018	\$ 122,142	\$ 67,192	\$ 70,673
Covered payroll	\$ 472	\$ 534	\$ 574	\$ 924	\$ 992
Employer's proportionate share of the net pension liability as a percentage of covered payroll	22,440%	19,094%	21,293%	7,274.37%	7,127.78%
Plan fiduciary net position as a percentage of the total pension liability	175.99%	169.62%	187.45%	146.88%	148.78%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	3.57%	3.55%	3.55%	3.55%	3.55%
Employer's proportionate share of the net pension liability	\$ 64,885	\$ 53,981	\$ 36,619	\$ 42,771	\$ 43,065
Covered payroll	\$ 1,391	\$ 2,023	\$ 2,542	\$ 3,930	\$ 4,905
Employer's proportionate share of the net pension liability as a percentage of covered payroll	4,664.63%	2,668.36%	1,440.33%	1,088.29%	877.98%
Plan fiduciary net position as a percentage of the total pension liability	144.42%	135.96%	123.74%	127.36%	126.91%

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

Notes to Schedule:

The total pension liability was determined by an actuarial valuation as of June 30, 2022 with the results rolled forward to June 30, 2023 using the following actuarial assumptions:

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increases: in addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment rate of return: 7.00%
- Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**June 30, 2023**  
*(In Thousands)*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Employer's proportion of the net pension liability (asset)	7.68%	8.18%	8.75%	10.24%	8.95%
Employer's proportionate share of the net pension asset	\$ 184,220	\$ 222,387	\$ 508,394	\$ 208,853	\$ 207,455
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	117,641	144,058	327,969	133,546	135,855
<b>Total</b>	<b>\$ 301,860</b>	<b>\$ 366,445</b>	<b>\$ 836,636</b>	<b>\$ 342,398</b>	<b>\$ 343,310</b>
Covered payroll	\$ 344,561	\$ 327,786	\$ 319,504	\$ 345,171	\$ 313,037
Employer's proportionate share of the net pension liability as a percentage of covered payroll	53%	68%	159%	60.51%	66.27%
Plan fiduciary net position as a percentage of the total pension asset	113.17%	116.09%	142%	115.83%	119.43%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's proportion of the net pension liability (asset)	9.08%	9.17%	9.36%	9.31%	9.4%
Employer's proportionate share of the net pension asset	\$ 184,326	\$ 127,282	\$ 54,486	\$ 95,637	\$ 125,076
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	119,348	82,565	35,523	64,124	82,876
<b>Total</b>	<b>\$ 303,674</b>	<b>\$ 209,847</b>	<b>\$ 90,012</b>	<b>\$ 159,761</b>	<b>\$ 207,952</b>
Covered payroll	\$ 294,033	\$ 283,991	\$ 273,333	\$ 268,461	\$ 255,273
Employer's proportionate share of the net pension liability as a percentage of covered payroll	62.69%	44.82%	19.94%	35.62%	49%
Plan fiduciary net position as a percentage of the total pension asset	118.5%	113.36%	106.04%	111.67%	116.75%

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

**Notes to Schedule:**

The total pension liability was determined by an actuarial valuation as of June 30, 2022 with the results rolled forward to June 30, 2023 using the following actuarial assumptions:

- Inflation: 2.75% total economic inflation; 3.25% salary inflation
- Salary increase: in addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment rate of return: 7.00%
- Mortality rates: Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.



**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Seattle City Employees' Retirement System**  
**December 31, 2022**  
*(In Thousands)*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or Contractually required employer contributions	\$ 145,159	\$ 139,441	\$ 141,189	\$ 118,892	\$ 117,490	\$ 111,742	\$ 107,900	\$ 100,614	\$ 89,363	N/A
Contributions in relation to the statutorily or contractually required contributions	144,994	139,282	141,029	141,029	118,393	111,742	108,500	100,614	89,363	N/A
Contribution deficiency (excess)	<u>\$ 165</u>	<u>\$ 159</u>	<u>\$ 159</u>	<u>\$ (22,137)</u>	<u>\$ (902)</u>	<u>\$ —</u>	<u>\$ (600)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>N/A</u>
Covered payroll	\$ 900,233	\$ 863,762	\$ 875,457	\$ 875,457	\$ 783,740	\$ 774,235	\$ 708,562	\$ 638,354	\$ 626,403	N/A
Contributions as a percentage of covered payroll	16.11%	16.12%	16.11%	16.11%	15.11%	14.43%	15.31%	15.76%	14.27%	N/A

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

Notes to Schedule:

Valuation Timing: Actuarially determined contribution rates are calculated as of January 1, one year prior to the fiscal year in which the contributions will apply.

Methods and assumptions used to determine contribution rates are:

- Actuarial Cost Method: Individual Entry Age Normal
- Amortization method: Level percent
- Remaining amortization period: Closed 30 years as of January 1, 2013 Valuation
- Asset valuation method: 5 years smoothed, non-asymptotic, none corridor
- Inflation: 2.60%
- Investment rate of return: 6.75%
- Cost of Living Adjustments: Annual compounding COLA of 1.5% assumed
- Mortality: Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale.

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**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1**  
**December 31, 2023**  
**(In Thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions <sup>b</sup>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions <sup>b</sup>	—	—	—	—	—	—	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	\$ 350	\$ 523	\$ 574	\$ 697	\$ 971	\$ 1,165	\$ 2,023	\$ 2,542	\$ 3,930	\$ 4,905
Contributions as a percentage of covered payroll	—%	—%	—%	—%	—%	—%	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

LEOFF Plan 1 is fully funded, and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation.

Notes to Schedule:

The total pension liability was determined by an actuarial valuation as of June 30, 2021 with the results rolled forward to June 30, 2022 using the following actuarial assumptions:

- Inflation: 2.75% total economic inflation
- Salary increase: in addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment rate of return: 7.00%
- Mortality rates were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status (that is...active, retiree, or survivor).

**PENSION PLAN INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2**  
**December 31, 2023**  
**(In Thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 17,251	\$ 16,835	\$ 17,015	\$ 17,706	\$ 17,126	\$ 16,243	\$ 15,300	\$ 14,332	\$ 13,638	\$ 13,249
Contributions in relation to the statutorily or contractually required contributions	17,251	16,835	17,015	17,706	17,126	16,243	15,300	14,332	13,638	13,249
Contribution deficiency (excess)			\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 330,860	\$ 331,501	\$ 327,156	\$ 349,172	\$ 326,188	\$ 299,193	\$ 283,991	\$ 273,333	\$ 268,461	\$ 255,273
Contributions as a percentage of covered payroll	5.21%	5.08%	5.20%	5.07%	5.25%	5.43%	5.39%	5.24%	5.08%	5.19%

This schedule will be built prospectively until it contains ten years of data.

Covered payroll is the payroll on which contributions to a pension plan are based.

Notes to Schedule:

The total pension liability was determined by an actuarial valuation as of June 30, 2021 with the results rolled forward to June 30, 2022 using the following actuarial assumptions:

- Inflation: 2.75% total economic inflation
- Salary increases: in addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- Investment rate of return: 7.00%
- Mortality rates were developed using the Society of Actuaries' Pub.H-2010 Mortality rates, which vary by member status (that is...active, retiree, or survivor).

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**OPEB INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**City of Seattle Health Care Blended Premium Subsidy Plan**  
**December 31, 2023**  
**(In Thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB liability - beginning	\$ 55,703	\$ 70,258	\$ 63,624	\$ 60,947	\$61,130	\$65,648	N/A	N/A	N/A	N/A
Service cost	3,563	4,515	4,015	3,379	3,842	3,822	N/A	N/A	N/A	N/A
Interest	1,196	1,553	1,813	2,587	2,195	2,583	N/A	N/A	N/A	N/A
Changes in benefit terms				—	—	—	N/A	N/A	N/A	N/A
Differences between expected and actual experience		(16,027)		6,957	—	13,492	N/A	N/A	N/A	N/A
Changes of assumptions	(8,010)	(1,556)	3,739	(7,761)	(3,887)	(22,126)	N/A	N/A	N/A	N/A
Benefit payments	(2,436)	(3,040)	(2,934)	(2,484)	(2,334)	(2,289)	N/A	N/A	N/A	N/A
Other changes				—	—	—	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 50,016</u>	<u>\$ 55,703</u>	<u>\$ 70,257</u>	<u>\$ 63,625</u>	<u>\$60,946</u>	<u>\$61,130</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	\$ 1,145,863	\$ 1,145,863	\$ 1,124,692	\$ 1,124,692	\$1,015,097	\$1,015,097	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	4.36%	4.86%	6.25%	5.66%	6.00%	6.02%	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75

Notes to Schedule:

All OPEB plans are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Method and assumptions used to determine OPEB liability for fiscal year end 2023 are:

- Valuation Method: Entry Age Normal actuarial cost method
- Discount rate: 3.72% is used for the January 1, 2023 valuation
- Dependent coverage percentage assumption: 2.5%
- Demographic assumptions for General Service participants were updated to reflect the most recent assumptions developed in Milliman 2018-2021 Demographic Experience Study.
- The trend assumptions on medical claims and retiree premiums were updated to reflect the expected increase on future medical costs.

**OPEB INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**City of Seattle Retiree Medical and Long-Term Care Benefits for LEOFF 1 Fire Employees**  
**December 31, 2023**  
**(In Thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB liability - beginning	\$ 243,775	\$ 290,597	\$ 300,862	\$269,926	\$268,828	\$287,302	N/A	N/A	N/A	N/A
Service cost				—	—	—	N/A	N/A	N/A	N/A
Interest	8,887	5,688	5,894	7,260	10,525	9,855	N/A	N/A	N/A	N/A
Changes in benefit terms				—	—	—	N/A	N/A	N/A	N/A
Differences between expected and actual experience				—	—	—	N/A	N/A	N/A	N/A
Effect of plan changes				7,800	—	—	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	5,185	3,074	(2,075)	580	(7,497)	—	N/A	N/A	N/A	N/A
Changes of assumptions	11,309	(43,039)	(1,718)	27,249	9,583	(16,786)	N/A	N/A	N/A	N/A
Benefit payments	(13,653)	(12,545)	(12,365)	(11,954)	(11,513)	(11,543)	N/A	N/A	N/A	N/A
Other changes				—	—	—	N/A	N/A	N/A	N/A
Total OPEB liability - ending	<u>\$ 255,503</u>	<u>\$ 243,775</u>	<u>\$ 290,598</u>	<u>\$300,861</u>	<u>\$269,926</u>	<u>\$268,828</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75

Notes to Schedule:

All OPEB plans are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.  
Method and assumptions used to determine OPEB liability for fiscal year end 2023 are:

- Valuation Method: Entry Age Normal actuarial cost method
- Discount rate: 3.25%
- Valuation of assets are carried on a market-value basis.
- Mortality: Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.

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**OPEB INFORMATION**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**City of Seattle Retiree Medical and Long-Term Care Benefits for LEOFF 1 and Escalator Employees**  
**December 31, 2023**  
**(In Thousands)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total OPEB liability - beginning	\$ 238,034	\$ 293,685	\$308,600	\$287,127	\$297,381	\$318,682	N/A	N/A	N/A	N/A
Service cost				—	—		N/A	N/A	N/A	N/A
Interest	8,653	5,730	6,012	7,682	11,599	10,903	N/A	N/A	N/A	N/A
Changes in benefit terms				—	—		N/A	N/A	N/A	N/A
Differences between expected and actual experience				—	—		N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	(6,517)	(12,669)	(534)	3,290	(9,511)		N/A	N/A	N/A	N/A
Changes of assumptions	10,101	(34,313)	(4,348)	26,184	2,637	(17,731)	N/A	N/A	N/A	N/A
Benefit payments	(14,737)	(14,399)	(16,045)	(15,683)	(14,979)	(14,472)	N/A	N/A	N/A	N/A
Other changes				—	—		N/A	N/A	N/A	N/A
<b>Total OPEB liability - ending</b>	<b>\$ 235,534</b>	<b>\$ 238,034</b>	<b>\$293,685</b>	<b>\$308,600</b>	<b>\$287,127</b>	<b>\$297,382</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Covered-employee payroll	\$ —	\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule will be built prospectively until it contains ten years of data.  
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75

**Notes to Schedule:**

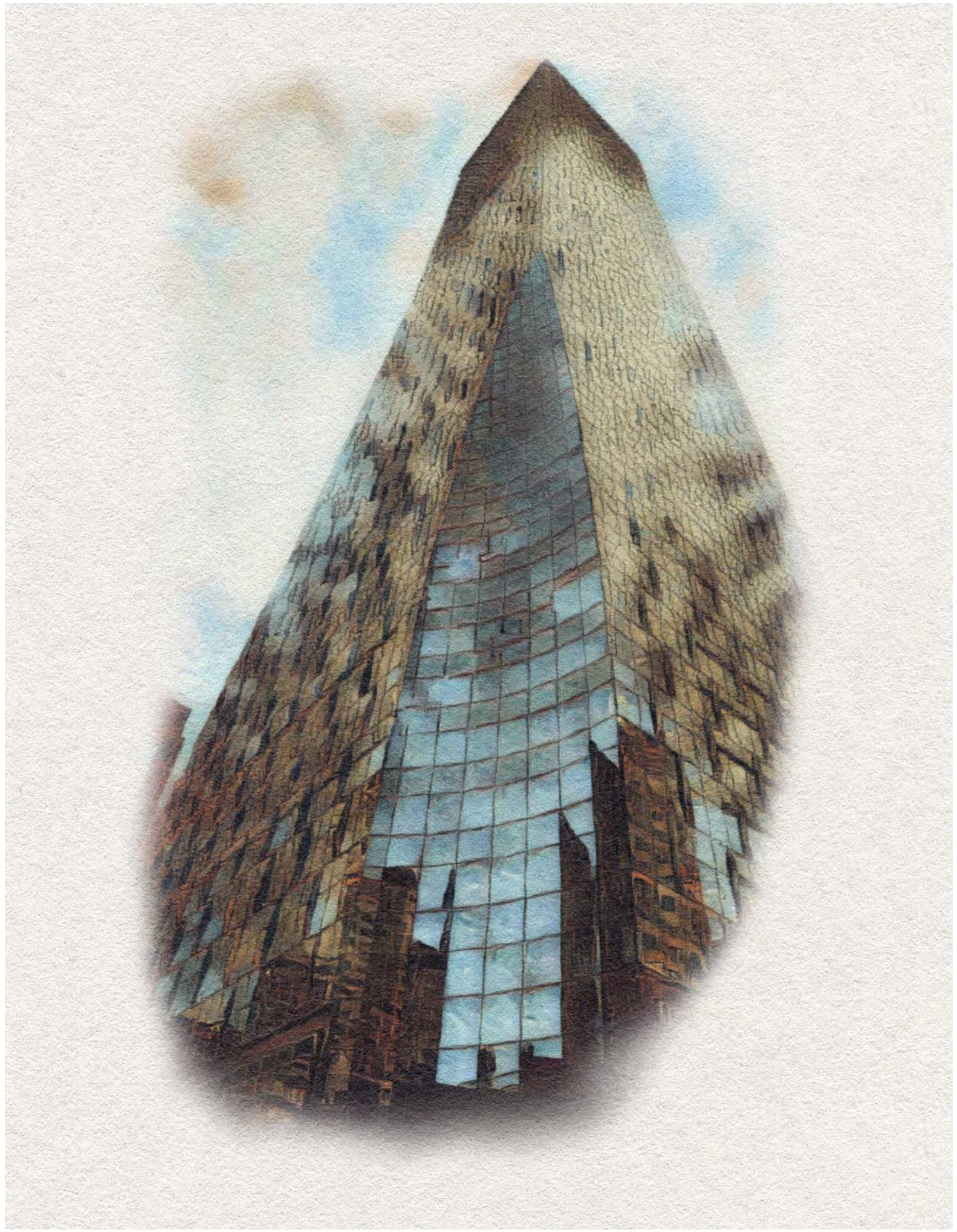
All OPEB plans are funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.  
Method and assumptions used to determine OPEB liability for fiscal year end 2023 are:

- Valuation Method: Entry Age Normal actuarial cost method
- Discount rate: 3.25%
- Valuation of assets are carried on a market-value basis.
- Mortality: Pub-2010 Safety Mortality Table (headcount-weighted) with ages set back one year for males is used for healthy annuitants. Pub-2010 Safety Disabled Mortality Table is used for disabled annuitants. A blend of rates from Pub-2010 Mortality Tables for contingent annuitants and retirees is used for surviving spouses. Mortality rates are projected forward generationally using the ultimate rates in Projection Scale MP-2017.

# **Combining Statements and Other Supplementary Information**

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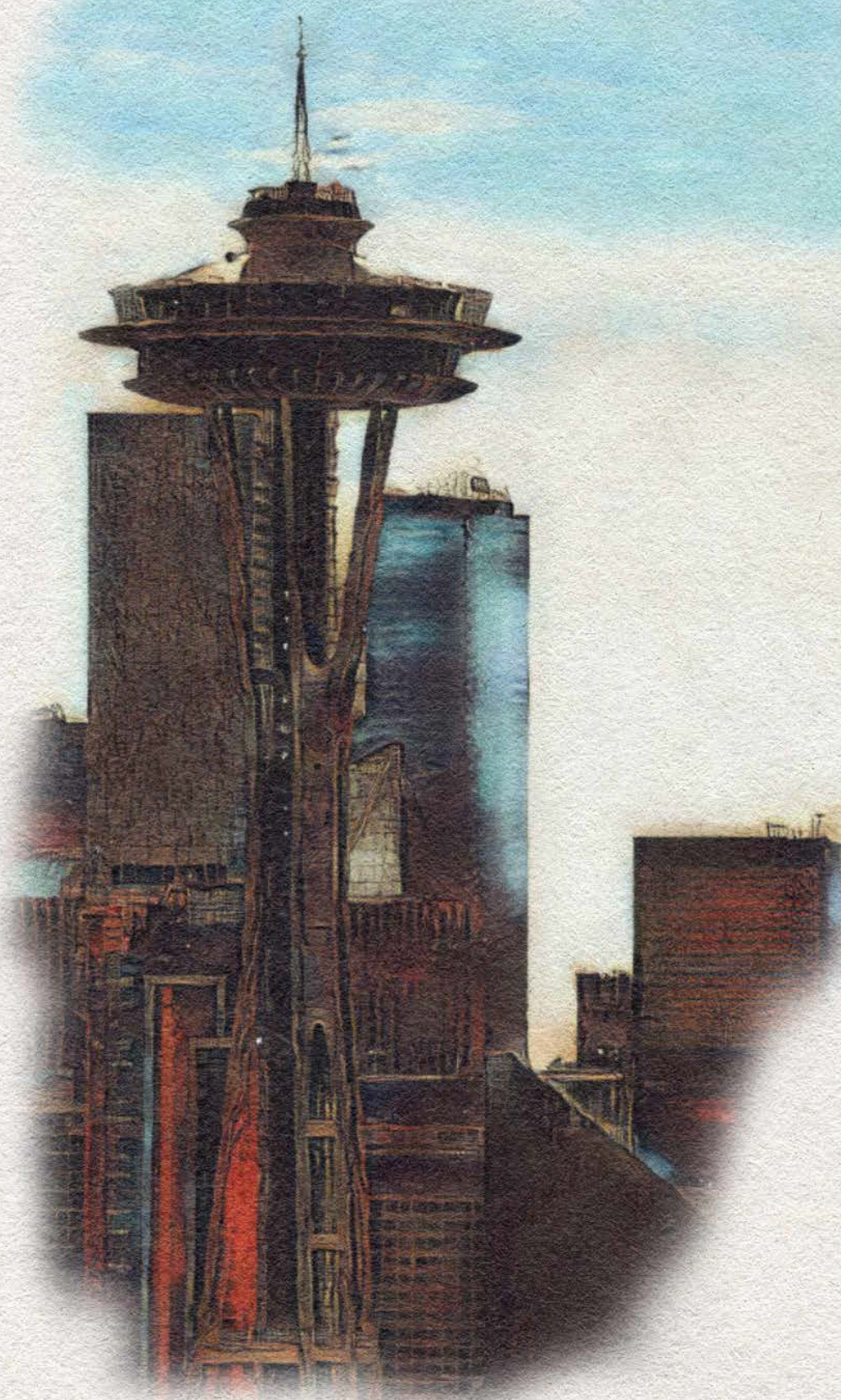




## **Nonmajor Governmental Funds**

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### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

The **Parks 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 10% 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 10% 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 10% charter revenue requirement. Transfers-in are recognized for these cash transfers in this fund. The fund also receives usage fees. The Park Capital Projects Fund was merged to this Fund in 2018.

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 monies per City ordinance.

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.

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. 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.

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 **Wheelchair Accessible Service Fund** accounts for the collection and distribution of a 10-cent per ride surcharge for all rides originating in the City of Seattle with Transportation Network Companies, non-wheelchair-accessible taxis and for-hire companies. The funds are used to help owners and operators of wheelchair accessible taxi services offset higher operational and maintenance costs.

The **Election Vouchers Fund** accounts for the expenditures of the Seattle Ethics and Elections Commission in administering a publicly financed election program created by City of Seattle Initiative Measure 122 (voter approved on November 3, 2015). The fund receives revenues from the Measure 122 authorized property tax increase, the General fund, and other monies as authorized.

The **Human Services Operating Fund** accounts for grants and General Fund monies for programs to aid low-income persons, youths, and the elderly.

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.

The **Office of Housing Fund** accounts for activities pertaining to housing development, application for and compliance with conditions for housing loans and grants.

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.

The **Preschool Levy 2014 Fund** accounts for the proceeds of a four-year tax levy approved by voters in 2014; the funding will provide high-quality preschool services for low-income Seattle children as Seattle Preschool Program.

## Nonmajor Governmental Funds

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The **Education Levy Fund** accounts for the proceeds of a seven-year levy approved by the voters in 2018; the funding will provide education services designed to improve access to early learning and high-quality preschool, K-12 school and community-based investments, K-12 school health, and post-secondary and job readiness opportunities for Seattle students.

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 for both new book titles and digital media, technology replacements and upgrades, and regular maintenance and major repairs.

The **2019 Library Levy Fund** accounts for a seven-year levy approved by the voters in 2019, for the purpose of sustaining investments in Library operating hours, collections, technology and maintenance while expanding access to opportunity through additional hours, Library materials, technology and undertaking seismic retrofits of three Library facilities.

The **School Zone Fixed Automated Cameras Fund** accounts for revenues generated from the use of school zone fixed automated cameras to enforce the school zone speed limits and improve safety for schoolchildren and other pedestrians.

The **Seattle Metropolitan Parks District Fund** is a blended component unit of the City and reported as a special revenue fund in the City's financial statements. See Note 12 for details. It accounts for the independent taxing district created through voter approval and governed by the City Council. The purpose of the district is to fund maintenance, operations, and improvements of parks, community centers, pools and other recreation facilities and programs through its power to levy and impose various taxes and fees.

The **Business Improvement Areas Fund** accounts for monies that businesses assess themselves for parking, festivals, and other nongovernmental activities.

The **Coronavirus Recovery Fund** accounts for amounts received from the federal government, and the related expenses, for relief of the COVID-19 pandemic.

The **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.

The **General Trust Fund** accounts for amounts received with restrictions under contractual agreements.

The **Municipal Arts Fund** receives at least 1% of the total cost of City capital construction projects. The City uses these monies to buy visual arts.

The **General Donations and Gift Trust Fund** (GDFT) 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. A new fund Covid-19 Donation Fund (within the GDFT funds) was created in 2020 for the depositing of donations, gifts, and grants related to the City's of Seattle's response to the Covid-19 pandemic.

The **Short-Term Rental Tax Fund** accounts for revenues collected from the Washington State Convention Center Public Facilities District from short-term rentals in Seattle. These revenues are used to support investments in affordable housing programs and community initiated equitable development projects.

The **Opioid Settlement Fund** receives proceeds from Washington State's settlement agreement with the nation's three largest opioid distributors. The City expects to receive \$14 million of the \$518 million settlement, with payments received annually over a seventeen-year period. The funds are to be used for opioid remediation, including improving and expanding treatment for opioid use and related disorders, supporting victim recovery efforts through housing and education, supporting first responders, and other efforts to mitigate the effects of the opioid epidemic.

### DEBT SERVICE FUNDS

The **General Bond Interest and Redemption Fund** receives monies from excess property tax levies to pay interest costs and principal redemptions on voter-approved general obligation bonds. It also receives monies 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 reported in the General Fund. The proceeds of the notes funded the activities of certain LID districts.

The **Local Improvement Guaranty Fund** holds funds necessary to guaranty required debt service payments on LID bonds. The funds are also permitted by law to be used to enforce, foreclose upon, and protect assessment liens and to support assessment deferrals for qualifying economically-disadvantaged property owners. The City's LID bond covenants require the City to maintain a minimum balance in the Local Improvement Guaranty Fund and the City is authorized to levy a special property tax (that is in addition to and not subject to the limitations on its regular property tax levy) to maintain that minimum balance and to replenish any draws on the Guaranty Fund. The City is also permitted, but not required, to use General Fund resources for this purpose. The City is prohibited by statute from withdrawing funds (except for the purposes described above) in an amount that would cause the balance to fall below 10% of net outstanding LID debt.

### CAPITAL PROJECTS FUNDS

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.

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.

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.

The **2013 King County Parks Levy Fund** was established in 2013 to account for the issuance and sale of limited tax general obligation bonds to pay all or part of the City's capital improvement program, to refinance certain outstanding bonds of the Pike Place Market Preservation and Development Authority and the Seattle-Chinatown-International District Preservation and Development Authority, improvements to Benaroya Hall and to pay the cost of issuance of the bonds.

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.

The **2014 Multipurpose Long-Term General Obligation Bond Fund** was established in 2014 to pay all or part of the cost of various City's capital improvement programs and other City purposes, to carry out the refunding for the Pike Place Market Preservation and Development Authority and the Seattle-Chinatown-International District Preservation and Development Authority, to pay the costs of the Benaroya Hall Music Center projects, and to pay other general obligation Bonds.

The **2015 Multipurpose Long-Term General Obligation Bond Fund** was established in 2014 to account for the proceeds of the issuance of bonds to provide funding for the City's capital projects such as King Street Station, Bridge Seismic Refits, Fire Station Projects, Mercer Corridor projects, and other capital projects.

The **2016 Multipurpose Long-Term General Obligation Bond Fund** was established in 2015 to pay all or part of the costs of various elements of the City's capital improvement program and other City purposes approved by ordinance, to provide a contribution to

the Pike Place market Preservation and Development Authority for the financing of certain improvements, and to pay the costs of issuance of the bonds.

The **2017 Multipurpose Long-Term General Obligation Bond Fund** was established in 2016 to pay all or part of the costs of various elements of the City's capital improvement program and other City purposes approved by ordinance, and to authorize the loan of funds from the City Consolidated (Residual) cash pool for bridge financing of the Haller Lake Improvement project.

The **2018 Multipurpose Long-Term General Obligation Bond Fund** was established in 2017 to pay all or part of the costs of various elements of the City's capital improvement program such as Low Income Housing, Alaska Way Corridor, Financial IT Upgrades, Municipal Court IT Upgrades, and other City purposes approved by ordinance.

The **2019 Multipurpose Long-Term General Obligation Bond Fund** was established in 2018 to pay all or part of the costs of various elements of the City's capital improvement program such as Elliot Bay Seawall, Seattle Municipal Tower Chiller, Seattle Police IT Infrastructure, Low Income Housing and other City purposes approved by ordinance.

The **2020 Multipurpose Long-Term General Obligation Bond Fund** was established in 2019 to pay all or part of the costs of various elements of the City's capital improvement program such as the Alaskan Way Corridor, Criminal Justice IT systems, Low Income Housing, SMT renovations, and other City purposes approved by ordinance.

The **2021 Multipurpose Long-Term General Obligation Bond Fund** was established in 2020 to pay all or part of the costs of various elements of the City's capital improvement program such as the West Seattle Bridge response, Fire Station 31, Data & Telephone Infrastructure, various Transportation Projects, and other City purposes approved by ordinance.

The **2022 Multipurpose Long-Term General Obligation Bond Fund** was established in 2021 to pay all or part of the costs of various elements of the City's capital improvement program such as the redevelopment of the central waterfront area, including certain improvements to the City-owned Seattle Aquarium facility, the repair of the West Seattle Bridge, and other City purposes approved by ordinance.

The **2023 Multipurpose Long-Term General Obligation Bond Fund** was established in 2022 to pay all or part of the costs of various elements of the City's capital improvement program such as the Alaskan Way Seawall, park and recreation facilities, police facilities, and fire facilities, information technology projects, a data center, and other City purposes approved by ordinance.

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.

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, county or other grants or transfers; private funding, donations or gifts; property sales proceeds; and other monies as authorized by the City Council.

The **Community Improvement Fund** accounts for monies from community improvement contributions by METRO for public improvements in the Alki and Discovery Park areas to mitigate negative construction impacts in those communities.

The **Garage Proceeds Disposition Fund** was established in 2016 to collect sale proceeds of the Pacific Place Garage, with the intention of repaying the original bonds issued to acquire and operate the garage.

The **Local Improvement Fund, District Nos. 6750 & 6751** were established in 2006 and 2019 respectively. LID Fund No. 6750 was established 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. LID Fund No. 6751 was established to account for improvements on the Seattle Waterfront.

## The City of Seattle

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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.

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.

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.

The **Public Safety Facilities and Equipment Fund** was established in December 1990 to account for the improvement of public safety equipment. The fund has received monies from the Cumulative Reserve Fund as well as Limited Tax General Obligation Bonds over the years. I.

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. 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.

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.

The **Shoreline Park Improvement Fund** accounts for Local Improvement subprogram monies for shoreline and beach park improvements that were received as METRO mitigation grants related to the expansion of the West Point sewage treatment plant. As of 2021 the Beach Maintenance fund was rolled into the Shoreline Park Improvement Fund as the funds serve the same purpose for the city.

### PERMANENT FUNDS

The **H. H. Dearborn Fund** holds a \$50,000 non-expendable gift to the City. The investment income is available for charitable purposes.

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SUMMARY BY FUND TYPE  
December 31, 2023  
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	2023
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 678,209	\$ 18,625	\$ 177,287	\$ 163	\$ 874,284
Receivables, Net of Allowances	53,636	1,894	86,622	—	142,152
Due from Other Funds	2,149	30	617	1	2,797
Due from Other Governments	27,240	—	—	—	27,240
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	1,026	—	—	—	1,026
<b>Total Assets</b>	<b>762,260</b>	<b>20,549</b>	<b>264,526</b>	<b>164</b>	<b>1,047,499</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 762,260</b>	<b>\$ 20,549</b>	<b>\$ 264,526</b>	<b>\$ 164</b>	<b>\$ 1,047,499</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 63,151	\$ —	\$ 1,559	\$ —	\$ 64,710
Contracts Payable	436	—	5	—	441
Salaries, Benefits, and Taxes Payable	5,426	—	47	—	5,473
Due to Other Funds	200	2	1	—	203
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	31,237	—	—	—	31,237
Interfund Loans and Advances	14,757	—	—	—	14,757
Other Current Liabilities	20,098	—	88	—	20,186
<b>Total Liabilities</b>	<b>135,305</b>	<b>2</b>	<b>1,700</b>	<b>—</b>	<b>137,007</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	6,967	1,540	85,849	—	94,356
<b>FUND BALANCES</b>					
Nonspendable	475	—	—	50	525
Restricted	447,189	19,007	176,982	114	643,292
Committed	12,756	—	—	—	12,756
Assigned	165,570	—	—	—	165,570
Unassigned	(6,002)	—	(5)	—	(6,007)
<b>Total Fund Balances</b>	<b>619,988</b>	<b>19,007</b>	<b>176,977</b>	<b>164</b>	<b>816,136</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 762,260</b>	<b>\$ 20,549</b>	<b>\$ 264,526</b>	<b>\$ 164</b>	<b>\$ 1,047,499</b>



# The City of Seattle

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2023  
(In Thousands)**

	Parks and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation	Seattle Center	Wheelchair Accessibility
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 47,687	\$ 3,295	\$ —	\$ 416	\$ 8,592	\$ 8,141
Receivables, Net of Allowances	10,045	272	—	1	4,089	316
Due from Other Funds	111	11	—	1	28	25
Due from Other Governments	1,570	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	449	—	—	—	577	—
<b>Total Assets</b>	<b>59,862</b>	<b>3,578</b>	<b>—</b>	<b>418</b>	<b>13,286</b>	<b>8,482</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 59,862</u>	<u>\$ 3,578</u>	<u>\$ —</u>	<u>\$ 418</u>	<u>\$ 13,286</u>	<u>\$ 8,482</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 10,884	\$ 2	\$ —	\$ —	\$ 1,780	\$ 78
Contracts Payable	436	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	3,165	8	—	—	867	5
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	343	848	—	—	1,268	—
Interfund Loans and Advances	—	—	—	—	14,757	—
Other Current Liabilities	9,113	—	—	—	562	—
<b>Total Liabilities</b>	<b>23,941</b>	<b>858</b>	<b>—</b>	<b>—</b>	<b>19,234</b>	<b>83</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	475	—	—	—	—	—
Restricted	21,266	—	—	—	—	—
Committed	—	—	—	—	—	—
Assigned	14,180	2,720	—	418	—	8,399
Unassigned	—	—	—	—	(5,948)	—
<b>Total Fund Balances</b>	<b>35,921</b>	<b>2,720</b>	<b>—</b>	<b>418</b>	<b>(5,948)</b>	<b>8,399</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 59,862</u>	<u>\$ 3,578</u>	<u>\$ —</u>	<u>\$ 418</u>	<u>\$ 13,286</u>	<u>\$ 8,482</u>

## Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2023  
(In Thousands)**

	Election Vouchers Fund	Human Service Operating	Low-Income Housing	Office Of Housing	Education and Development Services	Preschool Levy 2014
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 7,169	\$ 8,870	\$ 170,719	\$ 24,871	\$ 13,737	\$ 2,094
Receivables, Net of Allowances	101	26,658	5,146	(3,557)	22	9
Due from Other Funds	22	14	689	70	42	7
Due from Other Governments	—	9,636	4,857	686	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>7,292</b>	<b>45,178</b>	<b>181,411</b>	<b>22,070</b>	<b>13,801</b>	<b>2,110</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 7,292</b>	<b>\$ 45,178</b>	<b>\$ 181,411</b>	<b>\$ 22,070</b>	<b>\$ 13,801</b>	<b>\$ 2,110</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 4	\$ 20,965	\$ 1,845	\$ 407	\$ —	\$ 83
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	10	570	—	230	—	—
Due to Other Funds	—	—	168	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	2	1,070	869	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	8,377	43	1,628	—	—
<b>Total Liabilities</b>	<b>14</b>	<b>29,914</b>	<b>3,126</b>	<b>3,134</b>	<b>—</b>	<b>83</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	60	—	2,445	71	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	—	—	175,840	—	13,801	2,027
Committed	—	—	—	—	—	—
Assigned	7,218	15,264	—	18,865	—	—
Unassigned	—	—	—	—	—	—
<b>Total Fund Balances</b>	<b>7,218</b>	<b>15,264</b>	<b>175,840</b>	<b>18,865</b>	<b>13,801</b>	<b>2,027</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 7,292</b>	<b>\$ 45,178</b>	<b>\$ 181,411</b>	<b>\$ 22,070</b>	<b>\$ 13,801</b>	<b>\$ 2,110</b>

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2023  
(In Thousands)**

	Education	2012 Library Levy	2019 Library Levy	School Zone Automatic Camera Fund	Metropolitan Parks District	Business Improvement Areas
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 123,473	\$ 1,066	\$ 27,037	\$ 14,892	\$ 77,385	\$ 10,634
Receivables, Net of Allowances	3,770	(58)	1,144	—	2,535	—
Due from Other Funds	384	3	88	40	260	35
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>127,627</b>	<b>1,011</b>	<b>28,269</b>	<b>14,932</b>	<b>80,180</b>	<b>10,669</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 127,627</b>	<b>\$ 1,011</b>	<b>\$ 28,269</b>	<b>\$ 14,932</b>	<b>\$ 80,180</b>	<b>\$ 10,669</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 10,824	\$ 24	\$ 484	\$ 249	\$ 2,400	\$ 3,577
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	353	(13)	57	5	54	—
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	1	352	—	—
<b>Total Liabilities</b>	<b>11,177</b>	<b>11</b>	<b>542</b>	<b>606</b>	<b>2,454</b>	<b>3,577</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	1,774	—	621	—	1,996	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	114,676	1,000	27,106	—	75,730	7,092
Committed	—	—	—	—	—	—
Assigned	—	—	—	14,326	—	—
Unassigned	—	—	—	—	—	—
<b>Total Fund Balances</b>	<b>114,676</b>	<b>1,000</b>	<b>27,106</b>	<b>14,326</b>	<b>75,730</b>	<b>7,092</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 127,627</b>	<b>\$ 1,011</b>	<b>\$ 28,269</b>	<b>\$ 14,932</b>	<b>\$ 80,180</b>	<b>\$ 10,669</b>

## Nonmajor Governmental Funds

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2023  
(In Thousands)**

	Transportation Benefit District	General Trust	Municipal Arts	General Donation and Gift Trust	Short-Term Rental Tax	Coronavirus Recovery
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 62,171	\$ 3,153	\$ 12,818	\$ 3,472	\$ 10,273	\$ 34,655
Receivables, Net of Allowances	—	288	—	153	2,702	—
Due from Other Funds	211	23	39	10	31	—
Due from Other Governments	10,491	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>72,873</b>	<b>3,464</b>	<b>12,857</b>	<b>3,635</b>	<b>13,006</b>	<b>34,655</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Assets and Deferred Outflows of Resources	<u>\$ 72,873</u>	<u>\$ 3,464</u>	<u>\$ 12,857</u>	<u>\$ 3,635</u>	<u>\$ 13,006</u>	<u>\$ 34,655</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 206	\$ 14	\$ 61	\$ 13	\$ 1,480	\$ 7,771
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	13	—	40	3	—	59
Due to Other Funds	—	—	—	—	—	32
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	26,837
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	6	—	6	—	10
<b>Total Liabilities</b>	<b>219</b>	<b>20</b>	<b>101</b>	<b>22</b>	<b>1,480</b>	<b>34,709</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	—	3,444	—	3,613	—	—
Committed	—	—	12,756	—	—	—
Assigned	72,654	—	—	—	11,526	—
Unassigned	—	—	—	—	—	(54)
<b>Total Fund Balances</b>	<b>72,654</b>	<b>3,444</b>	<b>12,756</b>	<b>3,613</b>	<b>11,526</b>	<b>(54)</b>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 72,873</u>	<u>\$ 3,464</u>	<u>\$ 12,857</u>	<u>\$ 3,635</u>	<u>\$ 13,006</u>	<u>\$ 34,655</u>

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2023  
(In Thousands)**

	Opioid Settlement Proceed	<u>2023</u>
<b>ASSETS</b>		
Cash and Equity in Pooled Investments	\$ 1,589	\$ 678,209
Receivables, Net of Allowances	—	53,636
Due from Other Funds	5	2,149
Due from Other Governments	—	27,240
Interfund Loans and Advances	—	—
Other Current Assets	—	1,026
	<u>1,594</u>	<u>762,260</u>
Total Assets	1,594	\$ 762,260
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	<u>—</u>	<u>—</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,594</u>	<u>\$ 762,260</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ —	\$ 63,151
Contracts Payable	—	436
Salaries, Benefits, and Taxes Payable	—	5,426
Due to Other Funds	—	200
Due to Other Governments	—	—
Revenues Collected in Advance	—	31,237
Interfund Loans and Advances	—	14,757
Other Current Liabilities	—	20,098
	<u>—</u>	<u>20,098</u>
Total Liabilities		<u>\$ 135,305</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	—	6,967
<b>FUND BALANCES</b>		
Nonspendable	—	475
Restricted	1,594	447,189
Committed	—	12,756
Assigned	—	165,570
Unassigned	—	(6,002)
	<u>1,594</u>	<u>619,988</u>
Total Fund Balances	1,594	619,988
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,594</u>	<u>\$ 762,260</u>

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE  
December 31, 2023  
(In Thousands)**

	SEAS Reserve	General Bond Interest and Redemption	Interfund Notes Payable Local Improvement Districts	Local Improvement Guaranty	2023
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ —	\$ 8,786	\$ 924	\$ 8,915	\$ 18,625
Receivables, Net of Allowances	—	736	1,158	—	1,894
Due from Other Funds	—	—	3	27	30
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	—	—	—	—	—
<b>Total Assets</b>	<b>—</b>	<b>9,522</b>	<b>2,085</b>	<b>8,942</b>	<b>20,549</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ —</b>	<b>\$ 9,522</b>	<b>\$ 2,085</b>	<b>\$ 8,942</b>	<b>\$ 20,549</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —
Contracts Payable	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—
Due to Other Funds	—	2	—	—	2
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—
<b>Total Liabilities</b>	<b>—</b>	<b>2</b>	<b>—</b>	<b>—</b>	<b>2</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	—	500	1,040	—	1,540
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	—	9,020	1,045	8,942	19,007
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	—
<b>Total Fund Balances</b>	<b>—</b>	<b>9,020</b>	<b>1,045</b>	<b>8,942</b>	<b>19,007</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ —</b>	<b>\$ 9,522</b>	<b>\$ 2,085</b>	<b>\$ 8,942</b>	<b>\$ 20,549</b>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2023  
(In Thousands)**

	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement	Park Mitigation Remediation	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 564	\$ 21	\$ 2	\$ 1,399	\$ 26	\$ 4,023
Receivables, Net of Allowances	—	—	—	—	—	2
Due from Other Funds	2	—	—	4	—	13
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>566</b>	<b>21</b>	<b>2</b>	<b>1,403</b>	<b>26</b>	<b>4,038</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 566</b>	<b>\$ 21</b>	<b>\$ 2</b>	<b>\$ 1,403</b>	<b>\$ 26</b>	<b>\$ 4,038</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 13
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—	—
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>13</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	566	21	2	1,403	26	4,025
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
<b>Total Fund Balances</b>	<b>566</b>	<b>21</b>	<b>2</b>	<b>1,403</b>	<b>26</b>	<b>4,025</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 566</b>	<b>\$ 21</b>	<b>\$ 2</b>	<b>\$ 1,403</b>	<b>\$ 26</b>	<b>\$ 4,038</b>

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2023  
(In Thousands)**

	Seattle Center Redevelopment Parks Community Center	Municipal Civic Center	2003 Fire Facilities	Garage Proceeds Disposition Fund	Local Improvement, District Nos. 6750	Local Improvement, District Nos. 6751
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 1,860	\$ 1,072	\$ 131	\$ 8	\$ 90	\$ 45,057
Receivables, Net of Allowances	—	—	—	—	—	86,534
Due from Other Funds	6	3	—	—	—	190
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>1,866</b>	<b>1,075</b>	<b>131</b>	<b>8</b>	<b>90</b>	<b>131,781</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,866</b>	<b>\$ 1,075</b>	<b>\$ 131</b>	<b>\$ 8</b>	<b>\$ 90</b>	<b>\$ 131,781</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ 3	\$ —	\$ —	\$ —	\$ —	\$ —
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	1	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—	—
<b>Total Liabilities</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	—	85,849
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	1,862	1,075	131	8	90	45,932
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
<b>Total Fund Balances</b>	<b>1,862</b>	<b>1,075</b>	<b>131</b>	<b>8</b>	<b>90</b>	<b>45,932</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,866</b>	<b>\$ 1,075</b>	<b>\$ 131</b>	<b>\$ 8</b>	<b>\$ 90</b>	<b>\$ 131,781</b>



**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2023  
(In Thousands)**

	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	Central Waterfront Improvement	2013 King County Parks Levy Fund
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 3	\$ 31	\$ —	\$ 19	\$ 30,472	\$ 3,478
Receivables, Net of Allowances	—	—	—	—	—	—
Due from Other Funds	—	—	—	—	80	8
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>3</b>	<b>31</b>	<b>—</b>	<b>19</b>	<b>30,552</b>	<b>3,486</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 3</b>	<b>\$ 31</b>	<b>\$ —</b>	<b>\$ 19</b>	<b>\$ 30,552</b>	<b>\$ 3,486</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 40
Contracts Payable	—	—	5	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	2	—
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	—	—	—	—
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>5</b>	<b>—</b>	<b>2</b>	<b>40</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	3	31	—	19	30,550	3,446
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	(5)	—	—	—
<b>Total Fund Balances</b>	<b>3</b>	<b>31</b>	<b>(5)</b>	<b>19</b>	<b>30,550</b>	<b>3,446</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3</b>	<b>\$ 31</b>	<b>\$ —</b>	<b>\$ 19</b>	<b>\$ 30,552</b>	<b>\$ 3,486</b>

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2023  
(In Thousands)**

	2014 Long-Term General Obligation Bond	2015 Multipurpose Long-Term General Obligation Bond	2016 Multipurpose Long-Term General Obligation Bond	2017 Multipurpose Long-Term General Obligation Bond	2018 Multipurpose Long-Term General Obligation Bond	2019 Multipurpose Long-Term General Obligation Bond
<b>ASSETS</b>						
Cash and Equity in Pooled Investments	\$ 73	\$ 552	\$ 924	\$ 5,623	\$ 494	\$ 3,445
Receivables, Net of Allowances	—	—	—	86	—	—
Due from Other Funds	—	2	3	17	2	12
Due from Other Governments	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Assets	—	—	—	—	—	—
<b>Total Assets</b>	<b>73</b>	<b>554</b>	<b>927</b>	<b>5,726</b>	<b>496</b>	<b>3,457</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 73</b>	<b>\$ 554</b>	<b>\$ 927</b>	<b>\$ 5,726</b>	<b>\$ 496</b>	<b>\$ 3,457</b>
<b>LIABILITIES</b>						
Accounts Payable	\$ —	\$ —	\$ —	\$ 1	\$ —	\$ —
Contracts Payable	—	—	—	—	—	—
Salaries, Benefits, and Taxes Payable	—	—	—	—	—	—
Due to Other Funds	—	—	—	—	—	—
Due to Other Governments	—	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—	—
Other Current Liabilities	—	—	—	86	—	—
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>87</b>	<b>—</b>	<b>—</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	—	—	—	—	—	—
<b>FUND BALANCES</b>						
Nonspendable	—	—	—	—	—	—
Restricted	73	554	927	5,639	496	3,457
Committed	—	—	—	—	—	—
Assigned	—	—	—	—	—	—
Unassigned	—	—	—	—	—	—
<b>Total Fund Balances</b>	<b>73</b>	<b>554</b>	<b>927</b>	<b>5,639</b>	<b>496</b>	<b>3,457</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 73</b>	<b>\$ 554</b>	<b>\$ 927</b>	<b>\$ 5,726</b>	<b>\$ 496</b>	<b>\$ 3,457</b>

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
December 31, 2023  
(In Thousands)**

	2020 Multipurpose Long-Term General Obligation Bond	2021 Multipurpose Long-Term General Obligation Bond	2022 Multipurpose Long-Term General Obligation Bond	2023 Multipurpose Long-Term General Obligation Bond	2023
<b>ASSETS</b>					
Cash and Equity in Pooled Investments	\$ 386	\$ 17,532	\$ 31,381	\$ 28,621	\$ 177,287
Receivables, Net of Allowances	—	—	—	—	86,622
Due from Other Funds	—	63	107	105	617
Due from Other Governments	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Assets	—	—	—	—	—
<b>Total Assets</b>	<b>386</b>	<b>17,595</b>	<b>31,488</b>	<b>28,726</b>	<b>264,526</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	—	—	—	—	—
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 386</b>	<b>\$ 17,595</b>	<b>\$ 31,488</b>	<b>\$ 28,726</b>	<b>\$ 264,526</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 10	\$ —	\$ 1,432	\$ 60	\$ 1,559
Contracts Payable	—	—	—	—	5
Salaries, Benefits, and Taxes Payable	—	2	40	2	47
Due to Other Funds	1	—	—	—	1
Due to Other Governments	—	—	—	—	—
Revenues Collected in Advance	—	—	—	—	—
Interfund Loans and Advances	—	—	—	—	—
Other Current Liabilities	2	—	—	—	88
<b>Total Liabilities</b>	<b>13</b>	<b>2</b>	<b>1,472</b>	<b>62</b>	<b>1,700</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
	—	—	—	—	85,849
<b>FUND BALANCES</b>					
Nonspendable	—	—	—	—	—
Restricted	373	17,593	30,016	28,664	176,982
Committed	—	—	—	—	—
Assigned	—	—	—	—	—
Unassigned	—	—	—	—	(5)
<b>Total Fund Balances</b>	<b>373</b>	<b>17,593</b>	<b>30,016</b>	<b>28,664</b>	<b>176,977</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 386</b>	<b>\$ 17,595</b>	<b>\$ 31,488</b>	<b>\$ 28,726</b>	<b>\$ 264,526</b>

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**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
PERMANENT  
December 31, 2023  
(In Thousands)**

	<b>H. H. Dearborn</b>	<b>2023</b>
<b>ASSETS</b>		
Cash and Equity in Pooled Investments	\$ 163	\$ 163
Receivables, Net of Allowances	—	—
Due from Other Funds	1	1
Due from Other Governments	—	—
Interfund Loans and Advances	—	—
Other Current Assets	—	—
Total Assets	164	164
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Assets and Deferred Outflows of Resources	—	—
	\$ 164	\$ 164
<b>LIABILITIES</b>		
Accounts Payable	\$ —	\$ —
Contracts Payable	—	—
Salaries, Benefits, and Taxes Payable	—	—
Due to Other Funds	—	—
Due to Other Governments	—	—
Revenues Collected in Advance	—	—
Interfund Loans and Advances	—	—
Other Current Liabilities	—	—
Total Liabilities	—	—
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	—	—
<b>FUND BALANCES</b>		
Nonspendable	50	50
Restricted	114	114
Committed	—	—
Assigned	—	—
Unassigned	—	—
Total Fund Balances	164	164
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 164	\$ 164

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SUMMARY BY FUND TYPE  
For the Year Ended December 31, 2023  
(In Thousands)**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Funds	2023
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ 280,085	\$ 16,088	\$ —	\$ —	\$ 296,173
Sales Taxes	57,402	—	—	—	57,402
Excise Taxes	28,773	—	—	—	28,773
Other Taxes	38,261	—	—	—	38,261
Licenses and Permits	1,300	—	—	—	1,300
Grants, Shared Revenues, and Contributions	156,590	1,638	29,582	—	187,810
Charges for Services	121,051	—	700	—	121,751
Fines and Forfeits	12,666	12	27	—	12,705
Concessions, Parking Fees, and Space Rent	33,679	181	—	—	33,860
Program Income, Interest, and Miscellaneous Revenues	79,234	1,595	34,590	8	115,427
<b>Total Revenues</b>	<b>809,041</b>	<b>19,514</b>	<b>64,899</b>	<b>8</b>	<b>893,462</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	28,764	—	19,837	—	48,601
Public Safety	7,449	—	—	—	7,449
Physical Environment	437	—	—	—	437
Transportation	83,372	—	23,775	—	107,147
Economic Environment	266,286	—	—	—	266,286
Health and Human Services	153,968	—	—	—	153,968
Culture and Recreation	169,350	67	3,804	—	173,221
<b>Capital Outlay</b>					
General Government	—	—	8,668	—	8,668
Public Safety	146	—	—	—	146
Transportation	2,724	—	58,072	—	60,796
Health and Human Services	—	—	—	—	—
Culture and Recreation	38,413	41	26,215	—	64,669
<b>Debt Service</b>					
Principal	—	75,555	1,490	—	77,045
Interest	—	39,621	2,926	—	42,547
Bond Issuance Cost	—	263	268	—	531
Other	—	—	—	—	—
<b>Total Expenditures</b>	<b>750,909</b>	<b>115,547</b>	<b>145,055</b>	<b>—</b>	<b>1,011,511</b>
Excess (Deficiency) of Revenues over Expenditures	58,132	(96,033)	(80,156)	8	(118,049)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	47,995	45,930	—	93,925
Premium on Bonds Issued	—	6,659	5,771	—	12,430
Payment to Refunded Bond Escrow Agent	—	(54,391)	—	—	(54,391)
Sales of Capital Assets	—	—	—	—	—
Leases & Installments	—	—	—	—	—
Transfers In	7,136	96,822	10,126	—	114,084
Transfers Out	(17,850)	—	(28,313)	—	(46,163)
<b>Total Other Financing Sources (Uses)</b>	<b>(10,714)</b>	<b>97,085</b>	<b>33,514</b>	<b>—</b>	<b>119,885</b>
<b>Net Change in Fund Balance</b>	<b>47,418</b>	<b>1,052</b>	<b>(46,642)</b>	<b>8</b>	<b>1,836</b>
Fund Balances - Beginning of Year	572,570	17,955	223,619	156	814,300
Restatements/Prior-Year Adjustments	—	—	—	—	—
<b>Fund Balances - Beginning of Year as Restated</b>	<b>572,570</b>	<b>17,955</b>	<b>223,619</b>	<b>156</b>	<b>814,300</b>
<b>Fund Balances - End of Year</b>	<b>\$ 619,988</b>	<b>\$ 19,007</b>	<b>\$ 176,977</b>	<b>\$ 164</b>	<b>\$ 816,136</b>

## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2023  
(In Thousands)**

	Parks and Recreation	Seattle Streetcar	Key Arena Settlement Proceeds	Pike Place Market Renovation	Seattle Center	Municipal Arts
<b>REVENUES</b>						
Taxes						
Property Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Sales Taxes	—	—	—	—	—	—
Excise Taxes	—	—	—	—	—	—
Other Taxes	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	7,337	752	—	—	3,003	—
Charges for Services	35,070	5,162	—	—	6,268	2,744
Fines and Forfeits	1	—	—	—	—	—
Concessions, Parking Fees, and Space Rent	11,132	—	—	—	22,547	—
Program Income, Interest, and Miscellaneous Revenues	3,151	200	—	19	(568)	680
<b>Total Revenues</b>	<b>56,691</b>	<b>6,114</b>	<b>—</b>	<b>19</b>	<b>31,250</b>	<b>3,424</b>
<b>EXPENDITURES</b>						
Current						
General Government	5,380	—	—	—	1,157	58
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	12,362	—	—	—	—
Economic Environment	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	38,623	—	—	—	26,214	4,010
Capital Outlay						
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	27	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	14,301	—	—	—	89	—
Debt Service						
<b>Total Expenditures</b>	<b>58,304</b>	<b>12,389</b>	<b>—</b>	<b>—</b>	<b>27,460</b>	<b>4,068</b>
Excess (Deficiency) of Revenues over Expenditures	(1,613)	(6,275)	—	19	3,790	(644)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	5,526	—	—	—	78
Transfers Out	(1,151)	—	—	—	(922)	(78)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,151)</b>	<b>5,526</b>	<b>—</b>	<b>—</b>	<b>(922)</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>(2,764)</b>	<b>(749)</b>	<b>—</b>	<b>19</b>	<b>2,868</b>	<b>(644)</b>
Fund Balances - Beginning of Year	38,685	3,469	—	399	(8,816)	13,400
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	38,685	3,469	—	399	(8,816)	13,400
Fund Balances - End of Year	<u>\$ 35,921</u>	<u>\$ 2,720</u>	<u>\$ —</u>	<u>\$ 418</u>	<u>\$ (5,948)</u>	<u>\$ 12,756</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2023  
(In Thousands)**

	Wheelchair Access	Short Term Rental Tax	Election Voucher	Coronavirus Recovery	General Trust
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ —	\$ —	\$ 2,973	\$ —	\$ —
Sales Taxes	—	—	—	—	—
Excise Taxes	—	11,402	—	—	—
Other Taxes	—	—	—	—	—
Licenses and Permits	1,300	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	34,224	2,659
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	372	181	377	—	353
<b>Total Revenues</b>	<b>1,672</b>	<b>11,583</b>	<b>3,350</b>	<b>34,224</b>	<b>3,012</b>
<b>EXPENDITURES</b>					
Current					
General Government	1,098	—	3,822	7,498	(15)
Public Safety	—	—	—	88	5,075
Physical Environment	—	—	—	4	—
Transportation	—	—	—	2,755	—
Economic Environment	—	3,702	—	15,402	—
Health and Human Services	—	—	—	(2,131)	—
Culture and Recreation	—	—	—	2,461	—
Capital Outlay					
Public Safety	—	—	—	—	7
Physical Environment	—	—	—	—	—
Transportation	—	—	—	33	—
Health and Human Services	—	—	—	—	—
Culture and Recreation	—	—	—	—	—
Debt Service					
<b>Total Expenditures</b>	<b>1,098</b>	<b>3,702</b>	<b>3,822</b>	<b>26,110</b>	<b>5,067</b>
Excess (Deficiency) of Revenues over Expenditures	574	7,881	(472)	8,114	(2,055)
<b>OTHER FINANCING SOURCES (USES)</b>					
Sales of Capital Assets	—	—	—	—	—
Transfers In	—	—	—	—	32
Transfers Out	—	(2,005)	—	(8,168)	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>(2,005)</b>	<b>—</b>	<b>(8,168)</b>	<b>32</b>
<b>Net Change in Fund Balance</b>	<b>574</b>	<b>5,876</b>	<b>(472)</b>	<b>(54)</b>	<b>(2,023)</b>
Fund Balances - Beginning of Year	7,825	5,650	7,690	—	5,467
Restatements/Prior-Year Adjustments	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	7,825	5,650	7,690	—	5,467
<b>Fund Balances - End of Year</b>	<b>\$ 8,399</b>	<b>\$ 11,526</b>	<b>\$ 7,218</b>	<b>\$ (54)</b>	<b>\$ 3,444</b>

## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2023  
(In Thousands)**

	General Donation & Gift Trust	Human Service Operating	Low-Income Housing	Office Of Housing	Education and Development Services	Preschool Levy 2014
<b>REVENUES</b>						
Taxes						
Property Taxes	\$ —	\$ 669	\$ 36,852	\$ 3,534	\$ 2	\$ 1
Sales Taxes	—	—	4,280	—	—	—
Excise Taxes	—	—	—	—	—	—
Other Taxes	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	1,018	95,255	11,019	1,323	—	—
Charges for Services	—	2,818	57,481	7,157	—	—
Fines and Forfeits	—	13	—	—	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	388	(70)	58,172	1,259	747	195
<b>Total Revenues</b>	<b>1,406</b>	<b>98,685</b>	<b>167,804</b>	<b>13,273</b>	<b>749</b>	<b>196</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	5,151	2,685	1,221	—	—
Public Safety	138	176	—	—	—	—
Physical Environment	433	—	—	—	—	—
Transportation	(43)	—	—	—	—	—
Economic Environment	3	35,656	158,950	9,747	—	—
Health and Human Services	—	55,186	—	185	1,895	1,660
Culture and Recreation	11	—	—	—	—	—
Capital Outlay						
Public Safety	139	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	—	129
Debt Service						
<b>Total Expenditures</b>	<b>681</b>	<b>96,169</b>	<b>161,635</b>	<b>11,153</b>	<b>1,895</b>	<b>1,789</b>
Excess (Deficiency) of Revenues over Expenditures	725	2,516	6,169	2,120	(1,146)	(1,593)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	—	—	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>725</b>	<b>2,516</b>	<b>6,169</b>	<b>2,120</b>	<b>(1,146)</b>	<b>(1,593)</b>
Fund Balances - Beginning of Year	2,888	12,748	169,671	16,745	14,947	3,620
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	2,888	12,748	169,671	16,745	14,947	3,620
<b>Fund Balances - End of Year</b>	<b>\$ 3,613</b>	<b>\$ 15,264</b>	<b>\$ 175,840</b>	<b>\$ 18,865</b>	<b>\$ 13,801</b>	<b>\$ 2,027</b>



**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
For the Year Ended December 31, 2023  
(In Thousands)**

	Education	2012 Library Levy	2019 Library Levy	School Zone Automatic Camera Fund	Metropolitan Parks District	Business Improvement Areas
<b>REVENUES</b>						
Taxes						
Property Taxes	\$ 88,571	\$ 1	\$ 31,003	\$ —	\$ 116,479	\$ —
Sales Taxes	—	—	—	—	—	—
Excise Taxes	—	—	—	—	827	—
Other Taxes	—	—	—	—	—	38,261
Licenses and Permits	—	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	—	—	—	—	—
Charges for Services	4,352	—	—	—	(1)	—
Fines and Forfeits	—	—	—	12,652	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	5,422	141	1,217	455	1,924	916
<b>Total Revenues</b>	<b>98,345</b>	<b>142</b>	<b>32,220</b>	<b>13,107</b>	<b>119,229</b>	<b>39,177</b>
<b>EXPENDITURES</b>						
Current						
General Government	566	—	91	—	52	—
Public Safety	—	—	—	1,972	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	7,296	—	—
Economic Environment	—	—	—	—	—	42,826
Health and Human Services	97,173	—	—	—	—	—
Culture and Recreation	—	500	26,075	—	71,456	—
Capital Outlay						
Public Safety	—	—	—	—	—	—
Physical Environment	—	—	—	—	—	—
Transportation	—	—	—	752	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	1,089	3,965	—	18,840	—
Debt Service						
<b>Total Expenditures</b>	<b>97,739</b>	<b>1,589</b>	<b>30,131</b>	<b>10,020</b>	<b>90,348</b>	<b>42,826</b>
Excess (Deficiency) of Revenues over Expenditures	606	(1,447)	2,089	3,087	28,881	(3,649)
<b>OTHER FINANCING SOURCES (USES)</b>						
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	1,500	—	—
Transfers Out	—	—	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,500</b>	<b>—</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>606</b>	<b>(1,447)</b>	<b>2,089</b>	<b>4,587</b>	<b>28,881</b>	<b>(3,649)</b>
Fund Balances - Beginning of Year	114,070	2,447	25,017	9,739	46,849	10,741
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
<b>Fund Balances - Beginning of Year as Restated</b>	<b>114,070</b>	<b>2,447</b>	<b>25,017</b>	<b>9,739</b>	<b>46,849</b>	<b>10,741</b>
<b>Fund Balances - End of Year</b>	<b>\$ 114,676</b>	<b>\$ 1,000</b>	<b>\$ 27,106</b>	<b>\$ 14,326</b>	<b>\$ 75,730</b>	<b>\$ 7,092</b>

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE  
December 31, 2023  
(In Thousands)**

	Transportation Benefit District	Opioid Settlement Proceed	2023
<b>REVENUES</b>			
Taxes			
Property Taxes	\$ —	\$ —	\$ 280,085
Sales Taxes	53,122	—	57,402
Excise Taxes	16,544	—	28,773
Other Taxes	—	—	38,261
Licenses and Permits	—	—	1,300
Grants, Shared Revenues, and Contributions	—	—	156,590
Charges for Services	—	—	121,051
Fines and Forfeits	—	—	12,666
Concessions, Parking Fees, and Space Rent	—	—	33,679
Program Income, Interest, and Miscellaneous Revenues	3,167	536	79,234
<b>Total Revenues</b>	<b>72,833</b>	<b>536</b>	<b>809,041</b>
<b>EXPENDITURES</b>			
Current			
General Government	—	—	28,764
Public Safety	—	—	7,449
Physical Environment	—	—	437
Transportation	61,002	—	83,372
Economic Environment	—	—	266,286
Health and Human Services	—	—	153,968
Culture and Recreation	—	—	169,350
Capital Outlay			
Public Safety	—	—	146
Transportation	1,912	—	2,724
Health and Human Services	—	—	—
Culture and Recreation	—	—	38,413
Debt Service			
<b>Total Expenditures</b>	<b>62,914</b>	<b>—</b>	<b>750,909</b>
Excess (Deficiency) of Revenues over Expenditures	9,919	536	58,132
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-Term Debt Issued	—	—	—
Refunding Debt Issued	—	—	—
Premium on Bonds Issued	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—
Sales of Capital Assets	—	—	—
Transfers In	—	—	7,136
Transfers Out	(5,526)	—	(17,850)
<b>Total Other Financing Sources (Uses)</b>	<b>(5,526)</b>	<b>—</b>	<b>(10,714)</b>
<b>Net Change in Fund Balance</b>	<b>4,393</b>	<b>536</b>	<b>47,418</b>
Fund Balances - Beginning of Year	68,261	1,058	572,570
Restatements/Prior-Year Adjustments	—	—	—
<b>Fund Balances - Beginning of Year as Restated</b>	<b>68,261</b>	<b>1,058</b>	<b>572,570</b>
<b>Fund Balances - End of Year</b>	<b>\$ 72,654</b>	<b>\$ 1,594</b>	<b>\$ 619,988</b>

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE  
For the Year Ended December 31, 2023  
(In Thousands)**

	SEAS Reserve	General Bond Interest and Redemption	Interfund Notes Payable - Local Improvement Districts	Local Improvement Guaranty	2023
<b>REVENUES</b>					
Taxes					
Property Taxes	\$ —	\$ 16,088	\$ —	\$ —	\$ 16,088
Sales Taxes	—	—	—	—	—
Business Taxes	—	—	—	—	—
Excise Taxes	—	—	—	—	—
Other Taxes	—	—	—	—	—
Licenses and Permits	—	—	—	—	—
Grants, Shared Revenues, and Contributions	—	627	1,011	—	1,638
Charges for Services	—	—	—	—	—
Fines and Forfeits	—	—	12	—	12
Concessions, Parking Fees, and Space Rent	—	181	—	—	181
Program Income, Interest, and Miscellaneous Revenues	—	1,095	83	417	1,595
<b>Total Revenues</b>	<b>—</b>	<b>17,991</b>	<b>1,106</b>	<b>417</b>	<b>19,514</b>
<b>EXPENDITURES</b>					
Current					
Culture and Recreation	—	67	—	—	67
Capital Outlay					
Culture and Recreation	—	41	—	—	41
Debt Service					
Principal	—	75,345	210	—	75,555
Interest	—	39,612	9	—	39,621
Bond Issuance Cost	—	263	—	—	263
Other	—	—	—	—	—
<b>Total Expenditures</b>	<b>—</b>	<b>115,328</b>	<b>219</b>	<b>—</b>	<b>115,547</b>
Excess (Deficiency) of Revenues over Expenditures	—	(97,337)	887	417	(96,033)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	47,995	—	—	47,995
Refunding Debt Issued	—	—	—	—	—
Premium on Bonds Issued	—	6,659	—	—	6,659
Payment to Refunded Bond Escrow Agent	—	(54,391)	—	—	(54,391)
Sales of Capital Assets	—	—	—	—	—
Leases & Installments	—	—	—	—	—
Transfers In	—	96,822	—	—	96,822
Transfers Out	—	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>97,085</b>	<b>—</b>	<b>—</b>	<b>97,085</b>
<b>Net Change in Fund Balance</b>	<b>—</b>	<b>(252)</b>	<b>887</b>	<b>417</b>	<b>1,052</b>
Fund Balances - Beginning of Year	—	9,272	158	8,525	17,955
Restatements/Prior-Year Adjustments	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	—	9,272	158	8,525	17,955
Fund Balances - End of Year	\$ —	\$ 9,020	\$ 1,045	\$ 8,942	\$ 19,007

## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2023  
(In Thousands)**

	Public Safety Facilities and Equipment	Shoreline Park Improvement	Community Improvement	Park Mitigation Remediation	Open Spaces and Trails Bond	Seattle Center and Parks Multipurpose Levy
<b>REVENUES</b>						
Taxes						
Grants, Shared Revenues, and Contributions	—	—	—	—	—	—
Charges for Services	—	—	—	700	—	—
Fines and Forfeits	—	—	—	—	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	27	3	—	23	1	356
<b>Total Revenues</b>	<b>27</b>	<b>3</b>	<b>—</b>	<b>723</b>	<b>1</b>	<b>356</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Culture and Recreation	—	47	—	9	—	1,222
Capital Outlay						
General Government	—	—	—	—	—	—
Transportation	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	(3)	—	—	—	1,911
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>—</b>	<b>44</b>	<b>—</b>	<b>9</b>	<b>—</b>	<b>3,133</b>
Excess (Deficiency) of Revenues over Expenditures	27	(41)	—	714	1	(2,777)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	—	—	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>27</b>	<b>(41)</b>	<b>—</b>	<b>714</b>	<b>1</b>	<b>(2,777)</b>
Fund Balances - Beginning of Year	539	62	2	689	25	6,802
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	539	62	2	689	25	6,802
<b>Fund Balances - End of Year</b>	<b>\$ 566</b>	<b>\$ 21</b>	<b>\$ 2</b>	<b>\$ 1,403</b>	<b>\$ 26</b>	<b>\$ 4,025</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2023  
(In Thousands)**

	Seattle Center Redevelopment/ Parks Community Center	Municipal Civic Center	2003 Fire Facilities	Local Improvement, District Nos. 6750	Local Improvement, District Nos. 6751	2011 Multipurpose Long-Term General Obligation Bond
<b>REVENUES</b>						
Taxes						
Grants, Shared Revenues, and Contributions	200	—	—	—	1,434	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	—	—	26	—
Concessions, Parking Fees, and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	96	50	6	4	9,019	—
<b>Total Revenues</b>	<b>296</b>	<b>50</b>	<b>6</b>	<b>4</b>	<b>10,479</b>	<b>—</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	—	7	—	16	—
Public Safety	—	—	—	—	—	—
Transportation	—	—	—	—	6,238	—
Culture and Recreation	375	—	—	—	11	—
Capital Outlay						
General Government	—	—	—	—	—	—
Transportation	—	—	—	—	32,458	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	—	—	—	—	13,992	—
Debt Service						
Principal	—	—	—	—	1,490	—
Interest	—	—	—	—	2,926	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>375</b>	<b>—</b>	<b>7</b>	<b>—</b>	<b>57,131</b>	<b>—</b>
Excess (Deficiency) of Revenues over Expenditures	(79)	50	(1)	4	(46,652)	—
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	—	—	—	—	(10,127)	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(10,127)</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>(79)</b>	<b>50</b>	<b>(1)</b>	<b>4</b>	<b>(56,779)</b>	<b>—</b>
Fund Balances - Beginning of Year	1,941	1,025	132	86	102,711	3
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	1,941	1,025	132	86	102,711	3
Fund Balances - End of Year	<u>\$ 1,862</u>	<u>\$ 1,075</u>	<u>\$ 131</u>	<u>\$ 90</u>	<u>\$ 45,932</u>	<u>\$ 3</u>

## Nonmajor Governmental Funds

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2023  
(In Thousands)**

	2012 Multipurpose Long-Term General Obligation Bond	2013 Multipurpose Long-Term General Obligation Bond	Alaskan Way Seawall Construction	Central Waterfront Improvement	2013 King County Parks Levy Fund	2014 Long-Term General Obligation Bond
<b>REVENUES</b>						
Taxes						
Grants, Shared Revenues, and Contributions	—	—	—	25,000	2,948	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	—	—	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	7	—	—	287	150	8
<b>Total Revenues</b>	<b>7</b>	<b>—</b>	<b>—</b>	<b>25,287</b>	<b>3,098</b>	<b>8</b>
<b>EXPENDITURES</b>						
Current						
General Government	—	—	—	—	—	—
Public Safety	—	—	—	—	—	—
Transportation	—	—	—	2,072	—	—
Culture and Recreation	19	—	—	65	1,488	—
Capital Outlay						
General Government	—	—	—	—	—	—
Transportation	—	—	—	14,771	—	—
Health and Human Services	—	—	—	—	—	—
Culture and Recreation	82	—	—	3,257	458	76
Debt Service						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>101</b>	<b>—</b>	<b>—</b>	<b>20,165</b>	<b>1,946</b>	<b>76</b>
Excess (Deficiency) of Revenues over Expenditures	(94)	—	—	5,122	1,152	(68)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	10,126	—	—
Transfers Out	—	—	—	—	(1,118)	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10,126</b>	<b>(1,118)</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>(94)</b>	<b>—</b>	<b>—</b>	<b>15,248</b>	<b>34</b>	<b>(68)</b>
Fund Balances - Beginning of Year	125	(5)	19	15,302	3,412	141
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	125	(5)	19	15,302	3,412	141
<b>Fund Balances - End of Year</b>	<b>\$ 31</b>	<b>\$ (5)</b>	<b>\$ 19</b>	<b>\$ 30,550</b>	<b>\$ 3,446</b>	<b>\$ 73</b>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2023  
(In Thousands)**

	2015 Multipurpose Long-Term General Obligation Bond	2016 Multipurpose Long-Term General Obligation Bond	2017 Multipurpose Long-Term General Obligation Bond	2018 Multipurpose Long-Term General Obligation Bond	2019 Multipurpose Long-Term General Obligation Bond	2020 Multipurpose Long-Term General Obligation Bond
<b>REVENUES</b>						
Taxes						
Grants, Shared Revenues, and Contributions	—	—	—	—	—	—
Charges for Services	—	—	—	—	—	—
Fines and Forfeits	—	—	—	1	—	—
Parking Fees and Space Rent	—	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	55	82	265	90	216	30
<b>Total Revenues</b>	<b>55</b>	<b>82</b>	<b>265</b>	<b>91</b>	<b>216</b>	<b>30</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	—	692	—	248	812	—
Public Safety	—	—	—	—	—	—
Transportation	9	—	43	1,046	194	354
Culture and Recreation	9	—	—	—	—	—
<b>Capital Outlay</b>						
General Government	—	—	—	—	—	—
Transportation	—	—	3	(65)	(194)	(1)
Culture and Recreation	470	—	—	—	—	—
<b>Debt Service</b>						
Principal	—	—	—	—	—	—
Interest	—	—	—	—	—	—
Bond Issuance Cost	—	—	—	—	—	—
<b>Total Expenditures</b>	<b>488</b>	<b>692</b>	<b>46</b>	<b>1,229</b>	<b>812</b>	<b>353</b>
Excess (Deficiency) of Revenues over Expenditures	(433)	(610)	219	(1,138)	(596)	(323)
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-Term Debt Issued	—	—	—	—	—	—
Premium on Bonds Issued	—	—	—	—	—	—
Sales of Capital Assets	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	—	—	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Change in Fund Balance</b>	<b>(433)</b>	<b>(610)</b>	<b>219</b>	<b>(1,138)</b>	<b>(596)</b>	<b>(323)</b>
Fund Balances - Beginning of Year	987	1,537	5,420	1,634	4,053	696
Restatements/Prior-Year Adjustments	—	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	987	1,537	5,420	1,634	4,053	696
<b>Fund Balances - End of Year</b>	<b>\$ 554</b>	<b>\$ 927</b>	<b>\$ 5,639</b>	<b>\$ 496</b>	<b>\$ 3,457</b>	<b>\$ 373</b>

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
CAPITAL PROJECTS  
For the Year Ended December 31, 2023  
(In Thousands)**

	2021 Multipurpose Long-Term General Obligation Bond	2022 Multipurpose Long-Term General Obligation Bond	Garage Proceeds Disposition	2023 Multipurpose Long-Term General Obligation Bond	2023
<b>REVENUES</b>					
Taxes					
Grants, Shared Revenues, and Contributions	—	—	—	—	29,582
Charges for Services	—	—	—	—	700
Fines and Forfeits	—	—	—	—	27
Parking Fees and Space Rent	—	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	1,777	3,206	—	18,832	34,590
<b>Total Revenues</b>	<b>1,777</b>	<b>3,206</b>	<b>—</b>	<b>18,832</b>	<b>64,899</b>
<b>EXPENDITURES</b>					
Current					
General Government	215	15,836	—	2,011	19,837
Public Safety	—	—	—	—	—
Transportation	10,786	3,033	—	—	23,775
Culture and Recreation	550	—	—	9	3,804
Capital Outlay					
General Government	—	—	—	8,668	8,668
Transportation	3,342	7,758	—	—	58,072
Culture and Recreation	(28)	—	—	6,000	26,215
Debt Service					
Principal	—	—	—	—	1,490
Interest	—	—	—	—	2,926
Bond Issuance Cost	—	—	—	268	268
<b>Total Expenditures</b>	<b>14,865</b>	<b>26,627</b>	<b>—</b>	<b>16,956</b>	<b>145,055</b>
Excess (Deficiency) of Revenues over Expenditures	(13,088)	(23,421)	—	1,876	(80,156)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	—	—	—	45,930	45,930
Premium on Bonds Issued	—	—	—	5,771	5,771
Sales of Capital Assets	—	—	—	—	—
Transfers In	—	—	—	—	10,126
Transfers Out	(1,255)	(3,567)	—	(12,246)	(28,313)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,255)</b>	<b>(3,567)</b>	<b>—</b>	<b>39,455</b>	<b>33,514</b>
<b>Net Change in Fund Balance</b>	<b>(14,343)</b>	<b>(26,988)</b>	<b>—</b>	<b>41,331</b>	<b>(46,642)</b>
Fund Balances - Beginning of Year	31,936	57,004	8	(12,667)	223,619
Restatements/Prior-Year Adjustments	—	—	—	—	—
Fund Balances - Beginning of Year as Restated	31,936	57,004	8	(12,667)	223,619
<b>Fund Balances - End of Year</b>	<b>\$ 17,593</b>	<b>\$ 30,016</b>	<b>\$ 8</b>	<b>\$ 28,664</b>	<b>\$ 176,977</b>



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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**PERMANENT**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	<u>H. H. Dearborn</u>	<u>2023</u>
<b>REVENUES</b>		
Program Income, Interest, and Miscellaneous Revenues	\$ 8	\$ 8
Total Revenues	8	8
<b>EXPENDITURES</b>		
Total Expenditures	—	—
Excess (Deficiency) of Revenues over Expenditures	8	8
<b>OTHER FINANCING SOURCES (USES)</b>		
Total Other Financing Sources (Uses)	—	—
Net Change in Fund Balance	8	8
Fund Balances - Beginning of Year	156	156
Restatements/Prior-Year Adjustments	—	—
Fund Balances - Beginning of Year as Restated	156	156
Fund Balances - End of Year	\$ 164	\$ 164

## **Budget and Actual**

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**PARKS AND RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2023  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ —	\$ —	\$ —	\$ —
Sales Taxes	—	—	—	—
Business Taxes	—	—	—	—
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Total Taxes	—	—	—	—
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	1,327	1,327	7,337	6,010
Charges for Services	32,288	32,288	35,070	2,782
Fines and Forfeits	—	—	1	1
Concessions, Parking Fees, and Space Rent	8,359	8,359	11,132	2,773
Program Income, Interest, and Miscellaneous Revenues	1,368	1,368	3,151	1,783
<b>Total Revenues</b>	<b>43,342</b>	<b>43,342</b>	<b>56,691</b>	<b>13,349</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>CITYWIDE</b>				
Golf Course Programs	—	—	—	—
<b>PARKS &amp; RECREATION</b>				
2008 Parks Levy	—	3,945	—	(3,945)
Building For The Future Program - Construction in Progress	300	32,736	9,749	(22,987)
Debt & Special Funding	1,426	6,358	818	(5,540)
Departmentwide Programs	8,619	8,877	6,960	(1,917)
Fix It First Program - Construction in Progress	913	37,341	6,350	(30,991)
Golf Course Programs	13,666	14,210	14,133	(77)
Leadership & Administration	2,224	2,224	2,201	(23)
Maintaining Parks & Facilities	—	—	—	—
Parks & Facilities - Maintenance & Repairs	3,396	3,396	3,389	(7)
Recreation Facility Programs	9,474	10,152	9,082	(1,070)
SR520 Mitigation	—	—	—	—
Zoo & Aquarium Programs	204	204	180	(24)
<b>Total Expenditures and Encumbrances</b>	<b>40,222</b>	<b>119,443</b>	<b>52,862</b>	<b>(66,581)</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	3,120	(76,101)	3,829	79,930

**PARKS AND RECREATION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	\$ —	\$ —	\$ —	\$ —
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Leases & Installments	—	—	—	—
Transfers In	—	—	—	—
Transfers Out	—	—	(1,151)	(1,151)
Total Other Financing Sources (Uses)	—	—	(1,151)	(1,151)
Net Change in Fund Balance	<u>\$ 3,120</u>	<u>\$ (76,101)</u>	2,678	<u>\$ 78,779</u>
Fund Balance - Beginning of Year			38,685	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			(5,442)	
Fund Balance - End of Year			<u>\$ 35,921</u>	

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**SEATTLE CENTER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ —	\$ —	\$ —	\$ —
Sales Taxes	—	—	—	—
Business Taxes	—	—	—	—
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Total Taxes	—	—	—	—
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	1,582	1,582	3,003	1,421
Charges for Services	5,448	5,448	6,268	820
Fines and Forfeits	—	—	—	—
Concessions, Parking Fees, and Space Rent	20,072	20,072	22,547	2,475
Program Income, Interest, and Miscellaneous Revenues	804	804	(568)	(1,372)
<b>Total Revenues</b>	<b>27,906</b>	<b>27,906</b>	<b>31,250</b>	<b>3,344</b>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>SEATTLE CENTER</b>				
Building & Campus Improvements	—	4,247	(49)	(4,296)
Campus	16,392	17,738	16,795	(943)
Leadership & Administration	4,112	4,112	5,146	1,034
McCaw Hall	5,443	5,443	4,426	(1,017)
Monorail Rehabilitation	1,255	25,012	631	(24,381)
Waterfront	—	596	511	(85)
<b>Total Expenditures and Encumbrances</b>	<b>27,202</b>	<b>57,148</b>	<b>27,460</b>	<b>(29,688)</b>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	704	(29,242)	3,790	33,032
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Leases & Installments	—	—	—	—
Transfers In	327	—	—	—
Transfers Out	—	—	(922)	(922)
<b>Total Other Financing Sources (Uses)</b>	<b>327</b>	<b>—</b>	<b>(922)</b>	<b>(922)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,031</b>	<b>\$ (29,242)</b>	<b>2,868</b>	<b>\$ 32,110</b>
Fund Balance - Beginning of Year			(8,816)	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			—	
<b>Fund Balance - End of Year</b>			<b>\$ (5,948)</b>	

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**HUMAN SERVICES FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ —	\$ —	\$ 669	\$ 669
Sales Taxes	—	—	—	—
Business Taxes	—	—	—	—
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Total Taxes	—	—	669	669
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	78,664	78,664	95,255	16,591
Charges for Services	2,310	2,310	2,818	508
Fines and Forfeits	—	—	13	13
Concessions, Parking Fees, and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	(70)	(70)
Total Revenues	80,974	80,974	98,685	17,711
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>HUMAN SERVICES DEPARTMENT</b>				
Addressing Homelessness	9,124	34,055	17,230	(16,825)
Preparing Youth for Success	156	100	26	(74)
Promoting Healthy Aging	58,917	94,240	58,668	(35,572)
Promoting Public Health	—	7,009	—	(7,009)
Leadership & Administration	4,294	6,927	4,217	(2,710)
Supporting Affordability & Livability	11,184	31,121	15,435	(15,686)
Supporting Safe Communities	86	1,041	184	(857)
Total Expenditures and Encumbrances	83,761	174,493	95,760	(78,733)
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(2,787)	(93,519)	2,925	96,444
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Leases & Installments	—	—	—	—
Transfers In	2,535	2,535	—	(2,535)
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	2,535	2,535	—	(2,535)
Net Change in Fund Balance	<u>\$ (252)</u>	<u>\$ (90,984)</u>	2,925	<u>\$ 93,909</u>
Fund Balance - Beginning of Year			12,748	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			(409)	
Fund Balance - End of Year			<u>\$ 15,264</u>	

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**LOW-INCOME HOUSING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2023  
(In Thousands)**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ 37,862	\$ 37,862	\$ 36,852	\$ (1,010)
Sales Taxes	3,500	3,500	4,280	780
Business Taxes	—	—	—	—
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Total Taxes	<u>41,362</u>	<u>41,362</u>	<u>41,132</u>	<u>(230)</u>
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	11,987	11,987	11,019	(968)
Charges for Services	45,900	45,900	57,481	11,581
Fines and Forfeits	—	—	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	6,000	6,000	58,172	52,172
Total Revenues	<u>105,249</u>	<u>105,249</u>	<u>167,804</u>	<u>62,555</u>
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>HOUSING OFFICE</b>				
Homeownership & Sustainability	12,099	39,808	13,045	(26,763)
Multifamily Housing	86,364	265,900	148,590	(117,310)
Leadership & Administration	867	—	—	—
<b>FIRE DEPARTMENT</b>				
Operations	—	—	—	—
Total Expenditures and Encumbrances	<u>99,330</u>	<u>305,708</u>	<u>161,635</u>	<u>(144,073)</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	5,919	(200,459)	6,169	206,628
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Leases & Installments	—	—	—	—
Transfers In	(636)	(636)	—	636
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	<u>(636)</u>	<u>(636)</u>	<u>—</u>	<u>636</u>
Net Change in Fund Balance	<u>\$ 5,283</u>	<u>\$ (201,095)</u>	<u>6,169</u>	<u>\$ 207,264</u>
Fund Balance - Beginning of Year			169,671	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			—	
Fund Balance - End of Year			<u>\$ 175,840</u>	



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**OFFICE OF HOUSING FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property Taxes	\$ 3,567	\$ 3,567	\$ 3,534	\$ (33)
Sales Taxes			—	—
Business Taxes			—	—
Excise Taxes			—	—
Other Taxes			—	—
Total Taxes	3,567	3,567	3,534	(33)
Licenses and Permits	—	—	—	—
Grants, Shared Revenues, and Contributions	1,655	1,655	1,323	(332)
Charges for Services	6,165	6,165	7,157	992
Fines and Forfeits	—	—	—	—
Concessions, Parking Fees, and Space Rent	—	—	—	—
Program Income, Interest, and Miscellaneous Revenues	—	—	1,259	1,259
Total Revenues	11,387	11,387	13,273	1,886
<b>EXPENDITURES AND ENCUMBRANCES</b>				
<b>HOUSING OFFICE</b>				
Homeownership & Sustainability	2,547	3,450	2,606	(844)
Multifamily Housing	5,414	2,410	6,166	3,756
Leadership & Administration	6,635	8,310	2,381	(5,929)
Total Expenditures and Encumbrances	14,596	14,170	11,153	(3,017)
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(3,209)	(2,783)	2,120	4,903
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	—	—
Leases & Installments	—	—	—	—
Transfers In	71	71	—	(71)
Transfers Out	—	—	—	—
Total Other Financing Sources (Uses)	71	71	—	(71)
Net Change in Fund Balance	<u>\$ (3,138)</u>	<u>\$ (2,712)</u>	2,120	<u>\$ 4,832</u>
Fund Balance - Beginning of Year			16,745	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			—	
Fund Balance - End of Year			<u>\$ 18,865</u>	

## **Nonmajor Enterprise Funds**

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### NONMAJOR ENTERPRISE FUNDS

The **Construction and Inspections Fund** accounts for building permit fees and monies from the General Fund as well as the cost of enforcing the City's land use and building construction codes.

The **Solid Waste Fund** accounts for the solid waste operations of Seattle Public Utilities. These activities include the collection and disposal of residential and commercial garbage, recycling, and organic material, operation of the City's two recycling and disposal stations and two household hazardous waste facilities, and management of the post-closure maintenance and environmental monitoring of two closed landfills. The collection, disposal and/or processing of garbage, recycling, and organic materials is performed by private contractors, under contract with the Solid Waste Fund.

**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**December 31, 2023**  
*(In Thousands)*

	Construction & Inspections	Solid Waste	Total
<b>ASSETS</b>			
<i>Current Assets</i>			
Operating Cash and Equity in Pooled Investments	\$ 96,805	\$ 198,364	\$ 295,169
Receivables, Net of Allowances			
Accounts	3,465	29,238	32,703
Interest and Dividends	21	—	21
Unbilled	—	18,491	18,491
Due from Other Funds	292	729	1,021
Due from Other Governments	375	1,107	1,482
Materials and Supplies Inventory	—	213	213
Interfund Loan & Advances	—	—	—
Prepayments and Other Current Assets	70	29	99
Short Term Lease Receivable	—	—	—
Total Current Assets	101,028	248,171	349,199
<i>Noncurrent Assets</i>			
Restricted Cash and Equity in Pooled Investments	—	48,523	48,523
Landfill Closure and Postclosure Costs, Net	—	18,626	18,626
Regulatory Asset	—	1,531	1,531
Other Charges	—	1,136	1,136
Capital Assets			
Land and Land Rights	—	26,883	26,883
Plant in Service, Excluding Land	—	251,461	251,461
Less Accumulated Depreciation	—	(96,865)	(96,865)
Buildings and Improvements	—	—	—
Less Accumulated Depreciation	—	—	—
Machinery and Equipment	713	—	713
Less Accumulated Depreciation	(713)	—	(713)
Construction in Progress	—	6,077	6,077
Other Property, Net	3,718	1,530	5,248
Long Term Lease Receivable	—	—	—
Long Term PPP Receivable	—	—	—
Right to Use Lease and Subscription	207	145	352
Less Right to Use Lease and Subscription Accumulated Amortization	(138)	(77)	(215)
Total Noncurrent Assets	3,787	258,970	262,757
Total Assets	104,815	507,141	611,956
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	33,246	10,795	44,041
Total Assets and Deferred Outflows of Resources	\$ 138,061	\$ 517,936	\$ 655,997

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**COMBINING STATEMENT OF NET POSITION**

**NONMAJOR ENTERPRISE FUNDS**

**December 31, 2023**

*(In Thousands)*

LIABILITIES	Construction & Inspection	Solid Waste	Total
<b>Current Liabilities</b>			
Accounts Payable	\$ 3,660	\$ 18,069	\$ 21,729
Salaries, Benefits, and Payroll Taxes Payable	1,891	757	2,648
Compensated Absences Payable	231	79	310
Due to Other Funds	—	—	—
Due to Other Governments	22	—	22
Interest Payable	—	1,586	1,586
Taxes Payable	—	970	970
Revenue Bonds Due Within One Year	—	8,160	8,160
Claims Payable	95	3,106	3,201
Landfill Closure and Postclosure Liability	—	3,874	3,874
Accrued Lease and Subscription Interest	—	—	—
Short Term Lease and Subscription Liability	40	32	72
Other Current Liabilities	118	704	822
<b>Total Current Liabilities</b>	<b>6,057</b>	<b>37,337</b>	<b>43,394</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable	4,383	1,496	5,879
Claims Payable	126	17,478	17,604
Landfill Closure and Postclosure Liability	—	12,181	12,181
Vendor and Other Deposits Payable	1	—	1
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—
Revenue Bonds Payable, Net of Amortized Premium	—	160,685	160,685
Bond Interest Payable	—	—	—
Unearned Revenues and Other Credits	30,113	—	30,113
Unfunded Other Post Employment Benefits	1,821	899	2,720
Net Pension Liability	78,248	30,516	108,764
Advances from Other Funds	—	—	—
Long Term Lease and Subscription Liability	29	47	76
Other Noncurrent Liabilities	42	225	267
<b>Total Noncurrent Liabilities</b>	<b>114,763</b>	<b>223,527</b>	<b>338,290</b>
<b>Total Liabilities</b>	<b>120,820</b>	<b>260,864</b>	<b>381,684</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>2,305</b>	<b>43,782</b>	<b>46,087</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,550	30,444	34,994
Restricted For			
Other Charges	—	2,975	2,975
Unrestricted	10,386	179,871	190,257
<b>Total Net Position</b>	<b>14,936</b>	<b>213,290</b>	<b>228,226</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 138,061</b>	<b>\$ 517,936</b>	<b>\$ 655,997</b>

**E-2 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended December 31, 2023  
(In Thousands)**

	Construction & Inspections	Solid Waste	Total
<b>OPERATING REVENUES</b>			
Charges for Services and Other Revenues	\$ 83,225	\$ 267,905	\$ 351,130
<b>OPERATING EXPENSES</b>			
Salaries, wages and personnel benefits	71,169	25,909	97,078
Supplies	551	1,568	2,119
Services	30,014	145,527	175,541
Intergovernmental Payments	74	35,583	35,657
Other Taxes	—	—	—
Depreciation and Amortization	877	13,823	14,700
Other Operating Expenses	19	3,666	3,685
Total Operating Expenses	102,704	226,076	328,780
Operating Income (Loss)	(19,479)	41,829	22,350
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment and Interest Income	2,227	8,803	11,030
Interest Expense	—	(5,359)	(5,359)
Amortization of Bonds Premiums	—	—	—
Amortization of Refunding Gain (Loss)	—	—	—
Gain (Loss) on Sale of Capital Assets	—	—	—
Lease Interest Revenue	—	—	—
Lease Revenue	—	—	—
Lease and Subscription Interest Expense	—	—	—
Lease and Subscription Expense	9	—	9
Right to Use Lease and Subscription Amortization	(49)	—	(49)
Contributions and Grants	—	167	167
Others, Net	—	876	876
Total Nonoperating Revenues (Expenses)	2,187	4,487	6,674
Income (Loss) Before Capital Contributions and Grants and Transfers	(17,292)	46,316	29,024
Transfers In	—	—	—
Transfers Out	—	—	—
Change in Net Position	(17,292)	46,316	29,024
Net Position - Beginning of Year	32,228	166,974	199,202
Prior-Year Adjustment	—	—	—
Net Position - Beginning of Year as Restated	32,228	166,974	199,202
Net Position - End of Year	\$ 14,936	\$ 213,290	\$ 228,226

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**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2023**  
**(In Thousands)**

	Construction & Inspections	Solid Waste	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 79,566	\$ 262,828	\$ 342,394
Cash Paid to Suppliers	(27,010)	(143,793)	(170,803)
Cash Paid to Employees	(68,063)	(29,665)	(97,728)
Cash Paid for Taxes	—	(38,024)	(38,024)
Net Cash from Operating Activities	(15,507)	51,346	35,839
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating Grants	—	167	167
Transfers In	—	—	—
Transfers Out	—	—	—
Loans Provided to Other Funds	—	—	—
Proceeds from Interfund Loans	—	—	—
Principal Payments on Interfund Loans	—	—	—
Net Cash from Noncapital Financing Activities	—	167	167
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Paid on Long-Term Debt	—	(7,648)	(7,648)
Capital Expenses and Other Charges Paid	—	(5,619)	(5,619)
Interest Paid on Long-Term Debt	—	(6,875)	(6,875)
Payment to Trustee for Defeased Bonds	—	—	—
Proceeds from Sales of Capital Assets	—	720	720
Net Cash from Capital and Related Financing Activities	—	(19,422)	(19,422)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Investment Income (Loss)	2,228	8,803	11,031
Net Increase (Decrease) in Cash and Equity in Pooled Investments	(13,279)	40,894	27,615
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>			
Beginning of Year	110,084	205,993	316,077
End of Year	\$ 96,805	\$ 246,887	\$ 343,692
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>			
Operating Cash and Equity in Pooled Investments	\$ 96,805	\$ 198,364	\$ 295,169
Noncurrent Restricted Cash and Equity in Pooled Investments	—	48,523	48,523
Total Cash at the End of the Year	\$ 96,805	\$ 246,887	\$ 343,692



**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended December 31, 2023**  
*(In Thousands)*

	Construction & Inspections	Solid Waste	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (19,479)	\$ 41,829	\$ 22,350
<b>Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities</b>			
Depreciation and Amortization	877	13,823	14,700
Other Operating Expenses	—	—	—
Nonoperating Revenues and Expenses	(40)	75	35
Changes in Operating Assets and Liabilities			
Accounts Receivable	(1,021)	(6,013)	(7,034)
Unbilled Receivables	—	(754)	(754)
Due from Other Funds	(32)	31	(1)
Due from Other Governments	251	67	318
Accounts Payable	3,245	4,002	7,247
Salaries, Benefits, and Payroll Taxes Payable	(5)	7	2
Compensated Absences Payable	(67)	(324)	(391)
Due to Other Funds	(9)	(3)	(12)
Due to Other Governments	7	—	7
Claims Payable	19	38	57
Taxes Payable	—	(2,665)	(2,665)
Unearned Revenues	(2,795)	—	(2,795)
Other Assets and Liabilities	3,542	1,233	4,775
Total Adjustments	3,972	9,517	13,489
Net Cash from Operating Activities	<u>\$ (15,507)</u>	<u>\$ 51,346</u>	<u>\$ 35,839</u>

## **Internal Service Funds**

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## 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 provided 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.

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2023**  
*(In Thousands)*

	Finance and Administrative Services	Information Technology	2023
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Equity in Pooled Investments	\$ 36,289	\$ —	\$ 36,289
Restricted Cash and Equity in Pooled Investments	38,175	—	38,175
Receivables, Net of Allowances			
Accounts	910	459	1,369
Interest and Dividends	77	—	77
Unbilled	37	117	154
Due from Other Funds	237	169	406
Due from Other Governments	1,939	2	1,941
Materials and Supplies Inventory	3,611	4,783	8,394
Interfund Loan & Advances	—	24,000	24,000
Prepayments and Other Current Assets	1,673	12,931	14,604
Short Term Lease Receivable	446	—	446
<b>Total Current Assets</b>	<b>83,394</b>	<b>42,461</b>	<b>125,855</b>
<b>Noncurrent Assets</b>			
Restricted Cash and Equity in Pooled Investments	4,563	52,916	57,479
Capital Assets			
Land and Land Rights	110,055	—	110,055
Buildings and Improvements	766,920	6,957	773,877
Less Accumulated Depreciation	(366,451)	(4,045)	(370,496)
Machinery and Equipment	230,169	96,302	326,471
Less Accumulated Depreciation	(143,532)	(78,514)	(222,046)
Construction in Progress	19,181	93,469	112,650
Other Property, Net	17,859	15,907	33,766
Long Term Lease Receivable	2,192	—	2,192
Long Term PPP Receivable	12,577	—	12,577
Right to Use Lease and Subscription	326,179	19,464	345,643
Less Right to Use Lease and Subscription Accumulated Amortization	(47,792)	(8,019)	(55,811)
<b>Total Noncurrent Assets</b>	<b>931,920</b>	<b>194,437</b>	<b>1,126,357</b>
<b>Total Assets</b>	<b>1,015,314</b>	<b>236,898</b>	<b>1,252,212</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	31,176	43,198	74,374
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 1,046,490</b>	<b>\$ 280,096</b>	<b>\$ 1,326,586</b>

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**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2023**  
**(In Thousands)**

	Finance and Administrative Services	Information Technology	2023
<b>LIABILITIES</b>			
<i>Current Liabilities</i>			
Accounts Payable	\$ 15,243	\$ 15,755	\$ 30,998
Salaries, Benefits, and Payroll Taxes Payable	1,975	3,209	5,184
Due to Other Funds	—	—	—
Due to Other Governments	27	2,424	2,451
Interest Payable	1,641	432	2,073
Taxes Payable	46	(9)	37
Current Portion of Long-Term Debt General Obligation Bonds Due Within One Year	24,992	7,475	32,467
Claims Payable	677	35	712
Compensated Absences Payable	291	479	770
Accrued Lease and Subscription Interest	361	42	403
Short Term Lease and Subscription Liability	9,835	4,025	13,860
Other Current Liabilities	—	186	186
Total Current Liabilities	55,088	34,053	89,141
<i>Noncurrent Liabilities</i>			
Compensated Absences Payable	5,524	9,098	14,622
Claims Payable	918	45	963
Vendor and Other Deposits Payable	321	266	587
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	134,410	45,104	179,514
Bond Interest Payable	—	—	—
Unfunded Other Post Employment Benefits	2,441	2,571	5,012
Net Pension Liability	91,198	126,371	217,569
Unearned Revenues and Other Credits	212	—	212
Other Noncurrent Liabilities	—	—	—
Long Term Lease and Subscription Liability	284,828	3,017	287,845
Total Noncurrent Liabilities	519,852	186,472	706,324
Total Liabilities	574,940	220,525	795,465
<b>DEFERRED INFLOWS OF RESOURCES</b>	22,896	7,239	30,135
<b>NET POSITION</b>			
Net Investment in Capital Assets	749,080	98,256	847,336
Unrestricted	(300,425)	(45,925)	(346,350)
Total Net Position	448,655	52,331	500,986
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 1,046,491	\$ 280,095	\$ 1,326,586

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**COMBINING STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET POSITION  
INTERNAL SERVICE FUNDS  
December 31, 2023  
(In Thousands)**

	Finance and Administrative Services	Information Technology	2023
<b>OPERATING REVENUES</b>			
Charges for Services and Other Revenues	231,222	237,505	468,727
Total Operating Revenues	231,222	237,505	468,727
<b>OPERATING EXPENSES</b>			
Salaries, wages and personnel benefits	75,677	120,034	195,711
Supplies	26,610	16,581	43,191
Services	69,854	110,726	180,580
Intergovernmental Payments	225	132	357
Taxes	9	1	10
Depreciation and Amortization	41,369	14,032	55,401
Other Operating Expense	(22,193)	(8,124)	(30,317)
Total Operating Expenses	191,551	253,382	444,933
Operating Income (Loss)	39,671	(15,877)	23,794
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment and Interest Income	3,654	2,082	5,736
Interest Expense	(7,053)	(7,638)	(14,691)
Amortization of Bonds Premiums	3,741	1,132	4,873
Amortization of Refunding Loss	527	—	527
Bond Issuance Costs	—	—	—
Gain (Loss) on Sale of Capital Assets	(210)	—	(210)
Lease Interest Revenue	507	—	507
Lease Revenue	906	—	906
Lease and Subscription Interest Expense	(4,405)	(234)	(4,639)
Lease and Subscription Expense	15,417	8,836	24,253
Right to Use Lease and Subscription Amortization	(16,564)	(5,505)	(22,069)
Contributions and Grants	231	2	233
Others, Net	(14,256)	5,605	(8,651)
Total Nonoperating Revenues (Expenses)	(17,505)	4,280	(13,225)
Income (Loss) Before			
Contributions, Grants, and Transfers	22,166	(11,597)	10,569
Capital Contributions and Grants	8,687	—	8,687
Transfers In	1,030	17,068	18,098
Transfers Out	(34,309)	(2,500)	(36,809)
Change in Net Position	(2,426)	2,971	545
Net Position - Beginning of Year	451,081	49,360	500,441
Prior-Year Adjustment	—	—	—
Net Position - Beginning of Year as Restated	451,081	49,360	500,441
Net Position - End of Year	\$ 448,655	\$ 52,331	\$ 500,986

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**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2023**  
*(In Thousands)*

	Finance and Administrative Services	Information Technology	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 230,198	\$ 237,541	\$ 467,739
Cash Paid to Suppliers	(63,611)	(102,837)	(166,448)
Cash Paid to Employees	(72,337)	(115,233)	(187,570)
Cash Paid for Taxes	(4,094)	(1)	(4,095)
Net Cash from Operating Activities	90,156	19,470	109,626
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Loans Provided to Other Funds	—	—	—
Operating Grants and Contributions Received	256	2	258
Transfers In	1,030	17,068	18,098
Transfers Out	(34,309)	(2,500)	(36,809)
Net Cash from Noncapital Financing Activities	(33,023)	14,570	(18,453)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from Long-Term Debt	—	—	—
Principal Payments on Long-Term Debt	(23,113)	14,256	(8,857)
Capital Fees and Grants Received	37	—	37
Capital Expenses and Other Charges Paid	(26,615)	(40,535)	(67,150)
Interest Paid on Long-Term Debt	(7,196)	(2,133)	(9,329)
Debt Issuance Costs	—	—	—
Proceeds from Sale of Capital Assets	984	—	984
Net Cash from Capital and Related Financing Activities	(55,903)	(28,412)	(84,315)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and Investment Income (Loss)	2,454	2,082	4,536
Net Increase (Decrease) in Cash and Equity in Pooled Investments	3,684	7,710	11,394
<b>CASH AND EQUITY IN POOLED INVESTMENTS</b>			
Beginning of Year as Restated	75,343	45,206	120,549
End of Year	\$ 79,027	\$ 52,916	131,943
<b>CASH AT THE END OF THE YEAR CONSISTS OF</b>			
Current Assets Cash and Equity in Pooled Investments	\$ 36,289	\$ —	36,289
Current Restricted Cash and Equity in Pooled Investments	38,175	52,916	91,091
Noncurrent Restricted Cash and Equity in Pooled Investments	4,563	—	4,563
Total Cash at the End of the Year	\$ 79,027	\$ 52,916	131,943



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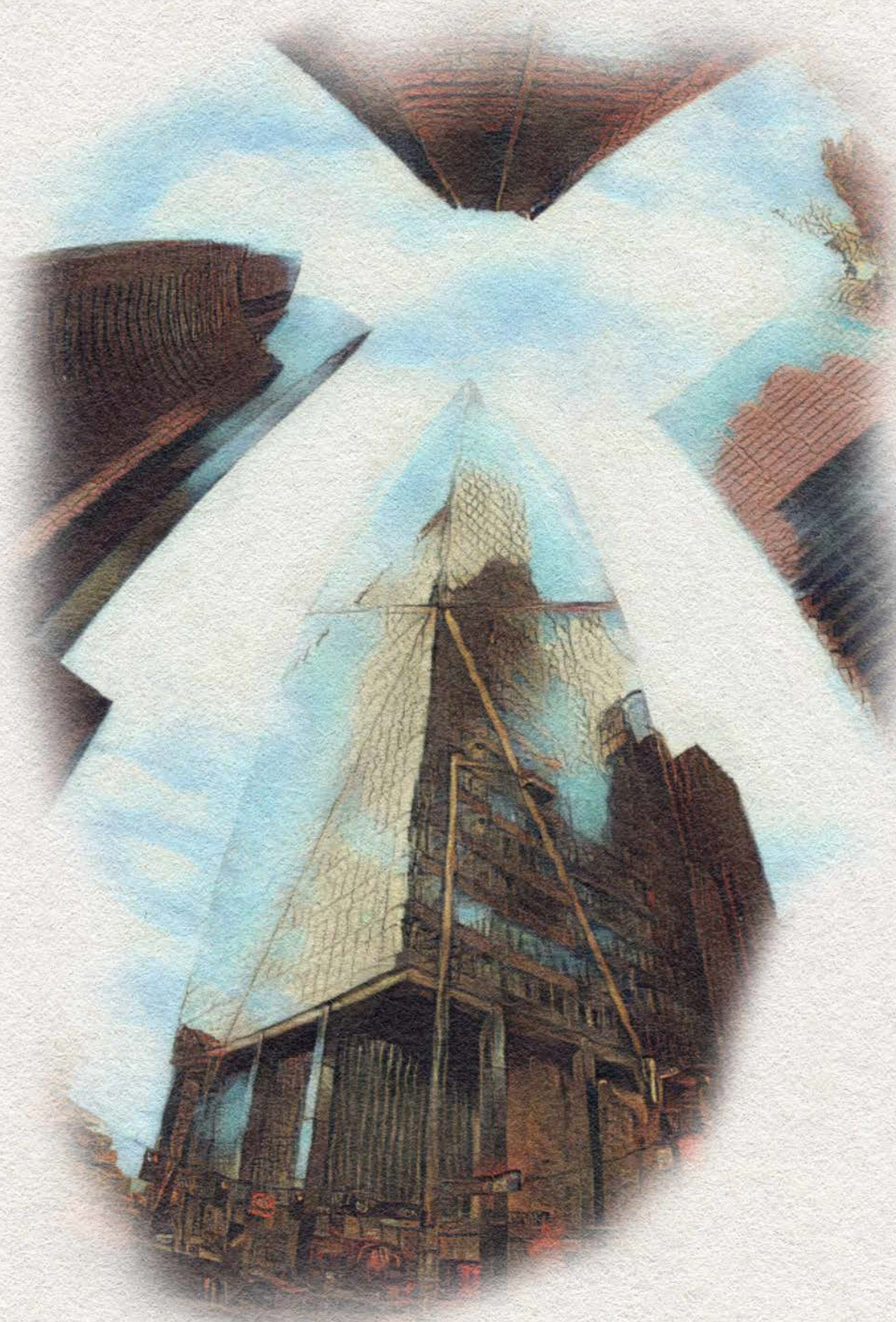
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2023**  
*(In Thousands)*

	Finance and Administrative Services	Information Technology	2023
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES</b>			
Operating Income (Loss)	39,671	(15,877)	23,794
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities</b>			
Depreciation and Amortization	41,369	14,032	55,401
Other Operating Expenses	2,655	56,773	59,428
Nonoperating Revenues and Expenses		—	—
Changes in Operating Assets and Liabilities			
Accounts Receivable	167	(106)	61
Unbilled Receivables	—	—	—
Due from Other Funds	(281)	(56)	(337)
Due from Other Governments	351	(2)	349
Materials and Supplies Inventory	(85)	(1,039)	(1,124)
Accounts Payable	6,394	9,379	15,773
Salaries, Benefits, and Payroll Taxes Payable	(17)	73	56
Compensated Absences Payable	(13)	132	119
Due to Other Funds	27	—	27
Due to Other Governments	—	2,424	2,424
Claims Payable	—	(2)	(2)
Taxes Payable	18	(14)	4
Other Assets and Liabilities	(100)	(46,247)	(46,347)
Total Adjustments	50,485	35,347	85,832
Net Cash from Operating Activities	90,156	19,470	109,626
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
In-Kind Capital Contributions		—	—
Amortization of Debt Related Costs, Net		—	—

# Statistics

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**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

# The City of Seattle

Table S-1

**NET POSITION BY COMPONENT**  
**Last Ten Fiscal Years**  
*(Accrual Basis of Accounting)*  
*(In Thousands)*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 4,182,369	\$ 4,047,172	\$ 3,502,222	\$ 3,382,301	\$ 3,365,060
Restricted	1,237,386	1,203,318	927,952	865,915	694,502
Unrestricted	<u>(730,890)</u>	<u>(843,106)</u>	<u>(1,049,624)</u>	<u>(1,059,864)</u>	<u>(565,925)</u>
Total Governmental Activities Net Position	4,688,865	4,407,384	3,380,550	3,188,352	3,493,637
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	3,699,843	3,400,264	2,668,365	2,462,768	2,280,370
Restricted	68,932	68,345	60,692	88,151	85,527
Unrestricted	<u>569,501</u>	<u>528,291</u>	<u>183,043</u>	<u>(14,029)</u>	<u>(121,280)</u>
Total Business-Type Activities Net Position	4,338,276	3,996,900	2,912,100	2,536,890	2,244,617
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	7,882,212	7,447,436	6,170,587	5,845,069	5,645,430
Restricted	1,306,318	1,271,663	988,644	954,066	780,029
Unrestricted	<u>(161,389)</u>	<u>(314,815)</u>	<u>(866,581)</u>	<u>(1,073,893)</u>	<u>(687,205)</u>
Total Primary Government Net Position	<u>\$ 9,027,141</u>	<u>\$ 8,404,284</u>	<u>\$ 6,292,650</u>	<u>\$ 5,725,242</u>	<u>\$ 5,738,254</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Net Investment in Capital Assets	\$ 3,269,646	\$ 3,144,486	\$ 3,085,306	\$ 2,880,124	\$ 2,783,738
Restricted	625,046	556,406	448,935	460,885	406,454
Unrestricted	<u>(392,023)</u>	<u>(379,114)</u>	<u>(16,363)</u>	<u>36,212</u>	<u>(35,593)</u>
Total Governmental Activities Net Position	3,502,669	3,321,778	3,517,878	3,377,221	3,154,599
<b>BUSINESS-TYPE ACTIVITIES</b>					
Net Investment in Capital Assets	2,186,129	1,915,893	1,750,495	1,509	1,391
Restricted	59,575	59,194	58,039	57	56
Unrestricted	<u>(231,495)</u>	<u>(153,822)</u>	<u>253,427</u>	<u>274</u>	<u>215</u>
Total Business-Type Activities Net Position	2,014,209	1,821,265	2,061,961	1,840	1,662
<b>PRIMARY GOVERNMENT</b>					
Net Investment in Capital Assets	5,455,775	5,060,379	4,835,801	2,881,633	2,785,129
Restricted	684,621	615,600	506,974	460,942	406,510
Unrestricted	<u>(623,518)</u>	<u>(532,936)</u>	<u>237,064</u>	<u>36,486</u>	<u>(35,378)</u>
Total Primary Government Net Position	<u>\$ 5,516,878</u>	<u>\$ 5,143,043</u>	<u>\$ 5,579,839</u>	<u>\$ 3,379,061</u>	<u>\$ 3,156,261</u>

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 2009.

Table S-2  
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**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(In Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>EXPENSES</b>					
<b>Governmental Activities</b>					
General Government	\$ 414,762	\$ 185,628	\$ 346,566	\$ 316,015	\$ 173,424
Judicial	42,173	40,680	10,565	30,941	31,666
Public Safety	790,705	663,808	757,770	660,167	678,857
Physical Environment	21,496	(55,663)	35,341	13,595	12,932
Transportation	574,206	577,573	457,259	332,082	307,433
Economic Environment	525,550	584,249	390,442	265,933	251,711
Health and Human Services	223,273	161,435	137,099	110,814	138,252
Culture and Recreation	425,733	443,726	264,000	271,260	311,875
Interest on Long-Term Debt	<u>(38,322)</u>	<u>(32,657)</u>	<u>44,707</u>	<u>44,794</u>	<u>46,915</u>
Total Governmental Activities Expenses	2,979,576	2,568,779	2,443,749	2,045,601	1,953,065
<b>Business-Type Activities</b>					
Light	1,138,690	1,005,426	998,887	959,811	891,783
Water	272,268	242,292	246,617	252,550	241,847
Drainage and Wastewater	475,266	434,016	411,851	393,410	379,919
Solid Waste	230,155	209,977	206,634	200,958	201,387
Construction & Inspection	102,105	81,451	77,029	73,102	62,994
Downtown Parking Garage	—	—	—	—	—
Fiber Leasing	—	—	—	—	—
Total Business-Type Activities Expenses	<u>2,218,484</u>	<u>1,973,162</u>	<u>1,941,018</u>	<u>1,879,831</u>	<u>1,777,930</u>
Total Primary Government Expenses	5,198,060	4,541,941	4,384,767	3,925,432	3,730,995
<b>PROGRAM REVENUES</b>					
<b>Governmental Activities</b>					
Charges for Services					
General Government	10,277	21,127	91,443	58,056	80,074
Judicial	23,360	12,570	17,006	29,555	27,339
Public Safety	58,018	48,001	36,751	30,815	36,048
Physical Environment	5,208	4,868	3,815	5,020	4,771
Transportation	220,746	203,430	46,160	142,151	175,404
Economic Environment	126,731	105,406	94,678	63,100	74,755
Health and Human Services	4,501	3,028	537	1,571	1,006
Culture and Recreation	97,761	65,517	39,307	57,771	69,307
Operating Grants and Contributions	275,280	404,561	372,266	179,266	152,736
Capital Grants and Contributions	<u>11,332</u>	<u>3,370</u>	<u>8,262</u>	<u>1,763</u>	<u>15,547</u>
Total Governmental Activities Program Revenues	833,214	871,878	710,225	569,068	636,987
<b>Business-Type Activities</b>					
Charges for Services					
Light	1,190,910	1,238,722	1,015,766	1,079,399	991,585
Water	301,496	290,869	278,578	281,008	280,019
Drainage and Wastewater	542,934	519,029	460,295	454,382	416,482
Solid Waste	267,905	256,809	224,052	224,965	203,367
Construction & Inspection	83,225	86,640	78,653	78,743	73,927
Downtown Parking Garage	—	—	—	—	—
Fiber Leasing	—	—	—	—	—
Operating Grants and Contributions	2,500	11,602	22,913	7,120	10,616
Capital Grants and Contributions	<u>64,721</u>	<u>88,419</u>	<u>64,030</u>	<u>71,782</u>	<u>90,351</u>
Total Business-Type Activities Program Revenues	<u>2,453,691</u>	<u>2,492,090</u>	<u>2,144,287</u>	<u>2,197,399</u>	<u>2,066,347</u>
Total Primary Government Program Revenues	3,286,905	3,363,968	2,854,512	2,766,467	2,703,334
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(2,146,362)	(1,696,901)	(1,733,524)	(1,476,533)	(1,316,078)
Business-Type Activities	<u>235,207</u>	<u>518,928</u>	<u>203,269</u>	<u>317,568</u>	<u>288,417</u>
Total Primary Government Net Expense	(1,911,155)	(1,177,973)	(1,530,255)	(1,158,965)	(1,027,661)

Table S-2  
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**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(In Thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>EXPENSES</b>					
<b>Governmental Activities</b>					
General Government	\$ 222,089	\$ 247,400	\$ 208,638	\$ 189,034	\$ 161,041
Judicial	32,075	32,025	28,477	28,874	33,517
Public Safety	577,738	576,208	531,523	568,843	515,129
Physical Environment	15,539	12,558	4,351	5,853	10,740
Transportation	384,724	271,601	221,443	222,199	165,742
Economic Environment	147,005	175,133	138,878	138,169	125,191
Health and Human Services	119,463	104,687	94,122	76,562	71,256
Culture and Recreation	364,425	330,984	286,395	275,566	267,043
Interest on Long-Term Debt	47,777	42,942	32,694	31,170	26,417
Total Governmental Activities Expenses	1,910,835	1,793,538	1,546,521	1,536,270	1,376,076
<b>Business-Type Activities</b>					
Light	914,785	853,871	837,860	798,161	780,930
Water	235,142	225,678	228,241	221,944	215,600
Drainage and Wastewater	363,682	332,686	316,487	298,633	290,147
Solid Waste	192,062	167,132	173,312	159,501	156,653
Planning and Development	72,914	64,248	64,673	58,304	53,080
Downtown Parking Garage	—	5,222	7,401	7,458	8,159
Fiber Leasing	36	8	35	27	54
Total Business-Type Activities Expenses	1,778,621	1,648,845	1,628,009	1,544,028	1,504,623
Total Primary Government Expenses	3,689,456	3,442,383	3,174,530	3,080,298	2,880,699
<b>PROGRAM REVENUES</b>					
<b>Governmental Activities</b>					
Charges for Services					
General Government	119,548	109,478	104,651	91,011	85,923
Judicial	27,555	29,578	30,030	31,256	40,545
Public Safety	28,669	24,472	26,227	25,733	19,245
Physical Environment	10	13	16	78	47
Transportation	77,958	70,878	67,948	101,074	100,830
Economic Environment	53,196	36,464	41,875	35,776	12,250
Health and Human Services	745	525	64	10	8
Culture and Recreation	82,133	75,832	70,360	72,873	67,116
Operating Grants and Contributions	130,777	134,856	136,981	123,986	135,407
Capital Grants and Contributions	36,161	31,076	29,358	37,895	42,468
Total Governmental Activities Program Revenues	556,752	513,172	507,510	519,692	503,839
<b>Business-Type Activities</b>					
Charges for Services					
Light	987,812	901,276	880,788	883,149	839,767
Water	262,777	251,244	251,977	242,786	235,114
Drainage and Wastewater	396,283	371,040	359,839	337,882	329,386
Solid Waste	203,038	177,061	174,365	157,495	159,741
Planning and Development	72,595	79,246	65,278	56,743	48,016
Downtown Parking Garage	0	5,355	7,885	7,434	7,019
Fiber Leasing	8	8	12	16	75
Operating Grants and Contributions	1,834	4,583	7,088	6,155	7,055
Capital Grants and Contributions	70,020	86,997	60,115	48,129	63,760
Total Business-Type Activities Program Revenues	1,994,367	1,876,810	1,807,347	1,739,789	1,689,933
Total Primary Government Program Revenues	2,551,119	2,389,982	2,314,857	2,259,481	2,193,772
<b>NET (EXPENSE) REVENUE</b>					
Governmental Activities	(1,354,083)	(1,280,366)	(1,039,011)	(1,016,578)	(872,237)
Business-Type Activities	215,746	227,965	179,338	195,761	185,310
Total Primary Government Net Expense	(1,138,337)	(1,052,401)	(859,673)	(820,817)	(686,927)

Table S-2  
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**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(In Thousands)**

	2023	2022	2021	2020	2019
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<b>Governmental Activities</b>					
Taxes					
Property Taxes	\$ 789,865	\$ 713,959	\$ 681,235	\$ 640,828	\$ 597,349
Sales Taxes	399,651	389,892	287,402	324,392	306,587
Business Taxes	973,816	918,872	479,864	569,680	539,045
Excise Taxes	90,603	130,697	117,845	149,058	106,861
Other Taxes and Revenues	66,608	59,773	36,398	80,542	36,000
Penalties and Interest on Delinquent Taxes	—	—	—	—	—
Unrestricted Investment Earnings (Loss)	110,544	(51,898)	51,688	1	1,765
Gain (Loss) on Sale of Capital Assets	(3,244)	133,731	16,107	(44,620)	7,990
Transfers	—	—	—	—	—
Total Governmental Activities	<u>2,427,843</u>	<u>2,295,026</u>	<u>1,670,539</u>	<u>1,719,881</u>	<u>1,595,597</u>
<b>Business-Type Activities</b>					
Unrestricted Investment Earnings	71,683	(39,458)	47,295	52,530	28,012
Gain on Sale of Capital Assets	—	0	1,559	774	753
Special Item - Environmental Remediation	(60,172)	0	(3,065)	(8,902)	(40,700)
Other Taxes	—	0	10,894	13,177	17,137
Total Business-Type Activities	<u>11,511</u>	<u>(39,458)</u>	<u>56,683</u>	<u>57,579</u>	<u>5,202</u>
Total Primary Government	2,439,354	2,255,568	1,727,222	1,777,460	1,600,799
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	281,481	598,125	(62,985)	243,348	279,519
Business-Type Activities	246,890	479,470	259,952	375,147	293,619
Total Primary Government	<u>\$ 528,371</u>	<u>\$ 1,077,595</u>	<u>\$ 196,967</u>	<u>\$ 618,495</u>	<u>\$ 573,138</u>



Table S-2  
Page 4 of 4

**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(In Thousands)**

	2018	2017	2016	2015	2014
<b>GENERAL REVENUES, SPECIAL ITEM, AND TRANSFERS</b>					
<b>Governmental Activities</b>					
Taxes					
Property Taxes	\$ 582,622	\$ 542,854	\$ 420,691	\$ 431,458	\$ 423,927
Sales Taxes	280,963	263,285	239,189	199,735	181,171
Business Taxes	516,881	482,850	454,086	431,437	408,913
Excise Taxes	115,674	114,627	101,098	65,364	61,524
Other Taxes and Revenues	22,032	19,009	17,733	16,771	11,240
Penalties and Interest on Delinquent Taxes	—	—	0	4,091	3,596
Unrestricted Investment Earnings (Loss)	18,339	9,080	9,202	11,791	(1,663)
Gain (Loss) on Sale of Capital Assets	7,633	(191)	9,071	1,761	17,012
Transfers	(5,317)	15,469	(8,931)	(11,512)	(10,861)
Total Governmental Activities	<u>1,538,827</u>	<u>1,446,983</u>	<u>1,242,139</u>	<u>1,150,896</u>	<u>1,094,859</u>
<b>Business-Type Activities</b>					
Unrestricted Investment Earnings	18,046	12,806	13,938	16,254	4,204
Gain on Sale of Capital Assets	(83)	48,101	2,767	2,759	1,672
Special Item - Environmental Remediation	(9,619)	(66,187)	(4,975)	(4,949)	(24,169)
Other Taxes	6,321	(15,469)	8,931	11,512	10,861
Total Business-Type Activities	<u>14,665</u>	<u>(20,749)</u>	<u>20,661</u>	<u>25,576</u>	<u>(7,432)</u>
Total Primary Government	1,553,492	1,426,234	1,262,800	1,176,472	1,087,427
<b>CHANGES IN NET POSITION</b>					
Governmental Activities	184,744	166,616	203,128	134,318	222,622
Business-Type Activities	230,411	207,216	199,999	221,337	177,878
Total Primary Government	<u>\$ 415,155</u>	<u>\$ 373,832</u>	<u>\$ 403,127</u>	<u>\$ 355,655</u>	<u>\$ 400,500</u>

Table S-3

**FUND BALANCE OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>GENERAL FUND</b>					
Nonspendable	\$ 49	\$ 236	\$ 65	\$ 74	\$ 93
Restricted	209,969	337,318	263,769	250,162	215,620
Committed	482,640	236,991	112,000	98,281	88,794
Assigned	99,394	15,123	8,693	20,632	26,391
Unassigned	398,872	416,534	130,071	224,124	152,368
Total General Fund	<u>\$ 1,190,924</u>	<u>\$ 1,006,202</u>	<u>\$ 514,598</u>	<u>\$ 593,273</u>	<u>\$ 483,266</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 525	\$ 576	\$ 2,410	\$ 2,790	\$ 2,790
Restricted	736,761	865,949	659,398	681,792	682,244
Committed	34,341	42,474	7,373	12,086	57,000
Assigned	165,570	35,477	18,708	15,538	12,915
Unassigned	(6,007)	(21,488)	(49,577)	(5,517)	(33,386)
Total All Other Governmental Funds	<u>\$ 931,190</u>	<u>\$ 688,357</u>	<u>\$ 638,312</u>	<u>\$ 706,689</u>	<u>\$ 721,563</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>GENERAL FUND</b>					
Nonspendable	\$ 350	\$ 401	\$ 474	\$ 473	\$ 375
Restricted	181,950	155,523	136,627	99,991	100
Committed	131,386	102,521	116,890	76,493	83
Assigned	29,172	28,646	5,767	5,685	5
Unassigned	152,225	155,290	143,763	134,492	120
Total General Fund	<u>\$ 495,083</u>	<u>\$ 442,381</u>	<u>\$ 403,521</u>	<u>\$ 317,134</u>	<u>\$ 683</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	\$ 2,745	\$ 2,740	\$ 3,227	\$ 4,224	\$ 3,959
Restricted	512,551	466,996	417,732	346,891	359,172
Committed	115,265	109,392	68,947	60,612	49,829
Assigned	11,963	9,819	11,004	9,933	7,661
Unassigned	(22,270)	(37,083)	(34,159)	(59,231)	(22,328)
Total All Other Governmental Funds	<u>\$ 620,254</u>	<u>\$ 551,864</u>	<u>\$ 466,751</u>	<u>\$ 362,429</u>	<u>\$ 398,293</u>

Table S-4  
Page 1 of 2

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(In Thousands)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>REVENUES</b>					
Taxes	\$ 2,306,798	\$ 2,213,876	\$ 1,601,753	\$ 1,751,579	\$ 1,607,390
Licenses and Permits	63,001	46,060	44,306	50,746	55,697
Grants, Shared Revenues, and Contributions	299,258	411,844	344,046	195,554	157,092
Charges for Services	373,837	384,691	353,106	266,533	304,218
Fines and Forfeits	45,487	27,869	24,786	44,471	45,368
Concessions, Parking Fees, and Space Rent	66,995	48,014	20,380	65,417	70,262
Program Income, Interest, and Miscellaneous Revenues	298,006	81,306	195,119	211,112	155,746
Total Revenues	<u>3,453,382</u>	<u>3,213,660</u>	<u>2,583,496</u>	<u>2,585,412</u>	<u>2,395,773</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	451,021	319,273	257,625	293,106	330,004
Judicial	43,872	42,263	36,412	35,208	32,892
Public Safety	827,410	810,522	786,851	743,448	690,650
Physical Environment	22,762	21,882	36,914	15,852	13,577
Transportation	409,674	405,416	343,819	368,776	334,625
Economic Environment	524,762	581,278	409,442	297,472	258,243
Health and Human Services	222,863	203,430	155,356	181,255	139,433
Culture and Recreation	419,297	369,542	312,900	319,278	317,667
<b>Capital Outlay</b>					
General Government	8,669	1,972	3,823	9,040	16,442
Public Safety	1,573	1,766	5,055	4,050	1,031
Physical Environment	72	8	43	—	895
Transportation	179,831	175,172	231,124	127,518	111,322
Health and Human Services	5	3	3,032	875	811
Culture and Recreation	97,559	72,043	47,041	85,972	62,201
<b>Debt Service</b>					
Principal	78,700	74,504	76,996	57,371	80,576
Interest	42,547	40,509	39,347	36,723	48,821
Bond Issuance Cost	531	888	531	278	397
Other	—	—	—	15	—
Total Expenditures	<u>3,331,148</u>	<u>3,120,471</u>	<u>2,746,311</u>	<u>2,576,237</u>	<u>2,439,587</u>
Excess (Deficiency) of Revenues over Expenditures	122,234	93,189	(162,815)	9,175	(43,814)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	93,925	127,585	71,805	54,430	49,975
Refunding Debt Issued	—	—	—	—	—
Premium on Bonds Issued	12,430	11,690	14,601	5,633	3,186
Payment to Refunded Bond Escrow Agent	(54,391)	(41,976)	(51,381)	(15,131)	—
Sales of Capital Assets	21	134,330	16,107	8,862	4,128
Leases & Installments	(4)				
Transfers In	128,751	168,268	102,429	141,911	104,215
Transfers Out	(110,042)	(155,103)	(73,801)	(89,728)	(78,011)
Total Other Financing Sources (Uses)	<u>70,690</u>	<u>244,794</u>	<u>79,760</u>	<u>105,977</u>	<u>83,493</u>
Net Change in Fund Balance	<u>\$ 192,924</u>	<u>\$ 337,983</u>	<u>\$ (83,055)</u>	<u>\$ 115,152</u>	<u>\$ 39,679</u>
<b>Debt Service as a Percentage of</b>					
<b>Noncapital Expenditures</b>	3.97 %	4.07 %	4.57 %	4.03 %	5.98 %

-Approximately \$8.6 million of charges for services was reclassified to program income for the year of 2017 to compare to 2018 presentation.

-2021 first year reporting Leases & Installments.

Table S-4  
Page 2 of 2

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

	2018	2017	2016	2015	2014
<b>REVENUES</b>					
Taxes	\$ 1,517,412	\$ 1,422,194	\$ 1,233,134	\$ 1,044,608	\$ 1,083,499
Licenses and Permits	43,674	41,743	34,137	25,238	27,135
Grants, Shared Revenues, and Contributions	167,609	166,779	162,132	177,775	184,784
Charges for Services	248,711	254,412	225,056	182,595	200,847
Fines and Forfeits	42,971	46,154	39,008	34,340	41,107
Concessions, Parking Fees, and Space Rent	71,407	68,798	67,444	57,107	62,463
Program Income, Interest, and Miscellaneous Revenues	118,248	99,369	98,215	43,649	45,462
<b>Total Revenues</b>	<b>2,210,032</b>	<b>2,099,449</b>	<b>1,859,126</b>	<b>1,565,312</b>	<b>1,645,297</b>
<b>EXPENDITURES</b>					
Current					
General Government	321,623	264,284	224,721	180,187	191,829
Judicial	31,658	31,519	29,352	26,654	27,642
Public Safety	611,690	590,681	577,106	461,235	494,011
Physical Environment	16,130	13,575	7,314	7,748	11,935
Transportation	195,985	227,666	155,690	92,212	97,676
Economic Environment	151,462	179,831	141,722	128,711	128,644
Health and Human Services	120,943	104,209	96,267	67,103	73,151
Culture and Recreation	317,961	305,986	268,977	216,508	231,694
Capital Outlay					
General Government	55,933	29,342	29,959	10,684	22,220
Public Safety	2,764	21,527	13,097	27,743	21,100
Physical Environment	—	—	—	—	—
Transportation	203,447	240,216	278,151	228,272	234,188
Health and Human Services	110	7	—	69	—
Culture and Recreation	60,586	47,390	35,712	55,507	85,690
Debt Service					
Principal	57,883	53,308	50,708	53,523	56,194
Interest	35,551	32,768	28,998	25,339	26,206
Bond Issuance Cost	508	627	1,946	258	822
Other	—	—	—	305	—
<b>Total Expenditures</b>	<b>2,184,234</b>	<b>2,142,936</b>	<b>1,939,720</b>	<b>1,582,058</b>	<b>1,703,002</b>
Excess (Deficiency) of					
Revenues over Expenditures	25,798	(43,487)	(80,594)	(16,746)	(57,705)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-Term Debt Issued	93,880	145,139	350,255	108,085	101,115
Refunding Debt Issued	—	—	—	0	43,945
Premium on Bonds Issued	10,198	22,177	40,113	21,140	9,377
Payment to Refunded Bond Escrow Agent	(19,419)	(31,909)	(155,030)	(91,574)	(44,503)
Sales of Capital Assets	7,704	123	19,231	2,282	22,904
Leases & Installments					
Transfers In	501,504	550,752	498,582	334,611	375,772
Transfers Out	(498,724)	(518,825)	(501,695)	(342,571)	(381,986)
<b>Total Other Financing Sources (Uses)</b>	<b>95,143</b>	<b>167,457</b>	<b>251,456</b>	<b>31,973</b>	<b>126,624</b>
<b>Net Change in Fund Balance</b>	<b>\$ 120,941</b>	<b>\$ 123,970</b>	<b>\$ 170,862</b>	<b>\$ 15,227</b>	<b>\$ 68,919</b>
<b>Debt Service as a Percentage of</b>					
<b>Noncapital Expenditures</b>	4.87 %	5.93 %	6.26 %	5.91 %	5.28 %

Table S-5

**TAX REVENUES BY SOURCE**  
**Last Ten Fiscal Years**  
*(Modified Accrual Basis of Accounting)*  
*(In Thousands)*

Year	Property Tax	Sales Tax	Business Tax	Excise Tax	Other Taxes	Total Taxes
2014	\$ 431,458	\$ 199,735	\$ 431,437	\$ 65,364	\$ 16,771	\$ 1,144,765
2015	420,691	239,189	454,086	101,098	17,733	1,232,797
2016	542,854	263,285	482,850	114,627	19,009	1,422,625
2017	582,622	280,963	516,881	115,674	22,032	1,518,172
2018	597,949	306,587	539,906	139,347	23,601	1,607,390
2019	640,075	324,302	579,312	166,349	33,708	1,743,746
2020	697,753	287,486	479,870	126,086	28,257	1,619,452
2021	707,382	343,317	816,861	143,424	51,111	2,062,095
2022	714,642	389,893	918,872	130,697	59,773	2,213,877
2023	782,897	399,651	973,816	85,208	65,226	2,306,798

Table S-6

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE**  
**OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

Fiscal Year	Assessed and Estimated Actual Value <sup>a</sup> (In Thousands)			Total Direct Tax Rate <sup>c</sup>	Average Annual Growth	Assessed Value Per Capita
	Real Property	Personal Property	Total <sup>b</sup>			
2014	\$ 122,999,095	\$ 5,206,658	\$ 128,205,753	3.048 %	9.58 %	\$ 200.165
2015	139,229,729	5,284,205	144,513,934	2.624	12.72	218.167
2016	157,548,324	5,757,604	163,305,928	3.067	13.00	237.778
2017	180,363,081	5,962,261	186,325,342	2.899	14.10	261.070
2018	208,104,882	6,004,182	214,109,064	2.362	14.91	293.139
2019	238,336,064	6,602,645	244,938,709	2.229	14.40	327.765
2020	250,944,649	7,013,631	257,958,280	2.221	5.32	350.011
2021	254,699,486	7,434,576	262,134,062	2.250	1.62	353.090
2022	268,802,735	7,490,457	276,293,192	2.166	5.40	362.352
2023	300,331,965	8,542,526	308,874,491	1.987	11.79	396.400

<sup>a</sup> Real property has been assessed at 100 percent of estimated actual value.

<sup>b</sup> Source: King County Assessor.

<sup>c</sup> Total Direct Tax Rate includes Total City District Levies of General Fund, Debt Service Funds, & Special Revenue Funds except Seattle Metropolitan Park District 0.20986. See Table S-7 for City of Seattle Direct Rates breakout.

**Table S-7 DIRECT AND OVERLAPPING PROPERTY TAX RATES <sup>a</sup>  
Last Ten Fiscal Years  
(In Mills or Dollars per Thousand of Assessed Value)**

Year of Levy	City of Seattle				Overlapping					Dollars Levied <sup>c</sup> (\$1,000)	Annual Growth
	General Fund	Special Revenue Funds <sup>d</sup>	Debt Service Funds	City Total <sup>d</sup>	State	County <sup>b</sup>	School	Port of Seattle	Total		
2014	1.801	1.107	0.140	3.048	2.470	2.008	2.549	0.215	10.290	\$1,319,452	18.0 %
2015	1.625	0.868	0.130	2.623	2.285	1.789	2.391	0.189	9.277	1,345,016	1.9
2016	1.468	1.421	0.178	3.067	2.168	1.892	2.188	0.170	9.485	1,554,926	15.6
2017	1.346	1.387	0.166	2.899	2.032	2.013	2.151	0.153	9.248	1,723,142	10.8
2018	1.245	1.208	0.143	2.596	2.918	1.901	2.012	0.135	9.562	2,040,443	18.4
2019	1.126	1.223	0.094	2.443	2.629	1.740	1.350	0.123	8.285	2,024,879	(0.8)
2020	1.117	1.223	0.089	2.429	3.028	1.796	1.857	0.119	9.229	2,370,358	17.1
2021	1.155	1.217	0.088	2.460	3.088	1.798	1.845	0.120	9.311	2,430,430	2.5
2022	1.143	1.168	0.060	2.371	2.817	1.742	1.787	0.113	8.830	2,425,450	(0.2)
2023	1.064	1.255	0.053	2.372	2.311	1.522	1.819	0.094	8.118	2,498,786	3.0

<sup>a</sup> Source: King County Assessor and City of Seattle Budget Office.

<sup>b</sup> For the purposes of this table the City’s share of the Countywide Emergency Medical Service (EMS) levy, Flood Zone levy, and Sound Transit are included in the County’s tax levy rate. EMS rate is 0.26500, Flood Zone levy is 0.09199, and Sound Transit is 0.19937 in 2020.

<sup>c</sup> Actual dollars levied may differ slightly from this figure due to certain property tax exemptions for low-income, elderly, and handicapped property owners.

<sup>d</sup> Inclusion of Special Revenue Fund Seattle Metropolitan Park District SMPD 0.20812 increases City Total rate in comparison to Table S-6. SMPD, a separate taxing authority established by voters, fully supports City of Seattle parks programs.

**Table S-8 PRINCIPAL PROPERTY TAXPAYERS <sup>a</sup>  
Current Year and Nine Years Ago**

Taxpayer <sup>b</sup>	2023			2014		
	Assessed Valuation <sup>c</sup> (In Millions)	Percentage of Assessed Valuation	Rank	Assessed Valuation <sup>c</sup> (In Millions)	Percentage of Assessed Valuation	Rank
Amazon	\$ 4,041.9	1.31 %	1			
Union Square Limited Partnership	1,123.0	0.36	2	\$ 593.7	41.00 %	1
ONNI Properties LLC	980.2	0.32	3			
Ponte Gadea Seattle LLC	841.4	0.27	4			
GC Columbia LLC	767.7	0.25	5	339.9	23.00	6
Acorn Development LLC (Amazon)	665.2	0.22	6			
1201 Tab Owner LLC	632.2	0.20	7	457.6	32.00	2
Selig Holdings Co. LLC	551.5	0.18	8			
BPP 1420 Fifth Avenue Owner	547.8	0.18	9			
CRUISE LLC	530.3	0.17	10			
The Boeing Company				415.1	29.00	4
FSP-RIC LLC				425.2	29.00	3
City Center Associates JV				377.5	26.00	5
999 Third Avenue Property				284.7	20.00	7
Seattle Sheraton				269.6	19.00	8
Puget Sound Energy-Gas/Electric				258.4	18.00	9

<sup>a</sup> Source: King County Assessor.

<sup>b</sup> 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.

<sup>c</sup> Assessed valuations for taxes collected in the succeeding year.

Table S-9  
Page 1 of 2

**PRINCIPAL REVENUE SOURCES**  
**Current Year and Nine Years Ago**  
**(In Thousands)**

CITY LIGHT <sup>a</sup>							
Customer Name	2023			2014			
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank	
University of Washington	\$ 33,039	3.2%	1	\$ 22,147	3.12%	2	
NUCOR	29,399	2.84	2	22,457	3.07	1	
Amazon	21,145	2.05	3	—	—		
Boeing	17,292	1.67	4	15,999	2.22	4	
Sabey Corporation	14,849	1.44	5	10,311	1.43	6	
King County b	14,449	1.4	6	10,491	1.46	5	
City of Seattle	11,503	1.11	7	19,685	2.73	3	
2001 Sixth LLC	10,975	1.06	8	6,290	0.87	8	
US Government	8,294	0.8	9	7,073	0.98	7	
Unico Properties	7,250	0.7	10	—	—	—	
Saint Gobain				6,088	0.84	9	
Martin Selig Properties				5,619	0.78	10	
<b>Total Top Ten</b>	<b>\$ 168,195</b>	<b>16.27</b>		<b>\$ 126,160</b>	<b>17.5</b>		

<sup>a</sup> Seattle City Light billing records.

<sup>b</sup> Revenue for King County included Metro Transit due to the merger of King County and Metro Transit in 2004.

WATER <sup>c</sup>							
Customer Name	2023			2014			
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank	
Cascade Water Alliance	\$ 23,969	7.95%	1	\$ 20,831	8.57%	1	
Northshore Utility District	6,016	2.00	2	5,386	2.22	2	
Highline Water District	5,049	1.67	3	4,173	1.72	3	
City of Seattle	4,862	1.61	4	3,583	1.47	7	
University of Washington	4,320	1.43	5	3,615	1.49	6	
Woodinville Water District	4,036	1.34	6	3,821	1.57	4	
Soos Creek Water and Sewer District	3,882	1.29	7	3,644	1.50	5	
Port of Seattle	3,873	1.28	8	2,998	1.23	8	
Seattle Housing Authority	3,446	1.14	9				
King County Water District #20	2,716	0.90	10	2,162	0.89	10	
City of Mercer Island				2,408	0.99	9	
<b>Total Top Ten</b>	<b>\$ 62,169</b>	<b>20.61%</b>		<b>\$ 52,621</b>	<b>21.65%</b>		

<sup>c</sup> Source: Seattle Public Utilities (SPU) billing records.

<sup>d</sup> Using data from the 2012 ACFR.

Table S-9  
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**PRINCIPAL REVENUE SOURCES**  
Current Year and Nine Years Ago  
(In Thousands)

Customer Name	DRAINAGE AND WASTEWATER <sup>a</sup>					
	2023			2014		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 12,221	7.00%	1	\$ 8,815	2.64%	1
King County	3,921	2.20%	2	3,235	0.97%	4
Seattle Public Schools	3,834	2.20%	3	1,822	0.55%	6
University of Washington	3,184	1.80%	4	7,934	2.38%	2
BNSF	2,859	1.60%	5	1,351	0.40%	7
Federal Government	1,266	0.70%	6			
Seattle Housing Authority	1,260	0.70%	7	3,203	0.96%	5
Union Pacific	1,079	0.60%	8			
Archdiocese Of Seattle	1,260	0.40%	9			
The Boeing Company		0.40%				
Port of Seattle				5,068	1.52%	3
Darigold				1,093	0.33%	9
Total Top Ten	\$ 30,884	17.60%		\$ 32,521	9.75%	

<sup>a</sup> Source: Seattle Public Utilities (SPU) billing records.

<sup>b</sup> Using data from the 2012 ACFR.

Customer Name	SOLID WASTE <sup>c</sup>					
	2023			2014		
	Amount	Percent of Revenue	Rank	Amount	Percent of Revenue	Rank
City of Seattle	\$ 1,989	0.74%	1	\$ 1,005	0.64%	1
University of Washington	1,536	0.57%	2			
King County	935	0.35%	3	404	0.26%	8
Seattle Housing Authority	891	0.33%	4	541	0.34%	5
Fred Meyer / QFC	675	0.25%	5	803	0.51%	2
Starbucks	630	0.24%	6	704	0.45%	3
Swedish Medical Group	558	0.21%	7	504	0.32%	6
Port Of Seattle	514	0.19%	8			
Amazon	476	0.18%	9			
Seattle Pacific University	465	0.17%	10			
Goodwill Industries				626	0.40%	4
Pike Place Market				437	0.28%	7
Vigor Marine				368	0.23%	10
Total Top Ten	\$ 8,669	3.23%		\$ 5,392	3.43%	

<sup>c</sup> Source: Seattle Public Utilities (SPU) billing records.

<sup>d</sup> Using data from the 2012 ACFR.



Table S-10

**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**  
*(In Thousands)*

Fiscal Year	Original Levy	Adjusted Levy <sup>a</sup>	Collected within the Fiscal Year of the Levy		Subsequent Adjustments to Date	Net Levy to Date	Subsequent Collections	Total Collections to Date	
			Amount	Percentage of Adjusted Levy				Amount	Percentage of Net Levy
2014	\$433,747	\$432,690	\$426,568	98.59 %	\$65	\$432,756	\$5,671	\$432,239	99.88%
2015	422,712	421,443	416,062	98.72	12	421,455	5,373	421,435	100.00
2016	498,950	496,251	490,200	98.78	176	496,427	5,842	496,042	99.92
2017	535,789	533,119	526,236	98.71	(414)	532,705	5,747	531,983	99.86
2018	555,090	551,977	545,540	98.83	105	552,082	1,554	547,095	99.10
2019	597,158	592,637	585,964	98.87	(44)	592,593	5,747	591,711	99.85
2020	638,326	635,874	626,054	98.46	(82)	635,792	7,301	633,355	99.62
2021	656,129	652,231	642,365	98.49	—	652,231	—	642,365	98.49
2022	653,025	661,855	651,490	98.43	—	661,855	—	651,490	98.43
2023	612,552	671,814	660,111	98.26	—	671,814	—	660,111	98.26

<sup>a</sup> Source King County Treasurer's Office.

Table S-11

**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
*(In Thousands, except Per Capita)*

Governmental Activities							
Fiscal Year	General Obligation Bonds	Premiums, Discounts, and Other Adjustments	Net General Obligation Bonds	Special Assessment Bonds	Notes and Contracts	Leases	
2014	809,060	53,919	862,979	13,005	16,631	2	
2015	816,060	55,218	871,278	10,395	14,580	105	
2016	965,310	81,337	1,046,647	8,825	12,668	151	
2017	1,008,895	91,032	1,099,927	7,505	10,945	158	
2018	1,012,535	82,416	1,094,951	6,075	9,425	105	
2019	977,470	76,649	1,054,119	4,975	8,070	35	
2020	943,880	71,547	1,015,427	3,760	6,795	10	
2021	894,090	78,861	972,951	2,545	10,283	44	
2022	959,825	99,873	1,059,698	94,256	12,847	327	
2023	936,454	99,246	1,035,700	92,556	11,353	305,078	

Business-Type Activities							
Revenue Bonds							
Fiscal Year	General Obligation Bonds	Light and Power Bonds	Water Bonds	Drainage and Wastewater Bonds	Solid Waste Bonds	Premiums, Discounts, and Other Adjustments	Net General Obligation Bonds and Revenue Bonds
2014	58,327	1,863,325	887,010	525,280	115,875	215,007	3,664,824
2015	56,470	1,903,845	853,465	618,895	166,875	249,395	3,848,945
2016	53,520	2,070,780	851,565	600,680	197,810	281,073	4,055,428
2017	—	2,118,085	809,950	673,920	207,545	331,600	4,141,100
2018	—	2,345,490	858,215	821,255	201,000	397,914	4,623,874
2019	—	2,491,550	817,195	796,030	194,225	390,995	4,689,995
2020	—	2,567,110	774,115	769,605	187,105	427,430	4,725,365
2021	—	2,553,505	728,490	742,030	180,060	439,586	4,643,671
2022	—	2,643,475	655,245	730,710	157,385	466,537	4,653,352
2023	—	2,635,690	604,485	799,425	149,625	466,895	4,656,120

Business-Type Activities			Primary Government			
Fiscal Year	Notes and Contracts	Leases	Total	Percentage of Personal Income <sup>A</sup>	Debt Per Capita	Total Personal Income <sup>A</sup>
2014	35,606		4,593,047	11.42%	7,330	40,204,185
2015	33,889		4,779,192	11.94%	7,462	40,019,009
2016	38,907		5,162,626	11.84%	7,794	43,597,181
2017	40,133		5,299,768	11.06%	7,717	47,929,025
2018	77,026		5,811,456	10.85%	8,143	53,583,169
2019	76,256		5,833,450	10.70%	7,987	54,502,448
2020	71,843		5,823,200	9.98%	7,792	58,343,953
2021	80,832		5,710,326	9.33%	7,503	61,207,662
2022	162,688	1,288	6,309,545	N/A	8,205	N/A
2023	242,578	1,493	6,343,385	N/A	8,141	N/A

<sup>A</sup> Personal income data is not available for 2021.

**Table S-12 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
Last Ten Fiscal Years**

Governmental Activities						
Fiscal Year	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 <sup>A</sup>	Per Capita	
2014	816,060	10,131	861,147	0.60 %	1,344	
2015	965,310	10,672	1,035,975	0.63	1,564	
2016	1,008,895	10,511	1,089,416	0.58	1,586	
2017	1,012,535	10,392	1,084,559	0.51	1,520	
2018	977,470	10,778	1,043,341	0.43	1,428	
2019	943,880	10,949	1,015,427	0.39	1,359	
2020	894,090	11,152	961,799	0.37	1,264	
2021	940,575	9,620	1,033,593	0.37	1,343	
2022	959,825	9,272	1,050,426	0.34	1,378	
2023	936,454	9,020	1,026,680	0.34	1,318	

Business-Type Activities						
Fiscal Year	General Bonded Debt Outstanding <sup>B</sup> (In Thousands)	Premiums, Discounts, and Other Adjustments (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)	Percentage of Actual Taxable Value of Property <sup>A</sup>	Per Capita	
2014	56,470	2,772	59,242	0.04 %	92	
2015	53,520	2,574	56,094	0.03	85	
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						

Business-Type Activities			
Fiscal Year	Annual Debt Service Payments (In Thousands)	Net Operating Income <sup>C</sup> (In Thousands)	Percentage of Debt Service to Net Operating Income
2014	4,796	4,634	103.50 %
2015	5,773	4,843	119.20
2016	2,007	3,337	60.14
2017			
2018			
2019			
2020			
2021			
2022			
2023			

Primary Government			
Fiscal Year	General Bonded Debt Outstanding <sup>B</sup> (In Thousands)	Externally Restricted Fund Balance (In Thousands)	Net General Bonded Debt Outstanding (In Thousands)
2014	930,520	10,131	920,389
2015	1,102,741	10,672	1,092,069
2016	1,099,927	10,511	1,089,416
2017	1,094,951	10,392	1,084,559
2018	1,054,119	10,778	1,043,341
2019	1,026,376	10,949	1,015,427
2020	972,951	11,152	961,799
2021	1,043,213	9,620	1,033,593
2022	1,059,698	9,272	1,050,426
2023	1,035,700	9,020	1,026,680

<sup>A</sup> Starting in 2011, estimated actual value of taxable property in the succeeding year is used for calculation.

<sup>B</sup> General obligation bond debt service for the Downtown Parking Garage was being paid for by user fee revenues derived from the garage. The ultimate recourse for the payment of these bonds was with the City's General Fund, but this ended with the sale of the Parking Garage in 2016.

<sup>C</sup> Excludes amortization.

Table S-13

**DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT  
December 31, 2023**

Governmental Unit	Net Debt Outstanding (In Thousands)	Percentage Applicable to Seattle <sup>A</sup>	Amount Applicable to Seattle (In Thousands)
<b>Debt Repaid with Property Taxes</b>			
King County <sup>B</sup>	886,503	35.10 %	311,163
Port of Seattle	315,360	35.10	110,691
Seattle School District No. 001	9,189	99.57	9,149
Highline School District No. 401	554,950	0.004	22
Subtotal Overlapping Debt	1,766,002		431,026
City of Seattle Direct Debt	1,444,687	100.00	1,444,687
<b>Total Direct and Overlapping Debt</b>	<b>\$ 3,210,689</b>		<b>\$ 1,875,713</b>

<sup>A</sup> Percentage rates were provided by King County, except for City of Seattle, and were determined by the ratio of assessed valuation of property in the overlapping unit subject to taxation in the reporting unit to the total value of property subject to taxation in the overlapping unit.

<sup>B</sup> Excludes proprietary fund debt, public facilities debt financed from special taxes, and hotel and motel tax-financed debt.

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)	
<b>Latest Certified Assessed Value \$301,214,631,275</b> <sup>B</sup>					
2.50% of Assessed Value		\$ 7,530,365,782	\$ 7,530,365,782	\$ 7,530,365,782	\$ 22,591,097,346
1.50% of Assessed Value	4,518,219,469	(4,518,219,469)			—
	4,518,219,469	3,012,146,313	7,530,365,782	7,530,365,782	22,591,097,346
Statutory Debt Limit Less Debt Outstanding <sup>C</sup>					
Bonds	(715,440,000)	(221,000,000)			(936,440,000)
Guarantee on PDA Bonds <sup>D</sup>	(25,890,000)				(25,890,000)
Public Works Trust Fund Loans <sup>E</sup>	(11,353,989)				(11,353,989)
Compensated Absences <sup>F</sup>	(74,939,066)				(74,939,066)
Total Debt Outstanding	(827,623,055)	(221,000,000)	—	—	(1,048,623,055)
Add:					
Available Net Position In Redemption Funds <sup>G</sup>	9,230,192	-169,280			9,060,912
Compensated Absences for Sick Leave <sup>F</sup>	11,112,391				11,112,391
Net Debt Outstanding	(807,280,472)	(221,169,280)	—	—	(1,028,449,752)
<b>LEGAL DEBT MARGIN</b>	<b>\$ 3,710,938,997</b>	<b>\$ 2,790,977,033</b>	<b>\$ 7,530,365,782</b>	<b>\$ 7,530,365,782</b>	<b>\$ 21,562,647,594</b>

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Percentage of Net Debt to Debt Limit
2014	\$ 10,881,878,356	\$ 1,011,446,510	\$ 9,870,431,846	9.29 %
2015	12,294,324,646	1,150,053,778	11,144,270,868	9.35
2016	13,974,400,710	1,127,451,915	12,846,948,795	8.07
2017	16,058,179,816	1,127,407,620	14,930,772,196	7.02
2018	16,058,179,816	1,082,362,532	14,975,817,284	6.74
2019	18,370,403,198	1,036,884,952	17,333,518,246	5.64
2020	19,346,871,060	1,003,871,201	18,342,999,859	5.19
2021	20,722,008,984	1,038,288,592	19,683,720,392	5.01
2022	23,165,586,870	1,055,614,571	22,109,972,299	4.56
2023	22,591,097,346	1,028,449,752	21,562,647,594	4.55

<sup>A</sup> 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.

<sup>B</sup> RCW 39.36.015 allows incorporated cities to use the "last assessment for city purposes." This assessment was issued in February 2024 for taxes payable in 2024.

<sup>C</sup> 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.

<sup>D</sup> 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 and the Seattle Indian Service Commission.

<sup>E</sup> 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.

<sup>F</sup> 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.

<sup>G</sup> 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.

Table S-15

**PLEGGED-REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
*(In Thousands)*

CITY LIGHT PARITY AND JUNIOR LIEN BONDS <sup>a</sup>									
Fiscal Year	Utility Service Charges	Less Operating Expenses	Adjustments to Operating Revenue	Net Available Revenue	Junior Lien Bonds		Parity Bonds		Coverage
					Interest	Principal	Interest	Principal	
2014	872,836	531,464	—	341,372	—	—	85,086	99,670	1.85
2015	873,650	567,058	—	306,592	250	—	84,408	104,915	1.62
2016	903,175	795,766	224,519	331,928	1,038	—	88,060	107,450	1.69
2017	989,710	852,469	239,552	376,793	2,479	—	875,775	111,230	0.38
2018	991,614	823,238	220,032	388,408	3,986	1,260	90,206	116,975	1.83
2019	1,079,424	873,269	256,501	462,656	3,679	2,870	97,696	116,540	2.10
2020	1,015,766	880,318	250,887	386,335	2,012	2,480	98,443	120,065	1.73
2021	1,108,978	891,678	231,716	449,016	0,824	2,11	97,818	115,555	2.07
2022	1,238,615	923,999	253,667	568,283	2,48	2,15	98,476	121,14	2.53
2023	1,190,910	1,053,300	275,000	412,610	6,535	2,240	102,319	125,435	1.74

WATER <sup>b</sup>							
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Interest	Principal		
2014	242,947	94,500	148,447	43,369	33,545	1.93	
2015	251,977	97,937	154,040	45,343	37,330	1.86	
2016	251,364	106,063	145,301	40,348	41,615	1.77	
2017	262,896	108,333	154,563	40,479	39,345	1.94	
2018	282,286	98,459	183,827	40,276	41,020	2.26	
2019	281,008	113,901	167,107	38,260	43,080	2.05	
2020	278,578	113,342	165,236	36,100	45,625	2.02	
2021	303,499	116,610	186,889	36,174	46,235	2.27	
2022	290,869	109,880	180,989	27,564	50,760	2.32	
2023	301,496	150,223	151,273	37,265	44,025	1.88	

DRAINAGE AND WASTEWATER <sup>c</sup>							
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Interest	Principal		
2014	342,000	216,415	125,585	26,466	15,825	2.97	
2015	363,779	230,290	133,489	29,156	18,215	2.82	
2016	375,041	246,488	128,553	28,561	19,080	2.70	
2017	400,284	259,173	141,111	30,934	21,570	2.69	
2018	419,876	258,852	161,024	36,901	25,225	2.59	
2019	454,382	268,650	185,732	35,581	26,425	3.00	
2020	460,295	280,362	179,933	34,274	27,575	2.91	
2021	502,517	272,205	230,312	33,601	27,300	3.78	
2022	519,029	276,329	242,700	33,821	29,225	3.85	
2023	542,934	327,238	215,696	29,936	32,100	3.53	

SOLID WASTE <sup>d</sup>							
Fiscal Year	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	
				Interest	Principal		
2014	157,498	122,948	34,550	6,976	3,495	3.30	
2015	174,788	131,138	43,650	7,732	4,895	3.46	
2016	183,666	139,731	43,935	9,448	5,750	2.89	
2017	209,644	146,641	63,003	9,419	6,545	3.95	
2018	205,634	150,595	55,039	9,103	6,775	3.47	
2019	224,965	150,737	74,228	8,757	7,120	4.68	
2020	224,052	156,616	67,436	8,405	7,045	4.36	
2021	238,261	152,818	85,443	7,912	7,400	5.58	
2022	256,808	161,064	95,744	6,880	7,760	6.54	
2023	267,905	167,794	100,111	6,475	8,160	6.90	

<sup>a</sup> 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.

<sup>b</sup> 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.

<sup>c</sup> 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.

<sup>d</sup> Operating expenses do 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.

**Table S-16** **DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Fiscal Years**

Year	Population <sup>a</sup>		Total Personal Income <sup>b</sup> (In Thousands)		Per Capita Income <sup>b</sup>		King County Average Annual Unemployment Rate <sup>d</sup>
	King County	Seattle	King County	Metropolitan Division <sup>c</sup>	King County	Metropolitan Division <sup>c</sup>	
2014	2,017,250	640,500	\$ 143,260,986	\$ 177,417,334	\$ 71,018	\$ 55,190	8.1%
2015	2,052,800	662,400	153,554,091	190,187,027	74,802	62,481	5.0
2016	2,105,100	686,800	166,006,277	20,500,230	78,859	65,817	4.1
2017	2,153,700	713,700	182,495,475	224,504,700	84,736	69,786	3.9
2018	2,190,200	730,400	201,962,200	248,656,193	92,212	75,078	3.7
2019	2,226,300	747,300	213,956,690	262,236,521	96,104	85,284	3.7
2020	2,260,800	761,100	219,805,809	271,512,240	97,225	87,452	3.7
2021	2,293,300	769,500	0	0	0	0	4.3
2022	2,317,000	762,500	—	—	—	—	2.8
2023	2,347,800	779,200	—	—	—	—	3.3

<sup>a</sup> As of April 1. Source: Washington State Office of Financial Management, "2023 Population Cities, Towns and Counties" estimates only.

<sup>b</sup> Source: U. S. Bureau of Economic Analysis. 2022 Personal Income not yet available.

<sup>c</sup> Source: U. S. Bureau of Economic Analysis includes Seattle, Kent, and Bellevue.

<sup>d</sup> Source: Washington State Employment Security Department, June 29, 2023

**Table S-17** **PRINCIPAL INDUSTRIES <sup>ab</sup>**  
**Current Year and Nine Years Ago**

Industry	2023			2014		
	Number of Employees	Percentage of Employment	Rank	Number of Employees	Percentage of Employment	Rank
Trade, Transportation, and Utilities	245,400	16.2 %	1	235,800	18.6 %	1
Professional and Business Services	320,600	21.2	2	207,700	16.4	2
Educational and health services	201,800	13.3	3	164,200	12.9	4
Government (federal, state and local)	176,100	11.6	4	169,500	13.3	3
Information	135,200	8.9	5	85,900	6.8	7
Leisure and Hospitality	132,700	8.8	6	124,600	9.8	5
Manufacturing	97,500	6.4	7	107,000	8.4	6
Construction	78,500	5.2	8	60,700	4.8	9
Financial Activities	74,100	4.9	9	68,800	5.4	8
Other Services	51,200	3.5	10	45,800	3.6	10
Total Top Ten Industries	1,513,100	100.0 %		1,270,000	100.0 %	

<sup>a</sup> Source: Washington Employment Security Department Labor Market and Economic Analysis.

<sup>b</sup> Data is provided for King County, which includes the Seattle Metropolitan Area

<sup>c</sup> Industry categories for the historical comparison have been updated to match the categories currently used by the Washington Employment Security Department Labor Market and Economic Analysis and are provided by them.

**Table S-18**  
**Page 1 of 2**

**FULL-TIME-EQUIVALENT <sup>a</sup>**  
**CITY GOVERNMENT EMPLOYEES**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>PUBLIC SAFETY</b>					
Community Police Commission	9.00	9.00	9.00	9.00	9.00
Fire	1,198.00	1,198.00	1,173.35	1,168.55	1,167.05
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	213.00	213.00	201.60	206.10	196.10
Municipal Court	212.00	217.00	205.85	215.10	215.10
Police	1,825.00	1,780.00	2,020.05	2,187.35	2,172.35
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
Public Safety and Communications	150.00	—	—	—	—
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	44.00	43.00	39.09	39.09	35.09
Library	713.00	664.00	556.10	556.10	556.10
Parks and Recreation	1,186.00	1,026.00	938.68	939.68	927.40
Seattle Center	242.00	226.00	216.43	225.23	228.73
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	429.00	401.00	391.75	385.75	382.25
Department of Education and Early Learning	122.00	119.00	110.50	110.50	98.00
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	52.00	40.00	36.00	37.00	35.50
Housing	65.00	52.00	46.00	46.00	45.00
Neighborhoods	74.00	76.00	64.00	65.00	49.50
Neighborhood Matching Subfund	—	—	—	9.00	9.00
Seattle Department of Construction and Inspections <sup>e</sup>	474.00	467.00	430.50	428.50	412.00
Office of Planning and Community Development	51.00	49.00	43.00	45.00	44.00
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,813.00	1,808.00	1,792.80	1,792.80	1,791.30
Seattle Public Utilities	1,502.00	1,485.00	1,440.30	1,433.30	1,414.55
Transportation	1,047.00	1,118.00	959.00	958.00	931.50
<b>ADMINISTRATION</b>					
City Auditor	10.00	10.00	10.00	10.00	10.00
City Budget	45.00	43.00	36.00	36.00	36.00
Civil Rights	39.00	39.00	35.50	35.00	31.00
Civil Service Commission	3.00	2.00	2.00	2.00	2.00
Economic and Revenue Forecasts	3.00	2.00	—	—	—
Employees' Retirement System	31.00	27.00	28.00	23.00	23.00
Ethics and Elections Commission	11.00	11.00	7.40	7.40	5.90
Finance and Administrative Services <sup>b</sup>	641.00	626.00	623.00	610.00	589.50
Hearing Examiner	5.00	5.00	5.00	5.00	4.63
Immigrant and Refugee Affairs	13.00	12.00	9.50	9.50	9.50
Information Technology	670.00	659.00	673.10	701.10	680.60
Intergovernmental Relations	10.00	10.00	9.00	10.00	10.00
Legislative	101.00	101.00	100.50	100.50	100.50
Mayor	41.00	40.00	39.50	39.50	37.50
Department of Human Resources <sup>d</sup>	168.00	166.00	111.50	160.50	154.00
Office of Emergency Management	15.00	—	—	—	—
Office of the Employee Ombud	6.00	6.00	4.00	5.00	3.00
Office of Inspector General <sup>f</sup>	19.00	18.00	—	—	—
Office of Labor Standard	36.00	34.00	—	—	—
Sustainability and Environment	40.00	32.00	31.50	29.50	26.50
<b>Total Full-Time Equivalents</b>	<u>13,335.00</u>	<u>12,841.00</u>	<u>12,406.50</u>	<u>12,648.05</u>	<u>12,450.15</u>



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**FULL-TIME-EQUIVALENT <sup>a</sup>**  
**CITY GOVERNMENT EMPLOYEES**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>PUBLIC SAFETY</b>					
Community Police Commission	9.00	4.00	4.00	4.00	3.00
Fire	1,158.55	1,155.55	1,167.55	1,162.55	1,151.55
Firemen's Pension Board	4.00	4.00	4.00	4.00	4.00
Law	191.60	183.60	177.10	173.60	169.60
Municipal Court	215.10	213.10	214.10	213.60	213.10
Police	2,156.85	2,095.35	2,033.35	2,018.35	1,999.35
Police Relief and Pension Board	3.00	3.00	3.00	3.00	3.00
<b>ARTS, CULTURE, AND RECREATION</b>					
Arts and Cultural Affairs	34.59	31.09	29.09	31.59	30.84
Library	556.10	556.10	556.10	558.40	558.40
Parks and Recreation	922.24	913.01	916.68	908.35	888.45
Seattle Center	242.73	241.73	241.13	241.13	242.66
<b>HEALTH AND HUMAN SERVICES</b>					
Human Services	365.75	328.00	331.60	327.60	344.60
Educational and Developmental Services Levy	—	—	—	—	9.00
Department of Education and Early Learning	75.00	58.50	54.00	52.50	—
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
Economic Development	35.50	35.50	31.00	27.50	25.50
Housing	44.50	42.50	43.50	43.50	37.00
Neighborhoods	53.50	53.00	47.00	40.00	46.00
Neighborhood Matching Subfund	9.00	9.00	8.00	8.00	7.00
Seattle Department of Construction and Inspections <sup>e</sup>	406.00	405.30	404.30	417.50	406.00
Office of Planning and Community Development	45.50	46.50	45.00	—	—
<b>UTILITIES AND TRANSPORTATION</b>					
City Light	1,816.80	1,779.80	1,868.30	1,861.30	1,857.25
Seattle Public Utilities	1,398.55	1,359.05	1,460.05	1,438.05	1,446.55
Transportation	918.50	885.50	844.00	794.00	793.00
<b>ADMINISTRATION</b>					
City Auditor	10.00	9.50	9.50	9.50	9.50
City Budget	40.50	35.00	35.00	33.00	29.50
Civil Rights	28.00	27.25	34.25	31.25	23.50
Civil Service Commission	2.60	2.60	2.60	2.60	2.60
Employees' Retirement System	21.00	21.00	20.00	20.00	20.00
Ethics and Elections Commission	5.90	5.90	4.90	5.20	6.20
Finance and Administrative Services <sup>b</sup>	625.00	625.00	641.50	625.00	602.25
Hearing Examiner	4.63	4.63	4.63	4.63	4.63
Immigrant and Refugee Affairs	9.00	9.50	9.50	7.00	3.00
Information Technology	667.60	659.60	205.00	198.25	194.25
Intergovernmental Relations	10.50	10.50	10.50	11.50	10.50
Legislative	99.00	99.00	90.00	88.50	86.50
Mayor	37.50	44.00	44.00	35.50	28.50
Department of Human Resources <sup>d</sup>	158.50	158.75	148.25	143.55	92.75
Sustainability and Environment	26.50	19.50	17.25	15.25	12.00
<b>Total Full-Time Equivalents</b>	<b>12,408.59</b>	<b>12,134.91</b>	<b>11,759.73</b>	<b>11,559.25</b>	<b>11,361.53</b>

<sup>a</sup> Source - City of Seattle Adopted Budget.

<sup>b</sup> 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.

<sup>c</sup> The Office of the Employee Ombud was created for 2019.

<sup>d</sup> Personnel was renamed the Seattle Department of Human Resources in 2014.

<sup>e</sup> The 2016 Adopted Budget renamed the Department of Planning and Development to the Department of Construction and Inspections. Planning staff and functions were transferred to a new Office of Planning and Community Development and additional staff were added.

<sup>f</sup> The Office of the Inspector General for Public Safety was established by ordinance in 2017 and first budgeted in 2018.

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**OPERATING INDICATORS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$ 17,067,426	\$ 14,625,091	\$ 18,029,648	\$ 27,166,607	\$ 17,758,107
Per capita	\$ 22.78	\$ 19.18	\$ 24.46	\$ 35.69	\$ 23.76
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	4,067	4,966	6,044	6,044	8,092
Traffic criminal filings	136	115	398	398	575
DUI filings	880	751	1,136	1,136	1,439
Non-traffic infraction filings	797	646	954	954	1,865
Traffic infraction filings	4,732	3,872	14,381	14,381	27,442
Parking infractions	530,494	509,267	277,387	277,387	547,117
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	372,802	343,827	346,206	378,206	396,658
<b>Parks and Recreation</b>					
Park use permits issued					
Number	858	716	491	108	830
Amount	\$ 1,029,767	\$ 602,600	\$ 345,992	\$ 95,040	\$ 1,250,792
Facility use permits issued including pools					
Number	17,928	10,637	9,943	9063	19677
Amount	\$ 2,403,892	\$ 1,959,513	\$ 1,199,184	\$ 2,290,604	\$ 9,167,354
Facility use permits issued excluding pools					
Number	12,480	5,515	9,749	8,978	18896
Amount	\$ 1,803,154	\$ 1,349,166	\$ 783,526	\$ 2,178,037	\$ 8,429,776
Picnic permits issued					
Number	2,796	3,485	2,425	192	3,547
Amount	\$ 439,548	\$ 504,058	\$ 333,253	\$ 20,740	\$ 721,178
Ball field usage					
Scheduled hours	190,292	206,381	174,384	35,214	124,506
Amount	\$ 4,240,743	\$ 4,492,453	\$ 3,545,402	\$ 1,258,011	\$ 4,124,294
Weddings					
Number	213	208	145	37	230
Amount	\$ 121,591	\$ 100,546	\$ 74,311	\$ 12,485	\$ 158,364
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Construction and Inspections</b>					
Permits					
Number issued	8,176	8,827	8,963	8,725	10,505
Value of issued permits	\$ 2,791,768,040	\$ 3,257,795,068	\$ 3,972,734,147	\$ 2,887,867,291	\$ 4,603,329,257
<b>UTILITIES</b>					
<b>City Light</b>					
Customers	493,663	485,155	470,380	477,577	470,380
Operating revenues	\$ 1,238,614,956	\$ 1,108,977,267	\$ 1,079,423,815	\$ 1,079,423,815	\$ 1,079,423,815
<b>Water</b>					
Population served	1,608,000	1,561,000	1,561,000	1,561,000	1,511,000
Billed water consumption, daily average, in gallons	115,909,985	115,909,985	117,395,510	113,259,352	115,114,247
Operating revenues	\$ 301,496,010	\$ 303,499,096	\$ 303,499,096	\$ 278,577,869	\$ 281,008,043
<b>Drainage and Wastewater</b>					
Operating revenues	\$ 542,933,537	\$ 502,517,146	\$ 502,517,146	\$ 460,296,464	\$ 454,381,864
<b>Solid Waste</b>					
Customers					
Residential garbage customers	171,064	178,864	178,864	171,567	168,945
Residential dumpsters units	205,729	205,729	205,729	201,292	195,188
Commercial garbage customers	8,917	8,164	8,164	8,214	8,556
Operating revenues	\$ 267,905,077	\$ 238,260,883	\$ 238,260,883	\$ 224,052,357	\$ 224,965,227

<sup>a</sup> All figures are supplied by the named departments.

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**OPERATING INDICATORS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014
<b>PUBLIC SAFETY</b>					
<b>Fire</b>					
Property fire loss					
Total City	\$ 22,140,431	\$ 26,002,865	\$ 25,799,733	\$ 22,636,220	\$ 16,571,652
Per capita	\$ 30.31	\$ 36.47	\$ 37.57	\$ 34.18	\$ 25.87
<b>Police</b>					
Municipal Court filings and citations					
Non-traffic criminal filings	8,327	8,218	7,161	7,387	6,674
Traffic criminal filings	629	619	660	678	802
DUI filings	1,444	1,255	1,269	1,099	1,074
Non-traffic infraction filings	1,846	3,173	4,019	4,710	2,182
Traffic infraction filings	27,004	32,854	34,401	47,931	41,467
Parking infractions	542,859	583,360	600,188	518,624	527,782
<b>ARTS, CULTURE, AND RECREATION</b>					
<b>Library</b>					
Library cards in force	369,698	383,236	378,222	373,898	464,787
<b>Parks and Recreation</b>					
Park use permits issued					
Number	806	841	766	744	759
Amount	\$ 273,387	\$ 600,817	\$ 538,945	\$ 616,102	\$ 615,073
Facility use permits issued including pools					
Number	21,209	25,935	25,935	24,405	24,543
Amount	\$ 4,306,075	\$ 9,061,570	\$ 8,193,741	\$ 7,359,133	\$ 7,278,825
Facility use permits issued excluding pools					
Number	20,585	24,902	25,275	23,750	23,749
Amount	\$ 3,555,031	\$ 8,329,343	\$ 7,505,445	\$ 6,683,724	\$ 6,543,601
Picnic permits issued					
Number	3,466	3,920	4,245	4,323	4,027
Amount	\$ 391,156	\$ 427,769	\$ 421,821	\$ 422,861	\$ 386,272
Ball field usage					
Scheduled hours	191,010	198,082	186,021	147,311	170,014
Amount	\$ 3,454,407	\$ 3,496,685	\$ 2,803,130	\$ 2,662,171	\$ 2,797,013
Weddings					
Number	216	228	234	269	254
Amount	\$ 93,520	\$ 97,738	\$ 96,314	\$ 104,265	\$ 89,486
<b>NEIGHBORHOODS AND DEVELOPMENT</b>					
<b>Construction and Inspections</b>					
Permits					
Number issued	10,027	10,444	14,261	17,666	12,047
Value of issued permits	\$ 3,959,949,752	\$ 5,088,196,449	\$ 3,732,939,162	\$ 3,945,738,487	\$ 3,789,737,682
<b>UTILITIES</b>					
<b>City Light</b>					
Customers	461,500	454,500	447,332	422,809	415,056
Operating revenues	\$ 991,613,793	\$ 989,710,419	\$ 903,174,831	\$ 882,856,777	\$ 886,443,525
<b>Water</b>					
Population served	1,506,000	1,478,000	1,433,200	1,403,600	1,336,700
Billed water consumption, daily average, in gallons	118,411,885	118,402,270	115,447,224	118,900,570	113,863,391
Operating revenues	\$ 282,286,898	\$ 262,896,544	\$ 251,363,807	\$ 251,977,342	\$ 242,946,509
<b>Drainage and Wastewater</b>					
Operating revenues	\$ 419,875,848	\$ 400,284,279	\$ 375,041,044	\$ 363,778,513	\$ 341,999,940
<b>Solid Waste</b>					
Customers					
Residential garbage customers	166,935	165,482	181,940	164,381	160,063
Residential dumpsters units	188,290	181,545	156,527	146,201	142,035
Commercial garbage customers	8,023	8,082	8,096	8,145	8,168
Operating revenues	\$ 205,633,975	\$ 209,643,613	\$ 183,666,276	\$ 174,787,770	\$ 157,497,819

<sup>a</sup> All figures are supplied by the named departments.

**Table S-20**  
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**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

<b>PUBLIC SAFETY</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Fire</b>					
Boats	14	12	14	9	9
Fire-fighting apparatus	234	236	220	227	224
Stations	33	33	33	33	33
Training towers	6	6	6	6	6
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
<b>Police</b>					
Precincts	5	5	5	5	5
Detached units	6	6	6	7	7
<b>Vehicles</b>					
Patrol cars	339	313	292	324	328
Motorcycles	32	34	35	35	35
Scooters	50	0	0	54	55
Trucks, vans, minibuses	29	82	83	80	87
Automobiles	197	197	157	204	205
Patrol boats	10	10	10	12	12
Bicycles	164	164	187	196	162
Horses	7	8	9	7	7
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	27	27	27	27	27
Mobile units	4	4	4	4	4
<b>Physical and Digital Materials</b>					
Circulated, Downloaded or Streamed	13,391,693	12,397,105	10,742,015	8,801,444	12,565,554
Collection, print and non-print	2,799,696	2,739,300	2,668,670	2,535,149	2,404,513
<b>Parks and Recreation</b>					
Major parks	19	19	19	19	19
Open space acres acquired since 1989	864	863	862	859	859
Total acreage	6,478	6,427	6,426	6,423	6,423
Children's play areas	152	151	151	153	153
Neighborhood playgrounds	149	149	149	148	148
Community playfields	51	51	51	51	51
Community recreation centers	25	26	26	26	26
Visual and performing arts centers	6	6	6	6	6
Theaters	—	—	—	0	0
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards (in miles)	25	25	25	25	25
Golf courses (includes one pitch and putt)	5	5	5	5	5
Squares, plazas, triangles	135	135	112	106	106
Viewpoints	16	16	16	16	16
Bathing beaches (life-guarded)	6	6	9	9	9
Bathing beaches	—	—	—	0	0

<sup>a</sup> All figures are supplied by the named departments.

<sup>b</sup> Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.

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**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

<b>PUBLIC SAFETY</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Fire</b>					
Boats	7	7	6	7	6
Fire-fighting apparatus	221	214	216	216	184
Stations	33	33	33	33	33
Training towers	6	6	6	2	2
Alarm center	1	1	1	1	1
Utility shop	1	1	1	1	1
<b>Police</b>					
Precincts	5	5	5	5	5
Detached units	7	7	7	7	7
<b>Vehicles</b>					
Patrol cars	369	302	280	280	272
Motorcycles	40	37	37	37	37
Scooters	70	53	71	80	75
Trucks, vans, minibuses	89	91	89	91	89
Automobiles	248	236	213	196	194
Patrol boats	12	10	10	10	10
Bicycles	154	154	154	154	154
Horses	7	7	5	7	7
<b>ARTS, CULTURE AND RECREATION</b>					
<b>Library</b>					
Central and branch libraries	27	27	27	27	27
Mobile units	4	4	4	4	4
<b>Physical and Digital Materials</b>					
Circulated, Downloaded or Streamed	11,622,522	11,689,659	11,544,047	11,744,881	11,435,302
Collection, print and non-print	2,368,793	2,235,370	2,181,399	2,214,169	2,435,520
<b>Parks and Recreation</b>					
Major parks	14	14	14	14	14
Open space acres acquired since 1989	738	734	731	731	711
Total acreage	6,372	6,369	6,367	6,367	6,298
Children's play areas	160	160	160	158	138
Neighborhood playgrounds	39	39	39	40	43
Community playfields	42	42	42	38	38
Community recreation centers	27	27	27	27	25
Visual and performing arts centers	5	5	5	5	5
Theaters	1	1	1	1	1
Community indoor swimming pools	8	8	8	8	8
Outdoor heated pools (one saltwater)	2	2	2	2	2
Boulevards (in miles)	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	11
Bathing beaches (life-guarded)	9	9	9	9	9
Bathing beaches	9	9	9	9	9

<sup>a</sup> All figures are supplied by the named departments.

<sup>b</sup> Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.

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**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2023	2022	2021	2020	2019
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	1,865,580	1,823,200	1,865,150	2,006,580	2,006,580
Peak load (KW) <sup>b</sup>	1,794,000	1,917,000	1,896,000	1,757,000	1,806,000
Total system load (1,000 KWh) <sup>b</sup>	9,638,529	9,818,023	9,528,805	9,214,318	9,536,574
Meters	510,232	501,327	491,585	484,305	475,457
<b>Water</b>					
Reservoirs, standpipes, tanks	29	29	29	29	29
Fire hydrants	18,861	18,861	18,846	18,821	18,664
Water mains					
Supply, in miles	198	198	198	198	198
Water storage, in thousand gallons	326,100	326,100	326,100	326,100	326,100
Meters	201,821	200,838	200,284	198,726	197,747
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	472	474	474	474	474
Sanitary sewers, life-to-date, in miles	939	946	946	946	946
Storm drains, life-to-date, in miles	486	486	486	486	486
Pumping stations	578	67	67	67	67
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in lane-miles (12 ft)	1,548	1,548	1,548	1,548	1,548
Non-arterial streets (paved and unpaved), in lane-miles (12 ft)	2,396	2,396	2,396	2,396	2,396
Sidewalks, in miles	2,274	2,273	2,275	2,294	2,294
Stairways	534	498	500	502	502
Length of stairways, in feet	39,957	36,852	33,554	34,869	34,869
Number of stairway treads	26,400	24,619	22,416	23,555	23,555
Street trees					
City-maintained	41,000	41,000	41,000	41,000	41,000
Maintained by property owners	175,000	175,000	150,000	150,000	150,000
Total platted streets, in centerline miles	1,675	1,675	1,675	1,675	1,675
Traffic signals	1,159	1,140	1,109	1,106	1,106
Parking meters					
Downtown	—	—	—	—	—
Outlying	—	—	—	—	—
Parking pay stations					
Downtown	607	607	618	646	646
Outlying	841	813	846	866	866
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	130	126	125	120	120
Partial City maintenance	40	40	40	40	40
Retaining walls/seawalls	659	476	467	613	613

<sup>a</sup> All figures are supplied by the named departments.

<sup>b</sup> Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.

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**CAPITAL ASSET STATISTICS <sup>a</sup>**  
**BY DEPARTMENT/OFFICE**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014
<b>UTILITIES AND TRANSPORTATION</b>					
<b>City Light</b>					
Plant capacity (KW)	2,058,100	2,014,100	2,014,100	1,975,100	1,991,600
Peak load (KW) <sup>b</sup>	1,870,000	1,785,000	1,689,000	1,866,792	1,840,792
Total system load (1,000 KWh) <sup>b</sup>	9,973,100	9,696,583	9,687,222	9,911,624	10,048,700
Meters	454,712	445,625	430,148	422,613	406,274
<b>Water</b>					
Reservoirs, standpipes, tanks	29	29	29	29	26
Fire hydrants	18,664	18,664	18,000	18,000	18,655
Water mains					
Supply, in miles	193	198	193	193	182
Water storage, in thousand gallons	325,350	326,100	354,500	354,500	398,369
Meters	195,331	194,580	192,633	191,403	187,159
<b>Drainage and Wastewater</b>					
Combined sewers, life-to-date, in miles	474	473	475	474	472
Sanitary sewers, life-to-date, in miles	948	949	947	947	949
Storm drains, life-to-date, in miles	486	485	483	481	479
Pumping stations	67	67	68	68	67
<b>Solid Waste</b>					
Transfer stations	2	2	2	2	2
<b>Transportation</b>					
Arterial streets, in lane-miles (12 ft)	1,548	1,548	1,547	1,547	1,540
Non-arterial streets (paved and unpaved), in lane-miles (12 ft)	2,396	2,396	2,407	2,407	2,412
Sidewalks, in miles	2,238	2,326	2,303	2,230	2,230
Stairways	498	498	492	509	505
Length of stairways, in feet	34,923	34,923	35,653	36,269	35,112
Number of stairway treads	23,585	23,585	23,503	23,344	24,050
Street trees					
City-maintained	41,000	41,000	41,000	41,000	41,000
Maintained by property owners	150,000	150,000	150,000	125,000	125,000
Total platted streets, in centerline miles	1,675	1,675	1,677	1,677	1,677
Traffic signals	1,085	1,077	1,071	1,041	1,070
Parking meters					
Downtown	—	—	0	0	6
Outlying	—	—	0	0	4
Parking pay stations					
Downtown	690	689	880	892	961
Outlying	950	1,006	1,141	1,112	1,174
Bridges (movable) - City-owned and -operated	4	4	4	4	4
Bridges (fixed)					
City maintenance	98	96	96	93	99
Partial City maintenance	40	51	51	54	32
Retaining walls/seawalls	593	587	582	580	592

<sup>a</sup> All figures are supplied by the named departments.

<sup>b</sup> Effective 2014, total loads are presented versus net loads to align with industry practice. Accordingly, prior years have been revised.

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## APPENDIX C

### SEATTLE ART MUSEUM

#### General

Incorporated in 1917, the Seattle Art Museum (the “Museum”) is the largest art museum in the state of Washington. It engages in regular activities relating to the exhibition, collection, preservation and interpretation of the visual arts. Museum attendance totaled 556,792 visitors in the fiscal year ended June 30, 2023 and 430,865 visitors in fiscal year 2022, across all three Museum facilities. As of June 30, 2023, the Museum has a membership of approximately 26,055 members.

#### Facilities

The Museum’s operations occur at three locations. The primary location of the Museum opened in December 1991 and is located in downtown Seattle at 1300 First Avenue. An expansion of the downtown facility, financed in part with the proceeds of the 2005 Bonds, opened in 2007, approximately doubling its square footage to provide a new restaurant, an expanded retail store and more gallery space to exhibit the Museum’s collections.

The Museum’s original home in the City’s Volunteer Park was built in 1933 by the City with funds contributed by the Museum on the City property. The Volunteer Park facility underwent renovations and was reinstalled with displays of the Museum’s Asian art collection, reopening in August 1994 as the Seattle Asian Art Museum (“SAAM”).

The 8.5 acre Olympic Sculpture Park opened in 2007. In 1999, the Museum purchased the site, which was enhanced by the acquisition of adjacent property. The Authority owns one parcel of the Olympic Sculpture Park’s property. As a free community gathering space, it includes permanent and temporary sculptures, pedestrian paths and amphitheater, and a pavilion with a café and a parking garage.

#### Programs and Libraries

Education and interpretive programs enhance the Museum’s exhibition program. Programs are varied, with lectures, tours, films, workshops and performances focusing on the artists, literature, dance, music and history of the time periods covered by the particular exhibitions and collections. More than 480 programs are sponsored annually by the education department of the Museum, which also provides visitors with interpretive materials, such as text panels, gallery guides, and digital apps.

The Museum has two libraries providing resource material in support of the collections, lectures, art history courses, symposia and publications that are ongoing activities of the Museum. The libraries contain more than 50,000 books, catalogues, journals and non-print materials for use by Museum staff, visiting scholars, students from local colleges and universities and the general public.

#### Financial Support

The Museum’s primary sources of support include general membership fees, gifts, admission fees, investment income and grants from individuals, trusts, foundations, government agencies and corporations. For the fiscal year ended June 30, 2023, the Museum’s annual operating budget was approximately \$32 million. A copy of the Museum’s Independent Auditor’s Report and consolidated financial statements for the years ended June 30, 2023 and June 30, 2022 is attached as Appendix D.

**Mission Statement: SAM Connects Art to Life**

The Museum’s mission is to provide a welcoming place for people to connect with art and to consider its relationship to their lives. The Museum is one museum in three locations: Seattle Art Museum downtown, the Seattle Asian Art Museum at Volunteer Park, and the Olympic Sculpture Park on the downtown waterfront. The Museum collects and exhibits objects from across time and across cultures, exploring the dynamic connections between past and present.

**Board of Trustees**

The Museum is governed by a Board of Trustees, including 11 officers, 65 trustees, 10 honorary trustees, and one on-rotation trustee.

Officers.

Name	Term Expires (September)
Catherine Roche, President	2026
Constance Rice, Chair	2026
Carla Lewis, Past President	2025
Stewart Landefeld, Past Chair	2025
Susan Brotman, Vice President	2025
Jon Shirley, Vice President	2025
Winnie Stratton, Vice President	2027
Doug True, Vice President	2026
Charles Wright, Vice President	2026
Bert Valdman, Treasurer	2027
Maggie Walker, Secretary	2026

Senior Staff.

On June 25, 2024, the Museum announced that Scott Stulen has been chosen as the Museum’s new Illsley Ball Nordstrom Director and Chief Executive Officer. He will officially begin his new role at the Museum on August 26, 2024. He brings his experience as President and CEO of the Philbrook Museum of Art in Tulsa, Oklahoma, and as the Director of mnartists.org, a critical arts writing platform of the Walker Art Center in Minneapolis, Minnesota. He is also a practicing visual artist with an MFA in Painting and Drawing from the University of Minnesota and a BFA in Sculpture from the University of Wisconsin-Eau Claire.

The following identifies other senior staff members of the Museum.

**Cindy Bolton, Chief Financial Officer,** joined the Museum in 2016 and currently oversees Finance, Legal, Retail, Venue Experiences, and Foodservice. Prior to the Museum, she led finance and operations for two technology startups, one of which was acquired by Priceline in 2014. Previously, Bolton worked at Microsoft for 10 years where she last served as the Senior Finance Director for the US Enterprise & Partner Group, the largest sales subsidiary segment in Microsoft’s global sales and marketing organization. Before that, she held a series of senior finance roles in the Server & Tools business group, responsible for financial planning and analysis, strategic planning, business model development, and M&A for Microsoft’s enterprise software division. Her professional history also includes consulting roles at Accenture and Marakon Associates and finance management at Unilever. Bolton graduated summa cum laude with a B.A. in Economics from The Ohio State University, and an MBA in Finance and Marketing from the Kellogg Graduate School of Management at Northwestern University.

**Jeff Draeger, Interim CEO and Director,** joined the Museum as Chief Operating Officer in early 2022. In this role, Draeger led the Operations division including Facilities, Security, Technology, and Human Resources. As of April 1, 2024, he assumed the duties of interim CEO and Director while the Museum completes its search for a new permanent chief executive. An Ohio native, Draeger attended the U.S. Naval Academy (B.S. Mathematics, Distinction). He also earned graduate degrees from The George Washington University (M.S. Operations Research)

and USAF Air War College (Master of Strategic Studies, Highest Distinction). Upon completion of flight training in 1996, Draeger was designated a Naval Flight Officer. Numerous sea and shore tours ensued, including multiple overseas deployments. Later in his 25-year Navy career, he commanded the Tridents of Patrol Squadron (VP) 26, served as a congressional liaison and legislative advisor in the Office of the Secretary of Defense, and commanded Naval Support Activity Washington, a multi-site shore installation in the National Capital Region. Draeger retired as a U.S. Navy Captain in the fall of 2018 and then joined the aerospace company, Blue Origin, LLC. There he served as the corporate executive responsible for all facilities and administrative support spanning four national sites and directly oversaw the headquarters campus in Kent, Washington.

**José Carlos Diaz, Deputy Director of Art**, leads the Museum's curatorial department, overseeing the permanent collection and exhibition and artistic program. Formerly the Chief Curator at The Andy Warhol Museum, Diaz was a specialist in modern and contemporary art. At The Warhol, Diaz organized *Paola Pivi: I Want It All*; *Typoe: Over the Rainbow*; *Fantasy America*; *Grace Jones: A Taste of Grace*; *Farhad Moshiri: Go West*; and *Andy Warhol: Revelation*. Prior to his role at The Warhol, Diaz was the Curator of Exhibitions at The Bass in Miami Beach where he commissioned artworks by Kathryn Andrews, Sylvie Fleury, and Athi-Patra Ruga; curated the exhibition *GOLD*; and organized *One Way: Peter Marino*. Diaz also held positions at Tate Liverpool and at the Liverpool Biennial. In 2003, Diaz tenured as curatorial intern at The Rubell Museum in Miami and launched a nomadic project called *Worm-Hole Laboratory*. He received a B.A. in Art History from San Francisco State University and a M.A. in Cultural History from the University of Liverpool. Diaz was a 2018 Fellow at the Center for Curatorial Leadership (CCL) and chaired the Curatorial Leadership Summit at The Armory Show in 2020. He currently serves on the Board of Trustees for the Association of Art Museum Curators (AAMC).

**Jason Porter, Deputy Director for Education and Public Engagement**, joined Seattle Art Museum in 2021. Previously he worked in similar roles at the Museum of Pop Culture (MoPOP), the San Diego Museum of Man (now Museum of Us), and at the Skirball Cultural Center. His work focuses on experiential education and public programs that serve community, center equity and inclusion, and use the arts as a vehicle for personal and social change. Prior to his work in the museum world, he was a public school teacher. Dr. Porter earned his B.A. in English at Tufts University and his Masters in Education at Seattle University. He holds a Doctorate of Education from UCLA where his dissertation examined charter schools meeting the needs of special education students. He was a board member of EdCom (at the American Alliance of Museums) from 2014 through 2016, a jurist with the Excellence in Exhibitions competition in 2017 and 2018, and has been a peer reviewer for the Journal of Museum Education since 2016. Dr. Porter's recent book, *Museum Education for Today's Audiences*, co-edited with Mary Kay Cunningham, was published in February 2022.

## **Employees**

The Museum currently has approximately 184 full-time and 149 part-time employees. The Museum is also assisted by the contributions of 191 volunteers, who for the year ending June 30, 2023 contributed over 8,900 hours of work. The Museum staff is organized into five key areas. The curatorial division includes curators of American, Asian, Japanese, Modern and Contemporary, European, African and Oceanic, and Native American art, as well as of the Decorative Arts. This division also includes conservation, registrar and exhibition design. The education division encompasses public programs, school and teacher programs, interpretation, films, libraries, and community affairs. In addition, there is finance and operations, development and marketing and communications.

## **Indebtedness**

Since its creation, the Museum has not been in default in the payment of the principal of or interest on any Museum or Authority indebtedness or in any other material respect, nor have any material agreements or legal proceedings with respect thereto been declared invalid or unenforceable.

As noted in Note 10 to the Museum's Independent Auditor's Report and consolidated financial statements for the years ended June 30, 2023 and June 30, 2022 attached as Appendix D, the Museum has a \$7,000,000 line of credit with U.S. Bank. The line of credit noted therein has been extended to April 30, 2025 and as of this date there is no balance outstanding.

## **Response to COVID-19**

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result of the spread of COVID-19, and at the government's direction, on March 13, 2020, the Museum closed the Downtown Location, the Seattle Asian Art Museum, and the pavilion at the Olympic Sculpture Park.

The Downtown Location experienced intermittent re-openings and closures at the government's direction, and re-opened on February 6, 2021. The Seattle Asian Art Museum and the Olympic Sculpture Park pavilion re-opened April 30, 2021. As a result of these operating disruptions, the Museum experienced negative impacts to its earned revenues, and management implemented significant expense reduction measures accordingly. During this time, the Museum also saw increased contributed revenue that enabled the Museum to operate within the parameters set by the federal, state, county, and city governments.

To mitigate the effects of the COVID-19 pandemic, management obtained two forgivable loans under the Paycheck Protection Program (PPP) during the years ended June 30, 2020 and 2021, both of which were forgiven in full during the year ended June 30, 2022 (\$4,860,000 total received). The Museum additionally received and recognized \$1,216,257 in Employee Retention Tax Credits under the CARES Act during the year ended June 30, 2022.

During the COVID-19 pandemic, the Museum made all of its lease and debt payments on time and in full.

## **Covenants to the City regarding MDA Unit and Office Unit**

The Museum has covenanted under the Guarantee Agreement, for the benefit of the City, to meet a Coverage Requirement with respect to the lease of the MDA Unit and the Office Unit. The Coverage Requirement in connection with the 2005 Bonds meant an amount of MDA Lease Revenue equal to at least 1.0 times Annual Debt Service on the 2005 Bonds and, for so long as Washington Mutual Bank was the sole Office Unit Tenant, Office Space Lease Revenue at least equal to 1.09 times Annual Debt Service. In the event that any party other than Washington Mutual Bank entered into an Office Space Lease, the Coverage Requirement was required to be an amount of Office Space Lease Revenue equal to at least 1.2 times Annual Debt Service.

The Museum met the Coverage Requirement with respect to the Guarantee Agreement for the 2005 Bonds during the period when Washington Mutual Bank was the Office Unit Tenant. After JPMorgan Chase acquired the banking operations of Washington Mutual Bank and subsequently rejected the Office Space Lease through FDIC proceedings, the Museum proceeded to relet the Office Unit to Nordstrom under a lease that is scheduled to extend through May 2031. The Museum paid all Facilities Rent in full when due, without regard to FDIC proceedings, the rejection of the Office Space Lease and the subsequent vacancy and reletting of the Office Space. The Guarantee Agreement for the 2024 Bonds includes the following Coverage Requirement: in each Bond year commencing with the first full Bond year, (a) an amount of MDA Lease Revenue equal to at least 1.0 times Annual Debt Service, and (b) Office Space Lease Revenue at least equal to an amount of Office Space Lease Revenue equal to at least 1.2 times Annual Debt Service. For the purposes of calculating the Coverage Requirement, MDA Lease Revenue and Office Space Lease Revenue shall exclude landlord expense pass-throughs, if any. See Section 5.3 of the Guarantee Agreement attached at Appendix J.

**APPENDIX D**

**SEATTLE ART MUSEUM  
INDEPENDENT AUDITOR'S REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS,  
JUNE 30, 2023 AND 2022**

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**SEATTLE ART MUSEUM  
AND SUBSIDIARIES**

Consolidated Financial Statements

For the Years Ended June 30, 2023 and 2022

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## Independent Auditor's Report

**To the Board of Trustees  
Seattle Art Museum  
Seattle, Washington**

### Opinion

We have audited the financial statements of Seattle Art Museum and subsidiaries (collectively, the Museum), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Museum as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Museum adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related ASUs, for the year ended June 30, 2023. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Museum's ability to continue as a going concern for a reasonable period of time.

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

*Clark Nuber P.S.*

Certified Public Accountants  
December 5, 2023

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Consolidated Balance Sheets For the Years Ended June 30, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 21,923,236	\$ 23,551,650
Pledges receivable, current portion	3,567,261	602,090
Accounts receivable	218,860	116,830
Prepaid expenses and inventories	1,532,415	1,841,173
<b>Total Current Assets</b>	<b>27,241,772</b>	<b>26,111,743</b>
Pledges receivable, net of current portion	3,167,156	6,404,684
Incentive to lessee	3,107,635	3,501,288
Deferred rental receivable	9,072,077	9,515,476
Prepaid lease	-	604,333
Property and equipment, net	133,672,798	138,601,831
Operating lease right-of-use asset	599,666	-
Finance lease right-of-use asset	31,786,806	-
Cash restricted for long-term purposes	1,050,000	506,000
Investments restricted for long-term purposes	192,153,549	188,534,069
Funds held in trust by others	11,465,892	11,237,945
Collections (Note 1)	-	-
<b>Total Assets</b>	<b>\$413,317,351</b>	<b>\$385,017,369</b>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 2,086,846	\$ 1,453,473
Notes payable, current portion	421,107	996,341
Finance lease liability, current portion	3,938,688	-
Deferred revenue	1,290,161	1,541,566
<b>Total Current Liabilities</b>	<b>7,736,802</b>	<b>3,991,380</b>
Notes payable, net of current portion	4,103,009	4,524,116
Finance lease liability, net of current portion	21,438,282	-
Minimum pension liability	1,246,473	1,641,975
<b>Total Liabilities</b>	<b>34,524,566</b>	<b>10,157,471</b>
<b>Net Assets</b>		
Net assets without donor restriction-		
SAM and controlling interest in consolidated subsidiaries	149,144,753	148,495,431
Noncontrolling interest in consolidated subsidiaries	5,758,482	6,116,676
Total net assets without donor restriction	154,903,235	154,612,107
Net assets with donor restriction	223,889,550	220,247,791
<b>Total Net Assets</b>	<b>378,792,785</b>	<b>374,859,898</b>
<b>Total Liabilities and Net Assets</b>	<b>\$413,317,351</b>	<b>\$385,017,369</b>

See accompanying notes.

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Consolidated Statements of Activities  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Net Assets Without Donor Restriction, Operating Activities</b>		
<b>Support and Revenues:</b>		
Contributions and grants	\$ 6,727,403	\$ 10,566,758
Store and café	2,946,844	1,669,760
Admissions	4,289,089	5,042,418
Other income	625,461	459,131
Investment return	29,317	27,889
Contributions and endowment earnings released from restriction	16,061,959	12,293,276
Transfers from nonoperating activities	<u>1,602,750</u>	<u>959,342</u>
<b>Total Support and Revenues</b>	<b>32,282,823</b>	<b>31,018,574</b>
<b>Operating Expenses:</b>		
Program expenses-		
Exhibition and collection care	6,971,476	5,150,763
Facility and security	9,852,027	8,767,728
Marketing	2,531,815	2,018,566
Store and café	2,160,140	1,741,017
Education	<u>1,834,569</u>	<u>1,136,071</u>
Total program expenses	23,350,027	18,814,145
Support expenses-		
Administration	4,769,435	4,435,802
Fundraising	1,857,333	1,672,660
Membership	<u>1,111,159</u>	<u>1,017,463</u>
Total support expenses	7,737,927	7,125,925
Depreciation expense	<u>894,402</u>	<u>745,463</u>
<b>Total Operating Expenses</b>	<b>31,982,356</b>	<b>26,685,533</b>
<b>Net Operating Activities</b>	<b>300,467</b>	<b>4,333,041</b>

See accompanying notes.

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Consolidated Statements of Activities (Continued)  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Nonoperating Activities:</b>		
Rental income	7,621,784	7,503,251
Rental expense	(4,175,509)	(6,576,714)
Interest on financing lease	(1,323,812)	-
Uncollectible pledges	(56,370)	10,193
Capital projects expense	(98,871)	(80,538)
Capital projects depreciation	(6,001,418)	(5,926,165)
Accession of art objects	(369,395)	(20,342,348)
Financing expense	(210,367)	(193,236)
Minimum pension adjustment	565,620	104,127
Contributions and endowment earnings released from restriction	369,395	20,400,044
Transfers to operating activities	(1,602,750)	(959,342)
<b>Net Nonoperating Activities</b>	<b><u>(5,281,693)</u></b>	<b><u>(6,060,728)</u></b>
<b>Change in Net Assets Without Donor Restriction</b>	<b><u>(4,981,226)</u></b>	<b><u>(1,727,687)</u></b>
<b>Net Assets With Donor Restriction:</b>		
Contributions and grants	7,681,587	30,771,160
Recovery (loss) on uncollectible pledges	70,122	(19,513)
Art deaccessions	-	4,225
Investment return	11,583,988	(7,901,145)
Investment return from funds held in trust by others	227,947	(2,338,314)
Distribution received from funds held in trust by others	509,469	662,187
Contributions and endowment earnings released from restriction	(16,431,354)	(32,693,320)
<b>Change in Net Assets With Donor Restriction</b>	<b><u>3,641,759</u></b>	<b><u>(11,514,720)</u></b>
<b>Change in Net Assets</b>	<b><u>(1,339,467)</u></b>	<b><u>(13,242,407)</u></b>
Net assets, beginning of year	374,859,898	388,102,305
Cumulative effect of adopting new accounting pronouncement (Note 1)	5,272,354	-
<b>Net Assets, End of Year</b>	<b><u><u>\$378,792,785</u></u></b>	<b><u><u>\$374,859,898</u></u></b>

See accompanying notes.

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2023**

	Program					Supporting			Total
	Exhibition and Collection Care	Facility and Security	Marketing	Store and Café	Education	Administration	Fundraising	Membership	
Operating expenses-									
Salaries and benefits	\$ 3,577,563	\$ 4,728,995	\$ 2,051,885	\$ 1,255,782	\$ 1,475,460	\$ 3,489,419	\$ 1,175,726	\$ 595,410	\$ 18,350,240
Professional fees	557,729	1,136,299	5,862	3,488	55,587	311,178	93,888	81,100	2,245,131
Facility cost	228,375	2,942,725	-	-	6,566	561,792	2,745	-	3,742,203
Other expense	1,672,510	1,043,791	156,615	166,106	288,257	403,878	534,232	345,370	4,610,759
Marketing	935,299	217	317,453	18,963	8,699	3,168	50,742	89,279	1,423,820
Cost of goods sold	-	-	-	715,801	-	-	-	-	715,801
Operating expenses before depreciation	6,971,476	9,852,027	2,531,815	2,160,140	1,834,569	4,769,435	1,857,333	1,111,159	31,087,954
Depreciation	76,134	567,904	2,823	1,398	13,286	232,857	-	-	894,402
<b>Total Operating Expenses</b>	<b>7,047,610</b>	<b>10,419,931</b>	<b>2,534,638</b>	<b>2,161,538</b>	<b>1,847,855</b>	<b>5,002,292</b>	<b>1,857,333</b>	<b>1,111,159</b>	<b>31,982,356</b>
Nonoperating expenses-									
Facility cost	26,043	76,523	-	-	-	5,633,387	72,606	-	5,808,559
Art accessions	369,395	-	-	-	-	-	-	-	369,395
Depreciation	5,249	3,857,380	-	-	-	2,138,789	-	-	6,001,418
<b>Total Expenses</b>	<b>\$ 7,448,297</b>	<b>\$ 14,353,834</b>	<b>\$ 2,534,638</b>	<b>\$ 2,161,538</b>	<b>\$ 1,847,855</b>	<b>\$ 12,774,468</b>	<b>\$ 1,929,939</b>	<b>\$ 1,111,159</b>	<b>\$ 44,161,728</b>

See accompanying notes.

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2022**

	Program					Supporting			Total
	Exhibition and Collection Care	Facility and Security	Marketing	Store and Café	Education	Administration	Fundraising	Membership	
Operating expenses-									
Salaries and benefits	\$ 2,856,284	\$ 4,340,141	\$ 1,792,392	\$ 919,558	\$ 931,331	\$ 2,767,709	\$ 958,122	\$ 567,433	\$ 15,132,970
Professional fees	406,016	898,820	4,590	239	63,614	740,079	132,352	130,450	2,376,160
Facility cost	167,884	2,563,934	32	2,348	3,600	485,308	14,181	-	3,237,287
Other expense	1,350,596	963,168	130,873	135,903	135,229	425,158	527,205	252,111	3,920,243
Marketing	369,983	1,665	90,679	4,948	2,297	17,548	40,800	67,469	595,389
Cost of goods sold	-	-	-	678,021	-	-	-	-	678,021
<b>Operating expenses before depreciation</b>	<b>5,150,763</b>	<b>8,767,728</b>	<b>2,018,566</b>	<b>1,741,017</b>	<b>1,136,071</b>	<b>4,435,802</b>	<b>1,672,660</b>	<b>1,017,463</b>	<b>25,940,070</b>
Depreciation	43,789	446,273	2,823	7,296	12,868	232,414	-	-	745,463
<b>Total Operating Expenses</b>	<b>5,194,552</b>	<b>9,214,001</b>	<b>2,021,389</b>	<b>1,748,313</b>	<b>1,148,939</b>	<b>4,668,216</b>	<b>1,672,660</b>	<b>1,017,463</b>	<b>26,685,533</b>
Nonoperating expenses-									
Facility cost	40,258	6,214	-	-	-	6,799,882	4,134	-	6,850,488
Art accessions	20,342,348	-	-	-	-	-	-	-	20,342,348
Depreciation	5,667	3,867,742	-	-	-	2,052,756	-	-	5,926,165
<b>Total Expenses</b>	<b>\$ 25,582,825</b>	<b>\$ 13,087,957</b>	<b>\$ 2,021,389</b>	<b>\$ 1,748,313</b>	<b>\$ 1,148,939</b>	<b>\$ 13,520,854</b>	<b>\$ 1,676,794</b>	<b>\$ 1,017,463</b>	<b>\$ 59,804,534</b>

See accompanying notes.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Consolidated Statements of Cash Flows For the Years Ended June 30, 2023 and 2022

	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (1,339,467)	\$ (13,242,407)
Adjustments to reconcile change in net assets to cash flows (used) provided by operating activities-		
Loss on disposal of fixed assets	-	571,121
Depreciation	6,895,820	6,671,628
Contributions and grants restricted for endowment and capital campaign	(120,980)	(7,469,272)
Realized and unrealized (gains) losses on investments	(10,113,713)	10,294,506
Change in value of funds held in trust by others	(227,947)	2,338,314
Change in minimum pension liability	(395,502)	(112,982)
Accession of art objects, net of proceeds from deaccessions	369,395	20,338,123
Paycheck Protection Program loan forgiveness	-	(4,860,600)
Changes in operating assets and liabilities:		
Pledges and accounts receivable	(1,973,778)	(1,850,328)
Other assets	752,157	(375,133)
Incentive to lessee	393,653	393,650
Operating lease liability, net of right-of-use asset	4,667	-
Financing lease liability, net of right-of-use asset	1,478,456	-
Accounts payable and accrued expenses	633,373	348,310
Deferred revenue	(251,405)	(3,217,696)
<b>Net Cash (Used) Provided by Operating Activities</b>	<b>(3,895,271)</b>	<b>9,827,234</b>
<b>Cash Flows From Investing Activities:</b>		
Proceeds from sales of investments	66,935,590	79,630,898
Purchases of investments	(60,441,357)	(82,264,336)
Net change in cash equivalents included in investments	-	2,178,002
Purchases of property and equipment	(1,966,787)	(1,504,828)
Accession of art objects, net of proceeds from deaccessions	(369,395)	(20,338,123)
<b>Net Cash Provided (Used by) Investing Activities</b>	<b>4,158,051</b>	<b>(22,298,387)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from contributions and grants restricted for endowment and capital campaign	2,265,085	11,389,655
Payments on financing leases	(2,615,938)	-
Principal payments on notes payable	(996,341)	(973,067)
<b>Net Cash (Used) Provided by Financing Activities</b>	<b>(1,347,194)</b>	<b>10,416,588</b>
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	<b>(1,084,414)</b>	<b>(2,054,565)</b>
Cash, cash equivalents and restricted cash, beginning of year	24,057,650	26,112,215
<b>Cash, Cash Equivalents and Restricted Cash, End of Year</b>	<b>\$ 22,973,236</b>	<b>\$ 24,057,650</b>
<b>Reconciliation to Consolidated Balance Sheet:</b>		
Cash and cash equivalents	\$ 21,923,236	\$ 23,551,650
Cash restricted for long-term purposes	1,050,000	506,000
<b>Cash and Restricted Cash</b>	<b>\$ 22,973,236</b>	<b>\$ 24,057,650</b>
<b>Supplementary Information:</b>		
Cash paid for interest	\$ 210,367	\$ 193,236

See accompanying notes.



## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Organization and Summary of Significant Accounting Policies

**Nature of the Organization** - The Seattle Art Museum (SAM) is a not-for-profit organization formed for the purpose of promoting and cultivating the fine arts. The accompanying consolidated financial statements include the activity of SAM and SAM's controlled subsidiaries (collectively referred to as the Museum). The Museum's activities include acquiring, exhibiting and caring for paintings, sculptures and other works of art, providing lectures and art education, and generally fostering art in all of its locations.

Seattle Fine Arts Society, the parent institution of the Seattle Art Museum, was founded in 1906. The Seattle Art Museum was legally incorporated in 1917. The main location of the Museum opened in December 1991 and is located in downtown Seattle (the City) at 1300 First Avenue (Downtown Location). An expansion of the downtown facility opened in 2007, approximately doubling its square footage to provide more gallery space to exhibit the Museum's collections.

The Museum's original home in the City's Volunteer Park was built in 1933 by the Museum on the City property. The Volunteer Park facility underwent renovations and was reinstalled with displays of the Museum's Asian art collection, reopening in August 1994 as the Seattle Asian Art Museum (SAAM).

The 8.5-acre Olympic Sculpture Park (OSP) in downtown Seattle opened in 2007. In 1999, the Museum purchased the site. As a free community gathering space, it includes outdoor sculptures, pedestrian paths, amphitheater, pavilion with temporary art installations and a parking garage.

**Principles of Consolidation** - The accompanying financial statements include the activity of SAM and SAM's controlled subsidiaries, SAM-SAAM Renovation, LLC, SAAM Building Landlord, LLC, and SAAM Building Master Tenant, LLC. Inter-organization balances and transactions have been eliminated in consolidation.

SAM's controlled subsidiaries (collectively referred to as the LLCs) were formed under the laws of the State of Washington effective December 2017. The LLCs were formed for the purpose of receiving historic tax credit funding as a part of the SAAM renovation and expansion project further described in Note 2. SAM-SAAM Renovation, LLC is wholly-owned by SAM. The owners of SAAM Building Master Tenant, LLC are SAM-SAAM Renovation, LLC with a 1% managing member interest and a historic tax credit investor with a 99% investor member interest. SAAM Building Landlord LLC is owned 80% by SAM-SAAM Renovation LLC and 20% by SAAM Building Master Tenant, LLC.

Noncontrolling interest presented in the consolidated financial statements is comprised of the direct ownership interest of the historic tax investor in SAAM Building Master Tenant, LLC and the indirect ownership interest in SAAM Building Landlord, LLC.

**Basis of Accounting** - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**Basis of Presentation** - The Museum reports its financial position and activities according to two classes of net assets, depending on the existence and nature of donor restrictions: net assets with donor restriction and net assets without donor restriction.

Net Assets Without Donor Restriction - Contains support received and revenue earned that are not subject to donor-imposed restrictions and over which the Board of Trustees has discretionary control.

Net Assets With Donor Restriction - Contains donor-imposed restrictions that require the Museum to use or expend the assets as specified. The restrictions are satisfied either by the passage of time and/or by action of the Museum or are in the form of endowment or sustaining funds. In accordance with purposes established by donors, the Museum is permitted to expend part or all of the investment return derived for either specified or unspecified purposes. Such income (loss) is recognized as a change in net assets without donor restriction or net assets with donor restriction based on donor stipulations.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions received to acquire long-lived assets are reported as contributions with donor restriction and released when the asset is placed in service.

**Cash and Cash Equivalents** - The Museum considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash balances include operating reserves maintained for the lease described at Note 13. Cash balances at June 30, 2023 and 2022 included \$1,256,967 and \$898,993, respectively, that was held by SAM's controlled subsidiaries and are generally only available for the purposes of those subsidiaries and not broadly for SAM's operations. The balance reported separately on the consolidated balance sheets as cash restricted for long-term purposes represents contributions to endowment funds received in cash and not yet deposited into the endowment funds investment portfolio as of fiscal year end.

**Pledges Receivable** - Pledges receivable are recognized as revenues or gains in the period in which the promise is given and are shown net of unrealizable amounts. Conditional promises to give are recognized only when the conditions on which they depend are met and the promises become unconditional. Accounts are charged to a reserve as they are deemed uncollectible based on a periodic review of the accounts. Receivable balances are unsecured.

**Accounts Receivable** - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts by setting up a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

**Inventories** - Inventories are stated at the lower of cost or market on a first in first out basis. Inventories primarily represent gift shop articles, books and supplies held for sale.

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

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**Note 1 - Continued**

**Incentive to Lessee and Deferred Rental Receivable** - Incentives paid to a lessee have been capitalized on the consolidated balance sheets as an asset and amortized over the term of the lease under the straight-line method. Deferred rental receivable represents the cumulative difference of recognizing lease revenue on a straight-line basis and the actual cash rental payments.

**Investments** - Investments consist of marketable debt and equity securities as well as other nonmarketable securities. Investments in debt and equity securities are carried at fair value based on quoted market prices. Realized and unrealized gains and losses on investments are included in investment return in the consolidated statements of activities. Investments restricted for long-term purposes consist of contributions received that are restricted by the donor for long-term purposes such as for an endowment.

Investments in nonmarketable securities are carried at estimated fair value as provided by investment managers. The Museum reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

**Property and Equipment** - All expenditures for repairs, maintenance, renewals and betterments that substantially prolong the useful lives of assets are capitalized. All acquisitions of property and equipment in excess of \$2,500 that have an estimated useful life exceeding one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation.

Depreciation is computed using the straight-line method over the following useful lives:

Buildings		40 years
Tenant improvements	Shorter of 40 years or life of lease	
Park hardscaping		20 years
Furnishings and non-computer equipment		5 - 15 years
Computer equipment		3 years

From time to time, the Museum engages in large construction projects to remodel or expand existing locations. The Museum capitalizes certain administrative costs associated with these construction projects as the Museum believes this treatment more accurately reflects the costs incurred for these projects.

**Art Collections** - Art objects are expensed when purchased and therefore, are not shown as assets on the consolidated balance sheets. Art objects pledged or donated to the Museum are not recorded for financial accounting purposes and, accordingly, are not included as contributed revenue in the consolidated statements of activities or as receivables on the consolidated balance sheets. Proceeds from deaccessions or insurance recoveries are reflected in the consolidated statements of activities based on the existence and nature of donor-imposed restrictions. The Museum's policy is to use proceeds from deaccessioned collection items for acquisitions of new collection items and the direct care of existing collections.

**Deferred Revenues** - Income from nonoperating rental activities and other revenues are deferred and recognized over the periods to which the activities relate.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**Contributions** - Donor-restricted contributions are recognized in the period the contribution is received. Unconditional promises to give are recorded in the period the promise is received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. Amortization of the discount is reported as contribution revenue. Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

During the year ended June 30, 2018, the Museum received a \$2,495,000 conditional endowment contribution. To be entitled to retain the contribution the Museum is required to raise a matching amount of contributions for the endowed purpose. The funds received were deposited with the endowment investments and a corresponding liability was recorded and included in deferred revenues on the consolidated balance sheet. During the year ended June 30, 2022, the contribution was recognized in full when the Museum received the qualifying matching contributions from other donors. At the year ended June 30, 2023, there were no conditional promises to give outstanding.

**Donated Services and Use of Facilities** - The Museum recognizes contributed services as revenue and expense if the services create or enhance nonfinancial assets or require specialized skills and would otherwise need to be purchased by the Museum. A substantial number of unpaid volunteers have made significant contributions of their time in furtherance of the Museum's programs. The value of this contributed time is not included in the accompanying consolidated financial statements as it does not meet the criteria for recognition.

Costs incurred by the Museum to operate and maintain SAAM are partially funded by the City of Seattle. Such funding and the related costs are included as support and expenses in the accompanying consolidated statements of activities.

**Functional Allocation of Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. To evaluate the comparability of the Museum's management and general overhead with other nonprofit organizations, all expenses, including depreciation, amortization, and nonoperating expenses, are presented on a functional basis in the consolidated statements of functional expenses. Depreciation expense is attributable to one or more program or supporting services of the Museum. Depreciation is allocated to specific departments that use the related assets and building depreciation is allocated half to program activities and half to supporting activities based on square footage.

**Operating and Nonoperating Activity** - Operating activities represent support and revenues and expenses solely related to the annual exhibition and education programs for the Museum. Nonoperating activities are the support and revenues and expenses related to leasing of the expanded downtown facility and land at the Olympic Sculpture Park, contributions for art accessions and other nonoperating activities, capital contributions from noncontrolling interest, capital projects administration and other expenses, debt financing, adjustments for uncollectible pledges, and minimum pension adjustments. Nonoperating activities also include accession purchases related to the art collections. Art accession and deaccession are considered outside the scope of ongoing museum programs and operations due to the variable nature of this activity from one year to the next. Transfers reported on the consolidated statements of activities from nonoperating to operating activities represent prior nonoperating funding received utilized for operating activities in the current fiscal year.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**Adoption of New Accounting Standard** - Effective July 1, 2022, the Museum adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC Topic 840). In implementing the new guidance, the Museum reclassified the lease with MDA for building space (Note 13) to be a finance lease. Previously, this lease was accounted for as an operating lease. As a result of the adoption of the new lease accounting guidance, the Museum recognized on July 1, 2022 a lease liability of \$27,992,908, lease right-of-use assets of \$33,869,595, a cumulative effect adjustment of \$5,272,354 to the opening balance of net assets, and derecognized the prepaid lease asset balance of \$604,333.

**Leases** - The Museum determines if an arrangement contains a lease at inception. Operating and financing leases are included in ROU assets and lease liabilities in the consolidated balance sheet. ROU assets represent a right to use an underlying asset for the lease term and lease liabilities represent the Museum's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Museum's leases do not provide an implicit rate of return; thus, The Museum uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. The Museum has lease agreements with lease and non-lease components which are accounted for as a single lease component. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Museum will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$20,000.

**Income Taxes** - SAM has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) with the exception of income from any activities that are not related to SAM's tax-exempt purpose. SAM is further classified as an organization that is not a private foundation under Section 509(a)(1) of the Code. The LLCs have no provision for or benefit from income taxes included in these consolidated financial statements as taxable income or loss passes through to, and is reportable by, each member individually.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassifications** - Certain reclassifications have been made to the 2022 balances to conform to the 2023 presentation. The reclassifications have no effect on the previously reported total assets, liabilities, net assets or change in net assets.

**Subsequent Events** - The Museum's management has evaluated subsequent events through December 5, 2023, the date on which the financial statements were available to be issued.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 2 - SAAM Renovation and Expansion Project

During the year ended June 30, 2020, the Museum completed a major renovation and modest expansion of the SAAM. The City owns the SAAM building, and the building is listed on the National Register of Historic Places and landmarked by the City. The building had not been substantially renovated or restored since its original construction in 1933. The renovation included new climate and humidity control for optimum art preservation, updated plumbing and electrical systems, seismic upgrades to safeguard visitors and collections, an updated loading dock and receiving area for safer art transport, as well as improvements to accessibility. The renovation also restored the existing building and its facades and finishes to National Historic Rehabilitation Standards.

The SAAM building renovation qualified for federal tax credits under the Historic Rehabilitation Tax Credit (HRTC) federal tax statutes. In order to take advantage of federal tax credits, which are only available to private business entities, the leasing structure was modified to create the LLCs. These LLCs are controlled by SAM and are included in the Museum's consolidated financial statements.

The total project cost was approximately \$56 million, which included construction, design and engineering, entitlements, art moving, storage and reinstallation, and was funded through a combination of city and state funding, a capital campaign and historical rehabilitation tax credits.

#### Note 3 - Pledges Receivable

Pledges receivable consisted of the following at June 30:

	2023			Total	2022 Total
	Endowment	SAAM Campaign	Operating		
Pledges due in-					
Less than one year	\$ 1,530,137	\$ 32,776	\$ 2,004,348	\$ 3,567,261	\$ 3,382,740
Two to five years	800,000	-	1,259,744	2,059,744	2,689,918
More than five years	-	-	1,906,842	1,906,842	1,746,115
Less discount to present value (0.31% to 2.88%)	(5,088)	-	(54,899)	(59,987)	(30,319)
Less allowance for doubtful accounts	(675,000)	(983)	(63,460)	(739,443)	(781,680)
<b>Total Pledges Receivable, Net</b>	<b>\$ 1,650,049</b>	<b>\$ 31,793</b>	<b>\$ 5,052,575</b>	<b>\$ 6,734,417</b>	<b>\$ 7,006,774</b>

Endowment pledges that are due in less than one year are reported as noncurrent pledges receivable on the consolidated balance sheets because the proceeds are restricted by donors for long-term investment.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 4 - Funds Held in Trust by Others

The Museum is a beneficiary of a trust held for the benefit of local nonprofit organizations. The trust, which is held in perpetuity, is administered by a financial institution and provides for quarterly earnings distributions to the Museum. The earnings are available for general operating purposes. The Museum's interest in the trust agreement, which is approximately 16%, is included in funds held in trust by others and net assets with donor restriction. The Museum received \$509,469 and \$662,187 in distributions from the trust during the years ended June 30, 2023 and 2022, respectively. The Museum's interest in gains and losses in the trust value are recognized in the consolidated statements of activities as restricted. The balance related to the Museum's interest in this trust is reported at fair value and totaled \$11,465,892 and \$11,237,945 as of June 30, 2023 and 2022, respectively.

#### Note 5 - Investments

Investments are held for the endowment funds described in Note 12 and consisted of the following categories at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,538,755	\$ 4,447,944
Debt securities	26,088,608	25,760,393
Equity securities	32,606,645	30,211,325
Alternative investments	<u>129,919,541</u>	<u>128,114,407</u>
<b>Total Investments</b>	<b><u>\$192,153,549</u></b>	<b><u>\$188,534,069</u></b>

The following summarizes the return on investments by net asset classification for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Net assets without donor restriction-		
Dividends and interest	\$ 29,317	\$ 27,889
Net assets with donor restriction-		
Dividends and interest	2,065,565	1,687,400
Realized gains	4,027,460	13,520,948
Unrealized gains (losses)	6,086,253	(22,050,511)
Investment fees	<u>(595,290)</u>	<u>(1,058,982)</u>
	<u>11,583,988</u>	<u>(7,901,145)</u>
<b>Total Investment Return</b>	<b><u>\$ 11,613,305</u></b>	<b><u>\$ (7,873,256)</u></b>

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 6 - Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

**Valuation Techniques** - Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Mutual Funds - Valued at quoted market prices in active markets.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

Debt Securities - Valued using bid valuations from similar instruments in actively traded markets.

Alternative Investments - Valued at net asset value (NAV) per share, or its equivalent, as a practical expedient, as reported by the investment manager unless specific evidence indicates the NAV should be adjusted.

Funds Held in Trust by Others - Valued based on the trust's investment manager's valuations of the trust and the Museum's proportional beneficial interest in the trust.

The valuation methodologies used by the Museum may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Museum's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 6 - Continued**

**Fair Values Measured on a Recurring Basis** - Fair values of assets measured on a recurring basis at June 30, 2023 and 2022, were as follows:

	Fair Value Measurements at June 30, 2023			
	Level 1	Level 2	Level 3	Total
<b>Funds Held in Trust by Others</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,465,892</u>	<u>\$ 11,465,892</u>
<b>Investments:</b>				
Marketable securities-				
Equity securities/mutual funds:				
Large blend	\$ 8,930,298	\$ -	\$ -	\$ 8,930,298
Foreign large growth	9,218,775	-	-	9,218,775
Natural resources	2,263,416	-	-	2,263,416
Foreign large blend	200,195	-	-	200,195
International equity fund	11,993,961	-	-	11,993,961
Debt securities/mutual funds:				
Aggregate bonds	4,480,538	-	-	4,480,538
Inflation protection	5,180,800	-	-	5,180,800
U.S. government	16,427,270	-	-	16,427,270
<b>Total Investments in the Fair Value Hierarchy</b>	<u>\$ 58,695,253</u>	<u>\$ -</u>	<u>\$ -</u>	58,695,253
Investments measured at NAV <sup>(a)</sup>				129,919,541
Interest-bearing cash <sup>(b)</sup>				<u>3,538,755</u>
<b>Total Investments</b>				<u><b>\$192,153,549</b></u>

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 6 - Continued**

	Fair Value Measurements at June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>Funds Held in Trust by Others</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,237,945</b>	<b>\$ 11,237,945</b>
<b>Investments:</b>				
Marketable securities-				
Equity securities/mutual funds:				
Large blend	\$ 4,745,635	\$ -	\$ -	\$ 4,745,635
Foreign large growth	7,890,142	-	-	7,890,142
Natural resources	3,976,598	-	-	3,976,598
Foreign large blend	171,795	2,260,520	-	2,432,315
Global bond funds	3,034,610	-	-	3,034,610
International equity fund	8,132,025	-	-	8,132,025
Debt securities/mutual funds:				
Aggregate bonds	3,477,732	-	-	3,477,732
Inflation protection	5,683,673	-	-	5,683,673
U.S. government	16,598,988	-	-	16,598,988
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 53,711,198</b>	<b>\$ 2,260,520</b>	<b>\$ -</b>	<b>55,971,718</b>
Investments measured at NAV <sup>(a)</sup>				128,114,407
Interest-bearing cash <sup>(b)</sup>				4,447,944
<b>Total Investments</b>				<b>\$188,534,069</b>

(a) In accordance with U.S. GAAP, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient, which is industry standard, have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the investment line item presented in the consolidated balance sheets.

(b) Interest-bearing cash is reported at cost plus accrued interest. The balance presented in these tables are intended to permit reconciliation of the fair value hierarchy to the investment line item presented in the consolidated balance sheets.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 6 - Continued

The table below summarizes significant terms of the agreements with investment companies that value investments at NAV. There are no significant redemption restrictions or unfunded commitments on other types of investments.

Asset Class	Fair Value	Remaining Life	Unfunded Commitments	Redemption Terms	Redemption Restrictions
<b>Limited Partnerships:</b>					
Global opportunistic	\$ 9,754,599	None	\$ 485,379	None	None
Global other	2,394,688	Through 2023	1,107,000	None	None
US private equity	4,421,529	Through 2023	6,667,411	None	None
US venture capital	8,501,319	Through 2023	6,235,704	None	None
US equities	6,600,046	None	2,700,000	None	None
Opportunistic	4,593,997	None	524,790	None	None
Technology credit	5,625,128	None	1,725,822	None	None
Other	17,710,887	Through 2027	-	None	None
<b>Limited Liability Corporation:</b>					
Real assets	220,790	Through 2023	319,698	None	None
Distressed credit	2,332,312	None	153,198	None	None
Other	5,516,641	None	None	Monthly with 10 days notice	None
<b>Direct Investment:</b>					
Long/short equity	118,503	None	None	Varies from annual or 18 months with 45 days' notice to annual or every two years with 60 days' notice.	No redemption gate-20% fund level gate; one-third and one-quarter investor level gates.
Opportunistic	1,005,390	None	None	Varies from annual to every two years with 90 days notice.	No redemption gate-10% fund level gate.
Emerging markets	3,018,542	None	None	Annually each December with 60	None
Other	46,005,427	None	None	Quarterly with 65 days notice	No redemption gate-10% fund level gate.
<b>International Equity Funds:</b>					
Emerging markets	4,251,144	None	None	None	None
<b>Commingled Accounts:</b>					
Global equity	7,848,599	None	None	None	None
	<u>\$129,919,541</u>		<u>\$ 19,919,002</u>		

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 7 - Property and Equipment

Property and equipment is summarized as follows at June 30:

	<u>2023</u>	<u>2022</u>
Furnishings and equipment	\$ 26,834,328	\$ 23,594,773
Buildings	123,946,495	123,640,121
Tenant improvements	22,977,038	22,977,038
Remediation and hardscaping	39,216,655	39,216,655
Land	17,797,741	17,797,741
Work in progress	<u>307,825</u>	<u>1,886,969</u>
	231,080,082	229,113,297
Less accumulated depreciation	<u>(97,407,284)</u>	<u>(90,511,466)</u>
<b>Property and Equipment, Net</b>	<b><u>\$133,672,798</u></b>	<b><u>\$138,601,831</u></b>

Work in progress at June 30, 2023 and 2022 consisted primarily of costs related to equipment.

#### Note 8 - Benefit Plans

**Defined Contribution Retirement Plan** - The Museum maintains a defined contribution retirement plan (the DC Plan) qualified under Section 403(b) of the Internal Revenue Code. The DC Plan covers all permanent employees who have completed at least 1,000 hours of service and have attained the age of 21 years. Employer contributions are vested over a six-year period. There were no employer contributions made for the year ended June 30, 2022. For the year ended June 30, 2023, the Museum contributed \$326,715.

**Defined Benefit Retirement Plan** - The Museum also maintains a defined benefit pension plan (the DB Plan) covering a portion of its employees. Participant benefits are primarily related to years of credited service and annual earnings. As of September 1, 2006, the DB Plan was frozen to new participants. During the year ended June 30, 2013, the DB Plan was amended to freeze the accrual of benefits for all participants as of June 30, 2013. The Museum's funding policy is to contribute amounts to the DB Plan sufficient to comply with the minimum regulatory funding requirements. For the years ended June 30, 2023 and 2022, the Museum recognized (\$170,118) and (\$8,855), respectively, of net periodic pension cost.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 8 - Continued

Pension funding requirements are computed by an actuary and are subject to certain actuarial assumptions regarding discount rates and mortality rates. The obligations, funded status, and change in benefit obligations computed by the actuary and amounts recognized in the Museum's consolidated financial statements as of and for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Change in projected benefit obligation-		
Projected benefit obligation at beginning of year	\$ 9,652,041	\$ 12,194,988
Service cost	76,639	75,971
Interest cost	407,849	305,189
Settlement	-	(452,040)
Benefits paid	(865,950)	(518,505)
Administrative expenses	(58,996)	(58,784)
Actuarial gain	<u>(281,801)</u>	<u>(1,894,778)</u>
Projected benefit obligation at end of year	8,929,782	9,652,041
Change in plan assets-		
Fair value of plan assets at beginning of year	8,010,066	10,440,031
Actual return on plan assets	598,189	(1,323,404)
Benefits paid	(865,950)	(1,047,777)
Administrative expenses	<u>(58,996)</u>	<u>(58,784)</u>
Fair value of plan assets at end of year	<u>7,683,309</u>	<u>8,010,066</u>
<b>Funded Status at Year End (Minimum Pension Liability)</b>	<b><u>\$ (1,246,473)</u></b>	<b><u>\$ (1,641,975)</u></b>
<b>Accumulated Benefit Obligation</b>	<b><u>\$ 8,929,782</u></b>	<b><u>\$ 9,652,041</u></b>

Assumptions used to determine the benefit obligations for the DB Plan were as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Weighted-average assumptions used to determine net periodic pension cost-		
Assumed discount rate	4.37%	2.59%
Expected long-term rate of return on DB Plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used to determine benefit obligations-		
Assumed discount rate	4.89%	4.37%
Rate of compensation increase	N/A	N/A

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 8 - Continued

The expected long-term rate of return on assets reflects anticipated future experience. This basis is consistent with the prior period.

Investment goals and risk management practices include:

- The total portfolio will be managed on a balanced basis with considerations for diversification, quality and marketability, in accordance with the investment policy statement.
- The portfolio strategy employed seeks total return over a long-term basis. Consistency of returns on an annual basis is emphasized over individual year result.

The inputs and valuation techniques used to measure the fair value of the assets are consistently applied and described in Note 6. All assets are valued using Level 1 inputs and consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 122,378	\$ 273,504
Debt mutual funds- Intermediate-term	2,380,195	2,562,697
Equity mutual funds-		
International	1,263,835	1,317,726
Large blend	1,071,788	1,044,093
Small blend	626,330	621,926
Large value	959,501	1,005,872
Large growth	1,039,518	945,278
Real estate mutual funds	<u>219,764</u>	<u>238,970</u>
<b>Total Plan Assets</b>	<b><u><u>\$ 7,683,309</u></u></b>	<b><u><u>\$ 8,010,066</u></u></b>

Pension benefit payments, which reflect expected future service, are expected to be paid in future years. Expected future benefit payments for each of the next five fiscal years and in the aggregate for the next five years are:

For the Fiscal Year Ending June 30,

2024	\$ 614,734
2025	606,753
2026	610,544
2027	611,472
2028	600,622
2029 through 2032	2,892,759

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 9 - Notes Payable

Notes payable consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Note payable to FSP-RIC, LLC in the original amount of \$2,507,400; bears interest at 7% per annum; monthly payment of principal and interest beginning on February 2012; matures in May 2031.	\$ 1,552,389	\$ 1,694,260
Note payable to U.S. Bank in the original amount of \$2,802,964; bears interest at a rate of 4.22% per annum which is partially subsidized, resulting in an effective interest rate of 1.32% during the years ended June 30, 2023 and 2022; monthly payment of principal and interest beginning on May 2017; matures in May 2031; secured with all equipment, property and improvements acquired with proceeds of the loan.	1,914,227	2,078,697
Note payable to U.S. Bank that allows for borrowings up to \$2 million through a draw period that ended April 25, 2020; bears interest at a rate of LIBOR plus 1.32%; interest is payable monthly and monthly payments of principal began May 2020; matures in April 2025; secured by the purchased asset.	1,057,500	1,147,500
Note payable to U.S. Bank that allows for borrowings up to \$15 million through a draw period that ended on the maturity date of April 25, 2023. The note bore interest at a rate of LIBOR plus 1.06%. Principal was paid at maturity.	-	600,000
Total notes payable	4,524,116	5,520,457
Less current portion	(421,107)	(996,341)
<b>Long-Term Portion of Notes Payable</b>	<b><u>\$ 4,103,009</u></b>	<b><u>\$ 4,524,116</u></b>

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

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**Note 9 - Continued**

Interest expense for the years ended June 30, 2023 and 2022 was \$210,367 and \$193,236, respectively.

Aggregate principal maturities on the notes payable are as follows:

For the Year Ending June 30,

2024	\$ 421,107
2025	1,324,954
2026	385,478
2027	415,280
2028	446,968
Thereafter	<u>1,530,329</u>
	<u><b>\$ 4,524,116</b></u>

**Paycheck Protection Program Loans** - In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. The Museum received PPP loans during both the years ended June 30, 2021 and 2020. All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met.

The Museum’s accounting policy for recognition of revenue from forgiveness of the PPP loan is to recognize the gain from forgiveness when loan forgiveness is approved by the Small Business Administration (SBA). During the year ended June 30, 2022 both PPP loans, totaling \$4.86 million, were forgiven in full and recognized as operating contribution and grant revenue in the statement of activities.

**Note 10 - Line of Credit**

The Museum has a \$7,000,000 line of credit with U.S. Bank. The line of credit is due on demand and collateralized with general endowment assets. Amounts borrowed under this agreement bear interest at 0.9% per annum plus the one-month BSBY rate quoted by U.S. Bank (6.06% at June 30, 2023). All outstanding principal is due April 30, 2024. There were no outstanding balances at June 30, 2023 or 2022. The Museum is subjected to certain loan covenants as stipulated in the debt agreements, which include a liquidity coverage ratio, fixed charge coverage ratio and collateral coverage ratio among others. As of June 30, 2023 and 2022, the Museum was in compliance with loan covenants.



## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 11 - Net Assets

Net assets consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
<b>Net Assets Without Donor Restriction:</b>		
SAM and controlling interest in consolidated subsidiaries	\$ 149,144,753	\$ 148,495,431
Noncontrolling interest in consolidated subsidiaries	<u>5,758,482</u>	<u>6,116,676</u>
<b>Total Net Assets Without Donor Restriction</b>	<b>154,903,235</b>	<b>154,612,107</b>
<b>Net Assets With Donor Restriction:</b>		
Time restricted pledges	5,657,936	3,130,917
Purpose restricted, including accumulated investment earnings or deficits of endowment funds-		
Art acquisition	3,894,733	3,599,755
Capital projects	205,696	159,505
Conservation Center	1,322,802	1,118,513
Education	3,118,472	2,888,336
Exhibition and collection care	5,607,736	4,364,423
General operations	10,781,309	11,855,446
Sculpture park operations	6,430,444	6,073,503
Library	37,064	34,416
Technology	40,583	37,896
Perpetual portion of endowment funds, restricted for the following purposes-		
Art acquisition	7,778,450	7,778,450
Conservation Center	5,518,172	5,504,175
Education	22,573,017	22,572,862
Exhibition and collection care	35,536,335	35,536,085
General operations	82,980,287	83,414,942
Sculpture park operations	20,614,268	20,614,268
Library	164,354	164,354
Technology	162,000	162,000
Funds held in trust by others	<u>11,465,892</u>	<u>11,237,945</u>
<b>Total Net Assets With Donor Restriction</b>	<b><u>223,889,550</u></b>	<b><u>220,247,791</u></b>
<b>Total Net Assets</b>	<b><u><u>\$378,792,785</u></u></b>	<b><u><u>\$374,859,898</u></u></b>

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 11 - Continued

**Net Assets With Donor Restrictions - Capital Projects** - Contributions received to acquire long-lived assets are reported as contributions with donor restriction and released from restriction when the asset is placed in service. There are some minor funds available to support art acquisitions, curatorial research, education programs or other specific purposes, as well as unreleased endowment earnings that carry donor purposed restrictions.

The following is a schedule of changes in the consolidated net assets without donor restriction of the Museum attributable to SAM and to the noncontrolling interest in the consolidated subsidiaries for the years ended June 30:

	<u>SAM</u>	<u>Noncontrolling Interest</u>	<u>Total</u>
Balances, June 30, 2021	\$ 149,879,118	\$ 6,460,676	\$ 156,339,794
Changes in net assets without donor restriction	<u>(1,383,687)</u>	<u>(344,000)</u>	<u>(1,727,687)</u>
<b>Balances, June 30, 2022</b>	<b>148,495,431</b>	<b>6,116,676</b>	<b>154,612,107</b>
Cumulative effect adjustment (Note 1)	5,272,354	-	5,272,354
Changes in net assets without donor restriction	<u>(4,623,032)</u>	<u>(358,194)</u>	<u>(4,981,226)</u>
<b>Balances, June 30, 2023</b>	<b><u>\$149,144,753</u></b>	<b><u>\$ 5,758,482</u></b>	<b><u>\$154,903,235</u></b>

#### Note 12 - Endowments

The Museum's endowments consist of over 100 funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 12 - Continued

**Interpretation of Relevant Law** - The Museum is subject to the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restriction because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Some of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restriction. The Board of Trustees of the Museum has interpreted PMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Museum considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Museum has interpreted PMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with PMIFA, the Museum considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the Museum.

As of June 30, endowment net assets, excluding endowment pledges receivable and funds held in trust by others, consisted of the following:

	<u>2023</u>	<u>2022</u>
Donor restricted endowment funds-		
Original donor-restricted gifts and amounts required to be maintained in perpetuity by donor	\$ 175,326,883	\$ 175,747,136
Accumulated investment earnings	19,526,715	17,334,362
<b>Total Endowment Net Assets</b>	<b><u>\$194,853,598</u></b>	<b><u>\$193,081,498</u></b>

Reconciliation to endowment investments at June 30:

	<u>2023</u>	<u>2022</u>
Endowment net assets	\$ 194,853,598	\$ 193,081,498
Endowment cash receipts pending deposit to investment portfolio	(1,050,000)	(506,000)
Endowment pledges receivable	(1,650,049)	(4,041,429)
<b>Total Endowment Investments</b>	<b><u>\$192,153,549</u></b>	<b><u>\$188,534,069</u></b>

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 12 - Continued**

Changes to endowment net assets, excluding endowment pledges receivable and funds held in trust by others, for the years ended June 30, 2023 and 2022, were as follows:

	Original Gift Amount and Amounts Required to be Maintained in Perpetuity	Accumulated Investment Earnings (Deficit)	Total
Balances, June 30, 2021	\$ 168,336,517	\$ 33,813,297	\$ 202,149,814
Endowment investment return	-	(7,901,138)	(7,901,138)
Contributions and pledge payments	7,410,619	-	7,410,619
Pledge written off as bad debt	-	(19,513)	(19,513)
Appropriation of endowment for expenditure	-	(8,558,284)	(8,558,284)
<b>Balances, June 30, 2022</b>	<b>175,747,136</b>	<b>17,334,362</b>	<b>193,081,498</b>
Endowment investment return	-	11,583,988	11,583,988
Contributions and pledge payments	79,747	-	79,747
Donor release from restriction	(500,000)	-	(500,000)
Recovery of pledge written off as bad debt	-	70,122	70,122
Appropriation of endowment for expenditure	-	(9,461,757)	(9,461,757)
<b>Balances, June 30, 2023</b>	<b>\$175,326,883</b>	<b>\$ 19,526,715</b>	<b>\$194,853,598</b>

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or PMIFA requires the Museum to retain as a fund of perpetual duration. Deficiencies of this nature existed in some of the Museum's donor-restricted endowment funds, which together have an original gift value of \$47,341,069, a current fair value of \$45,034,463, and a deficiency of \$2,306,606 as of June 30, 2023. As of June 30, 2022, the endowment funds with deficiencies of this nature had an original gift value of \$48,344,794, a current fair value of \$45,561,701, and a deficiency of \$2,783,093. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 12 - Continued

**Return Objectives and Risk Parameters** - The Museum has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that match or exceed the rate of return of a custom benchmark designed to effectively and proportionately represent the mix of asset classes within the Museum's portfolio while assuming a moderate level of investment risk. The primary investment objective of the endowment fund is to earn an average annual inflation-adjusted (real) return of at least 5% net of all investment management fees over the long term.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation, realized and unrealized gains and losses, and current yield, such as interest and dividends. The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - For the years ended June 30, 2023 and 2022, the Museum employed a blended distribution rate of approximately 5.7% and 5.4%, respectively, based on the endowment's average fair value over the three-year periods ending December 31, 2022 and 2021, respectively. Under the current investment policy, the distribution rate is to be maintained within the 5.0% to 6.0% range. In establishing this policy, the Museum considered the long-term expected return on its endowment. The Museum's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

#### Note 13 - Lease Agreements as Lessee

**Museum Development Authority** - The Museum Development Authority (the MDA) is a public corporation chartered by the City of Seattle (the City) pursuant to the Enabling Act. The public purpose of the MDA pursuant to its charter is to undertake, assist with and otherwise facilitate the development and operation of public art facilities in conjunction with the Museum, including, but not limited to, a downtown art museum and a public sculpture park on the Seattle waterfront. In accordance with the MDA charter, the Museum appoints three of the nine members of the MDA governing council. The MDA owns a portion of the existing downtown Museum facility, which is leased to the Museum. The activities, assets and liabilities of the MDA are not included in these consolidated financial statements.

The Museum is leasing land from MDA for use of its parcel at the Olympic Sculpture Park that is accounted for as an operating lease. The Museum made an advance lease payment at the start of the lease. As of June 30, 2023 and 2022, the Museum has included a lease right-of-use asset of \$599,666 and \$604,333, respectively, on the consolidated balance sheet for the unamortized amount of the advance lease payment. The initial lease period expires in January 2152. The advanced lease payment is amortized over the 150-year life of the lease.

## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 13 - Continued

The Museum also leases units owned by MDA for expanded exhibition space in the addition adjacent to the Museum's downtown Seattle facility that is accounted for as a finance lease. The lease expires in December 2103, with required minimum lease payments through 2031. The right-of-use asset for this lease totaled \$31,786,806 at June 30, 2023, is amortized over the estimated useful life of the asset of 40 years. In addition to the minimum lease payments, the Museum is also obligated to bear the operating expenses of the MDA and comply with certain public benefit provisions. This lease is capitalized as a finance lease on the consolidated balance sheet and amortized using a discount rate of 5%.

The components of lease expense for the year ended June 30, 2023 are as follows:

Finance lease costs-	
Amortization of right-of-use asset	\$ 1,244,129
Interest on finance lease liabilities	1,323,812
Operating lease costs	4,667
Short-term lease costs	<u>244,900</u>
<b>Total Leasing Costs</b>	<b><u>\$ 2,817,508</u></b>

Supplemental cash flow information related to leases as of June 30, 2023 is as follows:

Cash paid for amounts included in measurement of lease liabilities-	
Operating cash flows	\$ 1,323,812
Financing cash flows	2,615,938

Future minimum payments under the terms of the lease are as follows as of June 30, 2023:

For the fiscal year ending June 30,

2024	\$ 3,938,688
2025	3,940,000
2026	3,940,750
2027	3,941,875
2028	3,939,250
Thereafter	<u>10,834,874</u>
Total undiscounted cash flows	30,535,437
Less present value discount	<u>(5,158,467)</u>
<b>Total Finance Lease Liability</b>	<b><u>\$ 25,376,970</u></b>

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

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**Note 13 - Continued**

Future minimum payments under the terms of the lease were as follows as of June 30, 2022:

For the fiscal year ending June 30,	
2023	\$ 3,939,750
2024	3,938,688
2025	3,940,000
2026	3,940,000
2027	3,939,625
Thereafter	<u>14,774,125</u>
<b>Total Lease Obligation</b>	<b><u><u>\$ 34,472,188</u></u></b>

**SAAM Building** - The Museum leases the Seattle Asian Art Museum (SAAM) building from the City. During the year ended June 30, 2018, the Museum and the City signed a new agreement for the SAAM building in conjunction with the start of the SAAM capital project described in Note 2. The lease commenced in December 2017 and terminates in December 2072. The lease agreement requires no cash rent payments from the Museum to the City. Instead, the lease requires the Museum to undertake the SAAM capital project described in Note 2, maintain and operate the SAAM building as a museum open to the public, and maintain the historic features of the SAAM building. The lease also requires the Museum to provide certain public benefits and to perform property operation activities. To help defray the Museum’s costs of operating and maintaining the SAAM building, the City provides annual operating support payments to the Museum. The operating support payments start at \$250,000 per year, beginning the year ended June 30, 2020, and increase every five years during the term of the lease.

**Note 14 - Lease Agreement as Lessor**

The Museum has an agreement with Nordstrom, Inc. (Nordstrom) to lease a portion of a condominium (Nordstrom Lease). Approximately 70% of the leased space is owned by the Museum. The remaining approximately 30% of the leased space is owned by FSP-RIC, LLC, which the Museum leases solely in order to sublet the space to Nordstrom as part of the Nordstrom Lease. The Nordstrom Lease term is 21 years, ending on May 31, 2031. In addition to base rent, Nordstrom is also responsible for operating expenses, in accordance with the lease agreement. The FSP-RIC lease obligation is performed by Nordstrom, and the lease has the same commencement and expiration dates as the Nordstrom Lease.

**SEATTLE ART MUSEUM AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2023 and 2022**

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**Note 14 - Continued**

During each of the years ended June 30, 2023 and 2022, the Museum received approximately \$5,801,000 and \$5,358,000 in lease payments, respectively, for the leased space that is owned by the Museum. The following is a schedule of the approximate minimum future rent receivable:

For the fiscal year ending June 30,

2024	\$ 6,503,544
2025	6,503,544
2026	6,503,544
2027	6,503,544
2028	6,503,544
Thereafter	<u>18,968,670</u>
	<u><b>\$ 51,486,390</b></u>

As a lease incentive, the Museum has assumed two real estate leases (the Existing Leases) on space from which Nordstrom has vacated to occupy the Museum’s condominium. The cost of the lease assumption was \$849,756 and is amortized against leasing income over the term of the Museum’s lease with Nordstrom. For both of the years ended June 30, 2023 and 2022, amortization of the lease assumption approximated \$62,000.

The Museum also provided a cash allowance for tenant improvements totaling approximately \$7,007,230. Cash allowance for tenant improvements is capitalized and amortized against leasing income over the term of the lease. Of the cash allowance, \$2,507,400 was financed by a note payable from FSP-RIC, LLC. Principal payments during the years ended June 30, 2023 and 2022 totaled \$141,871 and \$132,307, respectively. Amortization of the cash allowance approximated \$319,000 and \$318,000 for the years ended June 30, 2023 and 2022, respectively.

**Note 15 - Concentration of Credit Risk**

Financial instruments that potentially subject the Museum to concentrations of credit risk consist principally of cash and cash equivalents, investments and receivables. Investment managers engaged by the Museum make investment purchases, and the investments are monitored for the Museum by an investment advisor. Though the market value of investments is subject to fluctuations on a year to year basis, management believes the investment policy is prudent for the long-term welfare of the Museum and its beneficiaries. Balances in cash and cash equivalents and investments exceed federally insured limits.

Concentrations of credit risk with respect to pledges receivable are generally diversified due to the large number of individuals composing the Museum's programs and donor base. The Museum performs ongoing credit evaluations and writes off uncollectible amounts as they become known.



## SEATTLE ART MUSEUM AND SUBSIDIARIES

### Notes to Consolidated Financial Statements For the Years Ended June 30, 2023 and 2022

#### Note 16 - Related Party Transactions

The Museum receives contributions from members of the Board of Trustees and through foundations and corporations associated with members of the Board of Trustees. For the years ended June 30, 2023 and 2022, trustee contributions approximated \$4.9 million and \$27.1 million, respectively. Outstanding amounts associated with the trustee pledges receivable approximated \$5.7 million and \$1.5 million as of June 30, 2023 and 2022, respectively.

The Museum leases real property from MDA, a related party, as further described in Note 13.

#### Note 17 - Liquidity and Availability

As part of the Museum's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Museum also could draw upon \$7 million of an available line of credit (as further discussed in Note 10).

The following reflects the Museum's financial assets as of the consolidated balance sheet date of June 30, 2023 and 2022, reduced by amounts not available for general use within one year of the consolidated balance sheet date because of contractual or donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 21,923,236	\$ 23,551,650
Pledges receivable	6,734,417	7,006,774
Accounts receivable	218,860	116,830
Cash restricted for long-term purposes	1,050,000	506,000
Investments restricted for long-term purposes	192,153,549	188,534,069
Funds held in trust by others	<u>11,465,892</u>	<u>11,237,945</u>
Total financial assets	233,545,954	230,953,268
Operating pledges receivable scheduled to be collected in more than one year	(3,048,227)	(2,374,199)
Contractual or donor-imposed restrictions-		
Cash balances of consolidated subsidiaries	(1,256,967)	(893,993)
Endowment funds investments	(192,153,549)	(188,534,069)
Endowment funds cash	(1,050,000)	(506,000)
Add back endowment amount appropriated for following year	10,336,532	9,461,746
Endowment pledges receivable	(1,650,049)	(4,041,429)
SAAM Campaign pledges receivable	(31,793)	(180,301)
Funds held in trust by others	(11,465,892)	(11,237,945)
Add back amount distributed the following year	<u>598,000</u>	<u>786,647</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b><u>\$ 33,824,009</u></b>	<b><u>\$ 33,433,725</u></b>

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**APPENDIX E**

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE  
INDEPENDENT AUDITOR'S REPORT  
AND FINANCIAL STATEMENTS,  
JUNE 30, 2023 AND 2022**

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**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**  
**(A Component Unit of the City of Seattle, Washington)**

Financial Statements

For the Years Ended June 30, 2023 and 2022

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## Independent Auditor's Report

**To the Council Members  
Museum Development Authority of Seattle  
Seattle, Washington**

### Opinion

We have audited the financial statements of Museum Development Authority of Seattle (the Authority), a component unit of the City of Seattle, which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of the Authority as of June 30, 2023 and 2022, and the changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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



## **Report on Management's Discussion and Analysis**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

*Clark Nuber P.S.*

Certified Public Accountants  
November 7, 2023

## **MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

### **Management's Discussion and Analysis For the Years Ended June 30, 2023 and 2022**

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Management's Discussion and Analysis (MD&A) presents a narrative overview and analysis of the financial activities of the Museum Development Authority of Seattle (the Authority) for the years ended June 30, 2023 and 2022. The MD&A is designed to assist readers of the financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

#### **The Authority**

The Authority is a public authority organized under Washington State law and an ordinance of the City of Seattle (the City). The Authority was issued a charter by the Mayor of Seattle on September 13, 1985. The Authority is governed by a nine member council with three appointed by the Mayor, three appointed by the Seattle Art Museum (the Museum), and three appointed by the Authority Council. The purpose of the Authority is to undertake and assist in the development and operations of a public art museum in downtown Seattle.

#### **Overview of the Financial Statements**

As a government enterprise, the Authority follows all pronouncements of the Government Accounting Standards Board (GASB).

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority by the City, the internal accounting records of the Authority are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, these funds have been combined.

As a special-purpose government entity engaged only in business-type activities, the Authority's financial statements are presented as a proprietary fund. The financial statements therefore include Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; and Statements of Cash Flows. The financial statements measure, recognize, and report transactions and balances using proprietary fund accounting and financial reporting standards as provided in GASB pronouncements.

The Authority uses the flow of economic resources and measurement focus and accrual basis of accounting, in which revenues are recognized when earned and expenses are recorded when incurred. In addition, long-lived assets in excess of \$2,500 in value, such as buildings and equipment, are capitalized and depreciated over their estimated economic lives. Long-lived assets associated with capital projects are capitalized as construction in progress until placed in service, at which time depreciation commences.

The financial statements provide both long-term and short-term information about the Authority's overall financial status as well as the Authority's net position. Net position is the difference between the Authority's assets and liabilities and over time serves as a useful indicator of the Authority's financial position. The financial statements also include notes that provide additional information that is essential to a full understanding of the information provided.

## MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

### Management's Discussion and Analysis For the Years Ended June 30, 2023 and 2022

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#### Capital Asset and Long-Term Debt Activity

In May 2003, the Council Members and the Museum Board of Trustees entered into a development agreement with a bank to jointly develop a mixed-use facility of approximately 1,225,000 square feet, of which approximately 335,000 square feet is owned by the Authority and the Museum to provide expansion space for the Museum's downtown facility.

The Authority issued approximately \$60,720,000 in special obligation bonds backed by a guarantee from the City in November 2005. The proceeds of the bonds were applied by the Authority to remodel, expand, and equip the Authority's existing downtown museum, to fund a debt service reserve account, and to pay costs of issuance. The expanded property is leased by the Authority to the Museum and used for expanded exhibition space. Lease payments are to be set at an amount to fund all debt service requirements. The City guarantee provides additional security to the Authority and to the bondholders in the event that lease payment requirements are not met (Note 3).

In 2014, the Authority issued \$44.4 million in special obligation refunding bonds to advance refund \$49.6 million of outstanding 2005 Series bonds. The net proceeds were used to purchase US government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 Series bonds. As a result, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

#### Financial Analysis and Highlights

The Authority's net position as of June 30, 2023, 2022, and 2021, is presented in the table below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital assets	\$ 58,576,141	\$ 61,137,524	\$ 63,944,355
Other assets	<u>30,649,833</u>	<u>33,086,621</u>	<u>35,590,408</u>
<b>Total Assets</b>	<b><u>\$ 89,225,974</u></b>	<b><u>\$ 94,224,145</u></b>	<b><u>\$ 99,534,763</u></b>
<b>Total Deferred Outflow of Resources</b>	<b><u>\$ 259,985</u></b>	<b><u>\$ 322,005</u></b>	<b><u>\$ 389,576</u></b>
Current liabilities	\$ 2,983,274	\$ 2,890,025	\$ 2,800,312
Noncurrent liabilities	<u>24,648,083</u>	<u>27,753,947</u>	<u>30,774,275</u>
<b>Total Liabilities</b>	<b><u>\$ 27,631,357</u></b>	<b><u>\$ 30,643,972</u></b>	<b><u>\$ 33,574,587</u></b>
<b>Total Deferred Inflow of Resources</b>	<b><u>\$ 21,561,602</u></b>	<b><u>\$ 24,242,262</u></b>	<b><u>\$ 26,922,921</u></b>
Unrestricted surplus	\$ 3,489,299	\$ 3,406,063	\$ 2,759,268
Restricted for debt service	5,280,658	5,088,272	5,527,907
Invested in capital assets, net of related debt	<u>31,523,043</u>	<u>31,165,581</u>	<u>31,139,656</u>
<b>Total Net Position</b>	<b><u>\$ 40,293,000</u></b>	<b><u>\$ 39,659,916</u></b>	<b><u>\$ 39,426,831</u></b>

## MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

### Management's Discussion and Analysis For the Years Ended June 30, 2023 and 2022

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#### Financial Analysis and Highlights - Continued

The Authority reports a lease receivable asset and deferred inflow on the statement of net position associated with leases where the Authority is a lessor. The inflows from leasing activity are reported in the statements of revenue, expenses, and changes in net position in part as operating revenues and in part as nonoperating interest income.

Total assets decreased from 2022 to 2023 by \$4,998,171 and from 2021 to 2022 by \$5,310,618, due primarily to the depreciation of capital assets and amortization of its lease receivable. Total deferred outflow of resources decreased from 2022 to 2023 by \$62,020, and from 2021 to 2022 by \$67,571, primarily due to the amortization of the advance refunding of debt.

Total liabilities decreased from 2022 to 2023 and from 2021 to 2022 by \$3,012,613 and \$2,930,615, respectively, primarily due to principal payments of bonds payable and amortization of its bond premium. Total net position increased by \$633,084 from 2022 to 2023. Total net position increased by \$233,085 from 2021 to 2022. The amount restricted for debt service increased by \$192,386 from 2022 to 2023 and decreased by \$439,635 from 2021 to 2022, which can be attributed to timing of rental payments received that are deposited into restricted cash accounts. Investments in capital assets, net of related debt increased from 2022 to 2023 by \$357,462. Investments in capital assets, net of related debt decreased from 2021 to 2022 by \$25,925, primarily due to the depreciation of capital assets, principal payments of bonds payable, and amortization of bond issuance costs and bond premium.

The Authority's Change in Net Position for the years ended June 30, 2023, 2022 and 2021, is presented in the table below:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 2,722,958	\$ 2,848,230	\$ 2,712,163
Operating expenses	<u>(2,603,679)</u>	<u>(2,974,404)</u>	<u>(2,838,334)</u>
<b>Operating Income (Loss)</b>	<b>119,279</b>	<b>(126,174)</b>	<b>(126,171)</b>
Nonoperating revenues (expenses)	<u>513,805</u>	<u>359,259</u>	<u>390,768</u>
<b>Change in Net Position</b>	<b>633,084</b>	<b>233,085</b>	<b>264,597</b>
Net position, beginning of year	<u>39,659,916</u>	<u>39,426,831</u>	<u>39,162,234</u>
<b>Net Position, End of Year</b>	<b><u>\$ 40,293,000</u></b>	<b><u>\$ 39,659,916</u></b>	<b><u>\$ 39,426,831</u></b>

Operating revenues decreased by \$125,272 from 2022 to 2023. Operating revenues increased by \$136,067 from 2021 to 2022, due to changes in rental income received from the Museum. Operating expenses decreased by \$370,724 from 2022 to 2023 and increased by \$136,070 from 2021 to 2022, primarily due to a one-time Local Improvement District tax imposed by the City of Seattle. Nonoperating revenues (expenses) increased by \$154,546 and decreased by \$31,509 from 2022 to 2023 and 2021 to 2022, respectively, which can be attributed to the change in interest income/expense and amortization of bond issuance costs and bond premium.

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

**Management's Discussion and Analysis  
For the Years Ended June 30, 2023 and 2022**

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**Requests for Information**

This report is designed to provide an overview of the Authority's finances for all those with interest in the Authority's finance. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Museum Development Authority of Seattle, Chief Financial Officer, 1300 First Avenue, Seattle, WA 98101-3100.

MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

Statements of Net Position  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current portion of lease receivable	\$ 2,756,330	\$ 2,629,174
<b>Total Current Assets</b>	<b>2,756,330</b>	<b>2,629,174</b>
Restricted cash	5,280,658	5,088,272
Land	14,463,114	14,463,114
Buildings, furniture, fixtures and equipment, net	44,113,027	46,674,410
Lease receivable	22,612,845	25,369,175
<b>Total Assets</b>	<b><u>\$ 89,225,974</u></b>	<b><u>\$ 94,224,145</u></b>
<b>Deferred Outflow of Resources:</b>		
Advance refunding of debt	\$ 259,985	\$ 322,005
<b>Total Deferred Outflow of Resources</b>	<b><u>\$ 259,985</u></b>	<b><u>\$ 322,005</u></b>
<b>Liabilities:</b>		
Accrued interest payable	\$ 318,274	\$ 350,025
Current portion of bonds payable	2,665,000	2,540,000
<b>Total Current Liabilities</b>	<b>2,983,274</b>	<b>2,890,025</b>
Bonds payable, net of current portion	22,800,000	25,465,000
Unamortized bond premium	1,848,083	2,288,947
<b>Total Liabilities</b>	<b><u>\$ 27,631,357</u></b>	<b><u>\$ 30,643,972</u></b>
<b>Deferred Inflow of Resources:</b>		
Deferred lease revenue	\$ 21,561,602	\$ 24,242,262
<b>Total Deferred Inflow of Resources</b>	<b><u>\$ 21,561,602</u></b>	<b><u>\$ 24,242,262</u></b>
<b>Net Position:</b>		
Unrestricted surplus	\$ 3,489,299	\$ 3,406,063
Restricted for debt service	5,280,658	5,088,272
Invested in capital assets, net of related debt	31,523,043	31,165,581
<b>Total Net Position</b>	<b><u>\$ 40,293,000</u></b>	<b><u>\$ 39,659,916</u></b>

See accompanying notes.

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

**Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues:</b>		
Building lease	\$ 2,718,291	\$ 2,841,683
Ground lease	4,667	4,667
Miscellaneous		1,880
<b>Total Operating Revenues</b>	<b><u>2,722,958</u></b>	<b><u>2,848,230</u></b>
<b>Operating Expenses:</b>		
General and administrative	42,296	167,573
Depreciation	2,561,383	2,806,831
<b>Total Operating Expenses</b>	<b><u>2,603,679</u></b>	<b><u>2,974,404</u></b>
<b>Operating Income (Loss)</b>	<b>119,279</b>	<b>(126,174)</b>
<b>Nonoperating Revenues (Expenses):</b>		
Interest from leasing activity	1,310,576	1,435,811
Investment return	192,885	1,692
Interest expense	(1,430,520)	(1,558,572)
Amortization of bond premium	440,864	480,328
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>513,805</u></b>	<b><u>359,259</u></b>
<b>Change in Net Position</b>	<b>633,084</b>	<b>233,085</b>
Net position, beginning of year	39,659,916	39,426,831
<b>Net Position, End of Year</b>	<b><u>\$ 40,293,000</u></b>	<b><u>\$ 39,659,916</u></b>

See accompanying notes.

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

**Statements of Cash Flows  
For the Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash Flows From Operating Activities:</b>		
Cash received from leases	\$ 2,671,472	\$ 2,231,723
Cash paid for goods and services	<u>(42,296)</u>	<u>(167,573)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>2,629,176</b>	<b>2,064,150</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Payments for bond interest	(1,400,251)	(1,521,288)
Repayments of bond principal	<u>(2,540,000)</u>	<u>(2,420,000)</u>
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(3,940,251)</b>	<b>(3,941,288)</b>
<b>Cash Flows From Investing Activities:</b>		
Interest and dividends	192,885	1,692
Interest from leases	1,310,576	1,435,811
Net change in restricted cash	<u>(192,386)</u>	<u>439,635</u>
<b>Net Cash Provided by Investing Activities</b>	<b>1,311,075</b>	<b>1,877,138</b>
<b>Net Change in Cash and Cash Equivalents</b>		
Cash and cash equivalents, beginning of year	<u>                    </u>	<u>                    </u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating income (loss)	\$ 119,279	\$ (126,174)
Adjustments to reconcile to net cash from operating activities-		
Depreciation	2,561,383	2,806,831
Change in assets and liabilities:		
Lease revenue receivable	2,629,174	2,064,152
Deferred inflow	<u>(2,680,660)</u>	<u>(2,680,659)</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 2,629,176</b>	<b>\$ 2,064,150</b>

See accompanying notes.



## MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

### Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Operations and Summary of Significant Accounting Policies

**Operations and Reporting Entity** - The purpose of Museum Development Authority of Seattle (the Authority) is to undertake and assist in the development and operations of a public art museum in downtown Seattle, the Seattle Art Museum (the Museum). The Authority is a public authority organized under Washington State law and an ordinance of the City of Seattle (the City). The Authority was issued a charter by the Mayor of Seattle on September 13, 1985. The Authority is governed by a nine-member council with three appointed by the Mayor, three appointed by the Museum, and three appointed by the Authority Council. The City provides a guarantee on debt issued by the Authority (Note 3) and thus, the Authority is a component unit of the City. The financial statements include only the activities of the Authority as no component units of the Authority have been identified. The activities of the Museum are not included in the Authority's financial statements.

**Basis of Presentation** - Financial statement presentation follows accounting principles defined for special-purpose government entities. The Authority is a government enterprise and follows all pronouncements of the Governmental Accounting Standards Board (GASB). The financials have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Under the flow of economic resources measurement focus and accrual basis of accounting, revenues are recognized when earned and expenses are recorded when incurred. In addition, long-lived assets such as buildings and equipment are capitalized and depreciated over their estimated economic lives.

**Operating and Nonoperating Activity** - Operating activities represent revenues and expenses solely related to the property lease and operating agreement. Nonoperating activities are the revenues and expenses related to investments and debt and interest income on leasing activities.

**Cash and Cash Equivalents** - For purposes of reporting cash flows, cash includes cash on hand and on deposit with financial institutions and financial instruments with original maturities of ninety days or less. Cash equivalents include investments in money market funds and are stated at cost, which approximates market value. The Authority's operating deposits are required to be deposited in a qualified public depository as required by statute. As of June 30, 2023 and 2022, the Authority maintained an operating cash balance of \$0. The restricted cash balances held for the bonds payable at June 30, 2023 and 2022, of \$5,280,658 and \$5,088,272, respectively, are held in money market funds collateralized by securities held by the financial institution.

**Credit Risk** - Credit risk is the risk that an issuer of the counterparty to an investment will not fulfill its obligation. The Authority invests in U.S. Treasury Securities.

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority invests in U.S. Treasury securities, generally with one year original maturity dates, to help manage its exposure to fair value losses arising from increasing interest rates.

**Land, Buildings and Building Improvements** - Land, buildings and building improvements are stated at cost. Depreciation of the buildings and building improvements are provided using the straight-line method over an estimated useful life of 40 years.

**Furniture, Fixtures and Equipment** - Furniture, fixtures and equipment are stated at cost. Depreciation is provided using the straight-line method over an estimated useful life up to 15 years.

## MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

### Notes to Financial Statements For the Years Ended June 30, 2023 and 2022

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#### Note 1 - Continued

**Bond Premium** - Bond premium represent deferred charges and an addition to the bond liability. Amortization of such amounts are provided using the bonds outstanding method.

**Deferred Outflow of Resources** - Deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred outflow of resources involves no consumption of resources that results in either a net decrease in assets or a net increase in liabilities. Deferred outflows of resources presented in this manner on the accompanying financial statements are related to the advanced refunding of bonds.

**Deferred Inflow of Resources** - Deferred inflow of resources is the acquisition of net position that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources presented in this manner on the accompanying financial statements represent deferred lease revenue. See Note 4 for additional information on the Authority's lease revenue.

**Net Position** - Net position is classified into the following three components: 1) Invested in capital assets, net of related debt - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. 2) Restricted for debt service - This component of net position consists of restrictions placed on net position use by external creditors (such as through debt covenants), grantors or contributors. 3) Unrestricted surplus - This component consists of the net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt." The Authority applies unrestricted and restricted resources to purposes for which both unrestricted and restricted net position are available based on management's discretion.

**Income Taxes** - The Authority is a special-purpose organization of the State of Washington and accordingly is generally exempt from federal income taxes under the provisions of Section 115 of the Internal Revenue Code.

**Use of Estimates** - The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Subsequent Events** - The Authority evaluated its June 30, 2023 financial statements for subsequent events through November 7, 2023, the date the financial statements were available to be issued.

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 2 - Capital Assets**

The following is a summary of changes in capital assets:

	Balance at June 30, 2021	Additions/ (Reclassifications)	Balance at June 30, 2022	Additions/ (Reclassifications)	Balance at June 30, 2023
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 14,463,114	\$ -	\$ 14,463,114	\$ -	\$ 14,463,114
<b>Total Capital Assets Not Being Depreciated</b>	<b>14,463,114</b>		<b>14,463,114</b>		<b>14,463,114</b>
<b>Capital Assets Being Depreciated:</b>					
Building	74,038,136		74,038,136		74,038,136
Building improvements	29,821,424		29,821,424		29,821,424
Furniture, fixtures and equipment	3,155,750		3,155,750		3,155,750
	107,015,310		107,015,310		107,015,310
Less accumulated depreciation	(57,534,069)	(2,806,831)	(60,340,900)	(2,561,383)	(62,902,283)
<b>Total Capital Assets Being Depreciated</b>	<b>49,481,241</b>	<b>(2,806,831)</b>	<b>46,674,410</b>	<b>(2,561,383)</b>	<b>44,113,027</b>
<b>Net Capital Assets</b>	<b>\$ 63,944,355</b>	<b>\$ (2,806,831)</b>	<b>\$ 61,137,524</b>	<b>\$ (2,561,383)</b>	<b>\$ 58,576,141</b>

**Note 3 - Bonds Payable**

In 2014, the Authority issued \$44.4 million in special obligation refunding bonds (the 2014 Bonds) to advance refund outstanding 2005 special obligation bonds (the 2005 Bonds). The net proceeds of the 2014 Bonds were used to purchase U.S. government securities that were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2005 Bonds. As a result, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Authority. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the 2014 Bonds of \$1 million. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2031 using the effective-interest method.

The 2014 Bonds carry interest at 5% with interest paid twice a year. The 2014 Bonds mature at various dates through 2031. As part of the bond agreement, the Authority has agreed to certain covenants requiring minimum debt service coverage ratios for the Authority and a minimum net asset balance for the Museum. At June 30, 2023 and 2022, the Authority was in compliance with the debt service coverage requirement. Security for the 2014 Bonds includes a pledge of the Authority's right to receive rental payments from leasing the Authority's property, a guarantee agreement by the City, and a pledge of certain funds.

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

**Note 3 - Continued**

The following is a summary of changes in bonds payable:

	<u>Balance at June 30, 2021</u>	<u>Redemptions</u>	<u>Balance at June 30, 2022</u>	<u>Redemptions</u>	<u>Balance at June 30, 2023</u>
2014 Bonds	\$ 30,425,000	\$ (2,420,000)	\$ 28,005,000	\$ (2,540,000)	\$ 25,465,000

Maturities of bonds are as follows:

For the Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,665,000	\$ 1,273,250
2025	2,800,000	1,140,000
2026	2,940,000	1,000,000
2027	3,090,000	853,000
2028	3,240,000	698,500
2029 - 2031	10,730,000	1,090,250
	<u><b>\$ 25,465,000</b></u>	<u><b>\$ 6,055,000</b></u>

**Note 4 - Lease Agreements With the Museum**

The Museum is leasing condominium units owned by the Authority in the new addition adjacent to the Museum's downtown Seattle facility. The lease expires in December 2103. Lease payments are due for the first 25 years of the lease agreement until 2031, and based rental payments are set equal to the principal and interest payments required for the bonds as disclosed in Note 3. Lease payments received for base rentals for the years ended June 30, 2023 and 2022 were \$3,939,750 and \$3,941,000, respectively. In addition to the minimum lease payments, the Museum is also obligated to bear the operating expenses of the Authority and comply with certain public benefit provisions. Lease payments received for variable rents for the years ended June 30, 2023 and 2022 were \$42,299 and \$165,691, respectively.

Future minimum payments under the lease term approximate the following:

For the Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2024	\$ 2,756,330	\$ 1,182,358
2025	2,898,696	1,041,304
2026	3,044,384	896,366
2027	3,197,788	744,087
2028	3,353,429	585,821
2029 - 2031	10,118,548	716,327
	<u><b>\$ 25,369,175</b></u>	<u><b>\$ 5,166,263</b></u>

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

**Notes to Financial Statements  
For the Years Ended June 30, 2023 and 2022**

---

**Note 4 - Continued**

The Museum is leasing land from the Authority for use of the Olympic Sculpture Park. Total lease payments of \$700,000 for this land were recorded as deferred inflows on the statements of net position and amortized over the life of the lease. The initial lease period expires in January 2152. The advanced lease payments are being amortized on a straight-line basis over the 150-year life of the lease. For the years ended June 30, 2023 and 2022, amortization of the unearned ground lease revenue was \$4,667.

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**APPENDIX F**

**GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION**

The Museum is located in Seattle, Washington (the “City”). Seattle is the center of King County’s (the “County”) economic activity. King County, together with the City of Bellevue, Washington and the City of Everett, Washington, constitute the Seattle Metropolitan Division (the “Seattle MD”) as defined by the State Employment Security Department.

**Population**

The following shows population growth in the State, the County, and the City:

<u>Year</u>	<u>Washington</u>	<u>King County</u>	<u>City of Seattle</u>
2024	8,035,700	2,378,100	797,700
2023	7,951,150	2,347,800	779,200
2022	7,864,400	2,317,700	762,500
2021	7,766,975	2,287,050	742,400
2020	7,707,047	2,269,675	737,015

*Source: Washington State Office of Financial Management (as of April 1).*

**Per Capita Income**

The following table presents per capita personal income (presented in current dollars).

	<u>2022<sup>(1)</sup></u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Seattle Metro Division	\$ 101,703	\$ 99,417	\$ 89,596	\$ 84,170	\$ 78,993
King County	113,819	111,117	99,372	93,620	87,809
State of Washington	75,332	74,188	67,674	63,405	59,827

<sup>(1)</sup> Most recent data available.

*Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis (figures as of November 16, 2023).*

**Personal Income**

The following table presents personal income (presented in thousands).

	<u>2022<sup>(1)</sup></u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Seattle Metro Division	\$ 315,978,123	\$ 307,106,337	\$ 278,101,220	\$ 258,439,229	\$ 240,231,960
King County	258,004,537	250,351,806	225,981,347	210,525,524	195,612,556
State of Washington	586,520,188	574,266,835	522,713,789	484,334,162	451,609,165

<sup>(1)</sup> Most recent data available.

*Source: U.S. Department of Commerce, U.S. Bureau of Economic Analysis (figures as of November 16, 2023).*

## Median Household Income

The following table presents median household income for the County and the State.

<u>Year</u>	<u>King County</u>	<u>Washington State</u>
2023 <sup>(1)</sup>	\$ 119,926	\$ 94,308
2022 <sup>(2)</sup>	116,044	91,255
2021	110,351	84,155
2020	102,620	80,319
2019	102,338	78,674

<sup>(1)</sup> Projection. Most recent data available.

<sup>(2)</sup> Preliminary estimate.

Source: Washington State Office of Financial Management

## Construction

The table below lists the value of housing construction for which building permits have been issued by entities within the County. The value of public construction is not included in this table.

### HISTORICAL RESIDENTIAL BUILDING PERMITS AND VALUATIONS

<u>Year</u>	<u>New Single-Family Units</u>		<u>New Multi-Family Units</u>		<u>Total Valuation</u>
	<u>Total Units</u>	<u>Total Valuation</u>	<u>Total Units</u>	<u>Total Valuation</u>	
2024 <sup>(1)</sup>	946	\$ 480,911,310	3,754	\$ 769,596,213	\$ 1,250,507,523
2023	2,257	1,131,363,791	8,343	1,372,421,559	2,503,785,350
2022	2,801	1,205,252,419	16,029	2,571,765,404	3,777,017,823
2021	3,251	1,257,561,067	16,298	2,657,702,046	3,915,263,113
2020	3,688	1,448,194,320	8,649	1,059,067,656	2,507,261,976

<sup>(1)</sup> Most recent data available; through May 2024.

Source: U.S. Bureau of the Census.

## Retail Activity

The following table presents taxable retail sales for the City and the County.

### TAXABLE RETAIL SALES (000)

<u>Year</u>	<u>City of Seattle</u>	<u>King County<sup>(1)</sup></u>
2023	\$ 34,696,583,976	\$ 88,080,125,666
2022	33,660,750,206	86,667,372,188
2021	30,047,705,303	78,440,949,141
2020	25,904,879,115	66,955,895,952
2019	29,953,200,188	72,785,180,223

<sup>(1)</sup> Includes incorporated and unincorporated King County.

Source: U.S. Bureau of the Census.



## Industry and Employment

The following table presents information regarding largest employers in the State.

<b>Employer</b>	<b>Employees (Statewide)</b>
Amazon.com Inc.	87,000
The Boeing Co.	66,800
Microsoft Corp.	55,100
Joint Base Lewis-McChord	54,000
University of Washington Seattle Providence	53,300
Navy Region Northwest	46,000
Walmart Inc.	37,000
Costco Wholesale Corp.	22,700
Kroger Co.	21,500
MultiCare Health System	21,000
Albertsons Cos. dba Safeway, Haggen, Albertsons	20,700
Virginia Mason Franciscan Health	20,000
Alaska Air Group Inc.	18,000
Seattle Children's	11,400
Starbucks Coffee Co.	10,200
Meta Platforms	10,000
Kaiser Permanente	8,000
Washington State University	7,500
Google Inc.	7,300
T-Mobile US Inc.	7,000
Nordstrom Inc.	6,600
Seattle Public Schools	6,500
Fred Hutchinson Cancer Center	6,300
Pacific Northwest National Laboratory	6,200
	6,100

*Source: Puget Sound Business Journal, Book of Lists, June 14, 2024 publication (figures are rounded).*

The following table provides information regarding the civilian labor force and nonagricultural employment in the Seattle MD.

**SEATTLE MD  
(KING AND SNOHOMISH COUNTIES)  
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT AND NONAGRICULTURAL WAGE AND  
SALARY EMPLOYMENT<sup>(1)</sup>**

	<u>2024<sup>(2)</sup></u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Civilian Labor Force	1,792,591	1,807,392	1,768,477	1,708,719	1,707,560
Employment	1,718,165	1,745,659	1,713,793	1,633,490	1,569,962
Unemployment	74,426	61,733	54,684	75,229	137,598
Percent of labor force	4.2%	3.4%	3.1%	4.4%	8.1%
Total Nonfarm	1,779,460	1,784,700	1,764,667	1,688,892	1,661,467
Total Private	1,562,020	1,573,083	1,559,600	1,481,358	1,451,800
Goods Producing	255,340	253,492	249,383	243,825	252,692
Mining and Logging	700	700	708	733	775
Construction	104,880	105,308	105,442	104,017	99,825
Manufacturing	149,760	147,483	143,233	139,075	152,092
Service Providing	1,524,120	1,531,208	1,515,283	1,445,067	1,408,775
Trade, Transportation, and Utilities	276,360	285,258	283,883	281,892	271,700
Information	135,920	139,933	144,800	137,542	131,550
Financial Activities	87,620	88,192	89,383	87,225	86,158
Professional and Business Services	345,960	348,942	355,000	325,583	314,883
Education and Health Services	235,600	232,708	226,742	221,125	215,042
Leisure and Hospitality	166,480	164,992	152,217	128,783	122,692
Other Services	58,740	59,567	58,192	55,383	57,083
Government	217,440	211,617	205,067	207,533	209,667
Workers in Labor/Management Disputes	0	0	0	0	0

<sup>(1)</sup> Columns may not add to total due to rounding.

<sup>(2)</sup> Preliminary average through May 2024.

Source: *Washington State Department of Employment Security.*

**APPENDIX G**  
**FORM OF THE INDENTURE**

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INDENTURE OF TRUST

between

MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

and

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

Dated as of April 1, 2014

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MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE

\$44,375,000

SPECIAL OBLIGATION REFUNDING BONDS, 2014

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Exhibit A – Form of Bond

Exhibit B – Permitted Investments



## INDENTURE OF TRUST

THIS INDENTURE OF TRUST (the “Indenture”), is made and entered into as of April 1, 2014, by and between the MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE (the “MDA”), a public corporation chartered by The City of Seattle (the “City”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association, duly organized, existing and authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the United States of America, with a corporate trust office in Seattle, Washington, being qualified to accept and administer the trusts hereby created, as Trustee (together with any successor trustee and any separate or co-trustee serving as such pursuant to this Indenture, the “Trustee”).

### WITNESSETH:

WHEREAS, the MDA has been duly constituted pursuant to RCW 35.21.730 et seq. and Seattle Municipal Code Ch. 3.110 (Ordinance 103387, as amended) (together, the “Act”); and

WHEREAS, the public purpose of the MDA pursuant to its Charter is to undertake, assist with and otherwise facilitate the development and operation of a public art museum in downtown Seattle; and

WHEREAS, the downtown public art museum (the “Leased Premises”) is leased to the Seattle Art Museum (the “Museum”); and

WHEREAS, the Internal Revenue Code of 1986, as amended (the “Code”), provides that the interest on obligations issued by a state or a political subdivision thereof that are used to provide projects to be leased to corporations qualified under Section 501(c)(3) of the Code, such as the Museum, shall be exempt from federal income taxation if certain conditions specified in the Code are met; and

WHEREAS, the MDA has previously issued its Special Obligation Bonds, 2005 (the “2005 Bonds”) to finance or refinance the acquisition and equipping of the expansion portion of the Leased Premises, fund a debt service reserve account, and pay costs of issuance; and

WHEREAS, the lease agreement with respect to the Leased Premises requires the Museum to make rent payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on the 2005 Bonds when due or upon the prior redemption thereof, and sufficient to maintain a debt service reserve account providing additional security for the 2005 Bonds; and

WHEREAS, the City entered into an Amended and Restated Guarantee and Reimbursement Agreement, dated as of October 1, 2007, among the City, the MDA, the Trustee, the Museum, and U.S. Bank National Association, as Lockbox Agent (the “Prior Guarantee Agreement”), and, pursuant to the Prior Guarantee Agreement, the City is obligated to replenish such debt service reserve account when and to the extent necessary in order to guarantee the timely payment of the principal of and interest on the 2005 Bonds when due; and

WHEREAS, the 2005 Bonds are currently outstanding in the following principal amounts:

Due (April 1)	Principal Amount	Interest Rate	CUSIP Number
2015	\$1,915,000	5.00%	812670CF2
2016	2,015,000	5.00	812670CG0
2017	2,115,000	5.00	812670CH8
2018	2,220,000	5.00	812670CJ4
2019	2,330,000	5.00	812670CK1
2020	2,445,000	5.00	812670CL9
2021	2,570,000	5.00	812670CM7
2022	2,700,000	5.00	812670CN5
2023	2,835,000	5.00	812670CP0
2024	2,975,000	5.00	812670CQ8
2025	3,125,000	5.00	812670CR6
2031*	22,380,000	5.125	812670CS4

\*Term Bond.

WHEREAS, the 2005 Bonds may be defeased prior to maturity and the 2005 Bonds maturing on or after April 1, 2016 may be redeemed on any date on or after April 1, 2015, at the price of 100% of the principal amount to be redeemed plus accrued interest to the date fixed for redemption; and

WHEREAS, the MDA has determined to issue its Special Obligation Refunding Bonds, 2014 (the “2014 Bonds”), to defease and refund all of the 2005 Bonds; and

WHEREAS, pursuant to the Lease for the Downtown Seattle Art Museum Property and Expansion Project, dated as of October 6, 2005, as amended by the Amendment to Lease, dated as of April 29, 2014 (collectively, the “Lease”), the Museum will agree to make rent payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on the 2014 Bonds when due or upon the prior redemption thereof, and sufficient to maintain a debt service reserve account providing additional security for the Bonds (as defined below); and

WHEREAS, the City will enter into a Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of April 29, 2014, among the City, the MDA, the Trustee, the Museum, and U.S. Bank National Association, as Lockbox Agent (the “Guarantee Agreement”) and, pursuant to the Guarantee Agreement, the City will be obligated to replenish such debt service reserve account when and to the extent necessary in order to guarantee the timely payment of the principal of and interest on the Bonds when due; and

WHEREAS, to provide for the authentication and delivery of the 2014 Bonds and any Additional Bonds (together with the 2014 Bonds, the “Bonds”), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the

payment of the principal thereof and interest thereon, the MDA has authorized the execution and delivery of this Indenture; and

WHEREAS, the Bonds, and the Trustee's certificate of authentication and form of assignment to appear thereon, shall be in substantially the forms, respectively, as set forth in Exhibit A, with necessary or appropriate revisions as permitted or required by this Indenture; and

WHEREAS, the MDA has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the MDA, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the MDA, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the MDA, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Bonds by the purchasers thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and in order to secure the payment of the principal of, premium, if any, and interest on all Bonds outstanding hereunder from time to time, according to their tenor and effect, and to secure the observance and performance by the MDA of all the covenants expressed or implied herein and in the Bonds, does hereby pledge and assign unto the Trustee, and unto its successors and assigns forever and does hereby grant to it and them all of its right, title and interest in and lien on:

#### GRANTING CLAUSE FIRST

All right, title and interest of the MDA in, to and under the Lease, except the MDA's rights retained under the Lease (including, but not limited to, expense reimbursement, indemnifications, and access, reports and notice), including but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the Revenues (as hereinafter defined), whether payable under the Lease, or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the MDA or any other person on behalf of the MDA is or may become entitled to do under the Lease;

#### GRANTING CLAUSE SECOND

All right, title and interest of the MDA in, to and under the Guarantee Agreement, except the MDA's rights retained under the Guarantee Agreement (including, but not limited to, reports and notices), including but without limiting the generality of the foregoing, the present and continuing right to receive, receipt for, collect or make claim for any of the Revenues (as hereinafter defined), whether payable under the Guarantee Agreement, or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the MDA or any other person on behalf of the MDA is or may become entitled to do under the Guarantee Agreement;

### GRANTING CLAUSE THIRD

All Revenues that may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted or delivered to the Trustee, or held by the Trustee in any Fund or Account (as each hereinafter defined) established pursuant to the terms of this Indenture, together with investment earnings thereon, but excluding (a) money held by the Trustee in the Rebate Fund and (b) money collected pursuant to fees, expense reimbursement or indemnification of the MDA and the Trustee; and

### GRANTING CLAUSE FOURTH

Any and all other property of any name and nature from time to time hereafter by delivery or by writing of any kind pledged or assigned as and for additional security hereunder, by the MDA or by anyone on its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in said trusts and assigns forever;

IN TRUST, upon the terms and trusts herein set forth, for the protection and benefit of the Bondowners ratably, without preference, priority or distinction of any such Bondowner over any other such Bondowner by reason of priority in issuance or acquisition or otherwise, as if all the Bonds at any time Outstanding had been sold, executed, authenticated, delivered and negotiated simultaneously with the execution and delivery hereof.

PROVIDED, HOWEVER, that if the MDA, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the interest and premium, if any, due or to become due thereon, at the times and in the manner mentioned in the Bonds, according to the true intent and meaning thereof, and shall cause the payments to be made into the Debt Service Fund as required hereunder or shall provide, as permitted by ARTICLE XII hereof, for the payment thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Indenture and the rights hereby granted shall cease, determine and be void, otherwise this Indenture is to be and remain in full force and effect.

The Trustee hereby acknowledges, approves, accepts and agrees to the terms, conditions, appointments and agencies of the Lease and Guarantee Agreement as they relate to it and its participation in the transactions contemplated thereby, subject in all cases to the terms of this Indenture.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and

delivered and the Revenues hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the MDA has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Registered Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; INTERPRETATION; INDENTURE TO CONSTITUTE CONTRACT

#### Section 101. Definitions.

(a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) This “Indenture” means this instrument as originally executed and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

(2) All references in this Indenture to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this Indenture. The words “herein,” “hereof,” “hereto,” “hereby” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(3) The terms defined in this article have the meanings assigned to them in this article and include the plural as well as the singular.

(4) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in effect from time to time.

(5) Every “request,” “order,” “demand,” “application,” “appointment,” “notice,” “statement,” “certificate,” “consent,” or similar action hereunder by the MDA shall, unless the form thereof is specifically provided, be in writing signed by a duly authorized officer or agent of the MDA.

(6) A reference to any gender shall be deemed to include another gender, if appropriate.

(b) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

“Account” means any one or more of the separate special trust accounts created by Article III hereof, and shall include any subaccount or subaccounts included in such account.

“Act” means RCW 35.21.730 et seq. and Seattle Municipal Code Ch. 3.110 (Ordinance 103387, as amended), as amended from time to time.

“Additional Bonds” means additional Bonds issued by the MDA pursuant to Section 211 hereof.

“Authorized Denomination” means \$5,000 and any integral multiple thereof within a single maturity.

“Bankruptcy” means notice to the Trustee of the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the MDA or the Museum, as applicable, under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

“Bankruptcy Recovery” has the meaning set forth in the Guarantee Agreement.

“Bond” or “Bonds” means the 2014 Bonds and any Additional Bonds.

“Bond Closing” means the date upon which there is an exchange of the 2014 Bonds for the proceeds representing the purchase of the 2014 Bonds by the Underwriter.

“Bond Counsel” means an attorney at law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, who is or are selected by the MDA and is or are duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Bond Register” means the registration books required to be maintained pursuant to Section 203 hereof.

“Bond Registrar” means the party so appointed pursuant to Section 203 hereof.

“Bondowner” or “Owner” or “Registered Owner” means the person or persons in whose name or names a Bond shall be registered on books of the Bond Registrar kept for that purpose in accordance with the terms of this Indenture.

“Business Day” means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in Seattle or the cities in which is located the Principal Office of the Trustee, the Lockbox Agent, the Bond Registrar, or any paying agent are authorized or required by law or executive order to close, or (c) a day on which the offices of the City are closed.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or Internal Revenue Service, to the extent applicable to the Bonds. All references herein to sections, paragraphs or other subdivisions of the Code or the regulations promulgated thereunder shall be

deemed to be references to correlative provisions of any predecessor or successor code or regulations promulgated thereunder.

“City” means The City of Seattle, Washington, a first class city of the State of Washington.

“Cost of Issuance Fund” means such Fund created by Section 302 hereof.

“Counsel” means an attorney at law or a firm of attorneys (who may be an employee of or counsel to the MDA or the Museum or the Trustee) duly admitted to the practice of law before the highest court of any state of the United States of America or of the District of Columbia.

“Debt Service Fund” means such Fund created by Section 302 hereof.

“DTC” means The Depository Trust Company, New York, New York, including any, successor or assign.

“Default” or “Event of Default” means an occurrence or event specified in and defined by Section 801 hereof.

“Due for Payment” has the meaning set forth in the Guarantee Agreement.

“Escrow Agent” for the application of the proceeds of the 2014 Bonds means U.S. Bank National Association.

“Escrow Deposit Agreement” means the Escrow Deposit Agreement dated as of April 29, 2014 between the MDA and the Escrow Agent providing for the deposit of a portion of the proceeds of the 2014 Bonds to defease and refund all of the 2005 Bonds.

“Existing Museum Facility” has the meaning set forth in the Guarantee Agreement.

“Fund” means any one or more of the separate special trust funds created by Article III hereof.

“Government Obligations” means “government obligations” as defined under RCW 39.53.010(4), as the same shall be amended from time to time. As currently defined, government obligations means (a) direct obligations of or obligations the principal and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (b) 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; (c) public housing bonds and project notes fully secured by contracts with the United States; and (d) obligations of financial institutions insured by the Federal Deposit Insurance Corporation to the extent insured or guaranteed as permitted under any other provision of State law.

“Guarantee Agreement” means the Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of April 29, 2014, among the MDA, the City, the Trustee, the Lockbox Agent, and the Museum as it may be supplemented or amended in accordance with Section 1101 of this Indenture.

“Indenture Act” means the Trust Indenture Act of 1939 (Act of August 3, 1939, 53 Stat. 1149, 15 U.S.C., Secs. 77aaa-77bbbb, as amended).

“Interest Account” means the Account so designated in the Debt Service Fund established by Section 302 hereof.

“Interest Payment Date” means April 1 and October 1 of each year, commencing in the case of the 2014 Bonds on October 1, 2014.

“Investment Agreement” means the forward delivery agreement and/or repurchase agreement, if any, entered into between the Trustee and the provider selected by the MDA for the investment of the Reserve Account, which Investment Agreement shall meet the requirements for a legal investment for public funds in the State, set forth by publication of the state treasurer of the State of Washington, either on the State’s web page or in other written format, and the Trustee is permitted to rely, with acquittance, upon such publications (it being understood and agreed that the Trustee has no obligation or duty to determine whether such investment is a legal investment for public funds in the State).

“Issuance Costs” means all costs and expenses of issuance of the 2014 Bonds, including, but not limited to:

- (a) Underwriter’s discount or fee;
- (b) counsel fees and expenses, including bond counsel, Underwriter’s counsel, MDA’s counsel, Museum’s counsel and counsel to the City, as well as any other specialized counsel fees incurred in connection with the issuance of the 2014 Bonds;
- (c) financial advisor fees and expenses incurred in connection with the issuance of the 2014 Bonds;
- (d) initial fees and expenses of the Trustee and Lockbox Agent, including Trustee and Lockbox Agent counsel fees and expenses, in connection with the issuance of the 2014 Bonds;
- (e) costs of printing and posting the Preliminary Official Statement and the Official Statement for the 2014 Bonds;
- (f) publication or copying costs associated with the financing proceedings relating to the 2014 Bonds;
- (g) costs of escrow verification and escrow fees in connection with the defeasance and refunding of all or a portion of the 2005 Bonds; and



(h) fees of each Rating Agency relating to the 2014 Bonds.

“Lease” means the Lease for the Downtown Seattle Art Museum Property and Expansion Project, dated as of October 6, 2005, as amended by the Amendment to Lease, dated as of April 29, 2014, between the MDA and the Museum, as it may be further supplemented or amended from time to time in accordance with Section 1101 of this Indenture.

“Letter of Representations” means the Blanket Issuer Letter of Representations, signed by the MDA and accepted by DTC with respect to the immobilization of MDA bonds, including the Bonds.

“Lockbox Account” means the account of that name created in the custody of the Lockbox Agent pursuant to Section 4.1(b) of the Guarantee Agreement and held pursuant to the Guarantee Agreement and the Lockbox Addendum thereto.

“Lockbox Addendum” means the Lockbox Account and Control Addendum attached to the Guarantee Agreement as Exhibit J.

“Lockbox Agent” means U.S. Bank National Association, Seattle, Washington, or any successor thereto.

“MDA” means the Museum Development Authority of Seattle, a public corporation chartered by the City pursuant to the Act, the issuer of the Bonds hereunder, and its successors and assigns.

“MDA Unit” has the meaning set forth in the Guarantee Agreement.

“Moody’s” means Moody’s Investor Service.

“Museum” means the Seattle Art Museum, a Washington nonprofit corporation and an organization described under Section 501(c)(3) of the Code, and its permitted successors and assigns.

“Outstanding,” “Bonds Outstanding” or “Bonds outstanding,” in connection with the Bonds means, as of the time in question, all Bonds authenticated and delivered under this Indenture, except:

- (a) Bonds theretofore cancelled or required to be cancelled under Section 209 hereof;
- (b) Bonds which are deemed to have been paid in accordance with Article XII hereof; and;
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

In determining whether the Registered Owners of a requisite aggregate principal amount of Outstanding Bonds have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Indenture, Bonds which are owned on the Bond

Register by the Museum, the MDA, the City, or any other obligor on the Bonds, or any affiliate of any one of said entities (for the purpose of this definition an “affiliate” of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person provided the Trustee shall have received written notice that such Person is an affiliate) shall be disregarded and deemed not to be outstanding hereunder for the purpose of any such determination. For purposes of this definition, “control” when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee shall establish to the satisfaction of the Trustee the pledgee’s right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Museum, the MDA, the City, or any other obligor on the Bonds, or any affiliate of the foregoing. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of Counsel shall be full protection to the Trustee.

“Person” means an individual, a corporation, a partnership, an association, a joint stock insurance company, a joint venture, a trust, an unincorporated organization, a limited liability company, or a government or any agency or political subdivision thereof.

“Permitted Investments” means the Investment Agreement and any investment that is a legal investment for public funds in the State, and which is identified as such by publication of the state treasurer of the State of Washington, either on the State’s web page or in other written format, and the Trustee is permitted to rely, with acquittance, upon such publications (it being understood and agreed that the Trustee has no obligation or duty to determine whether such investment is a legal investment for public funds in the State). Based on these sources, the Permitted Investments as of this date are identified in Exhibit B.

“Principal Account” means the Account so designated in the Debt Service Fund established by Section 302 hereof.

“Principal Office” means when used with respect to the Trustee or the Bond Registrar, the corporate trust office of the Trustee, which at the date of this Indenture is located in Seattle, Washington, at the address shown in Section 1304 hereof; provided, that with respect to payments on the Bonds and any exchange, transfer, or surrender of the Bonds, means c/o U.S. Bank National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107, or such other location designated in writing by the Trustee, and when used with respect to the Lockbox Agent, the office of the Lockbox Agent in Seattle, Washington, at the address shown in Section 1304 hereof.

“Purchase Contract” or “Bond Purchase Agreement” means the Bond Purchase Contract with respect to the 2014 Bonds, between the MDA and Citigroup Global Markets Inc., as Underwriter, together with letters of representation from the Museum and the City.

“Rating Agency” means S&P and Moody’s or their successors and assigns or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a

securities rating agency, any other nationally recognized rating agency or agencies designated by the MDA, which maintains a rating on any of the Bonds.

“Rating Agency Surveillance Fee” means the annual fee, if any, of any Rating Agency to maintain a rating on any of the Bonds.

“Rebate Amount” means the amount, if any, determined to be payable with respect to the Bonds by the MDA to the United States of America pursuant to Section 148 of the Code.

“Rebate Fund” means the Fund of that name which may be established by the Trustee pursuant to Section 302 hereof.

“Record Date” means, except for payment of defaulted interest, the close of business on the fifteenth calendar day of the month preceding a scheduled Interest Payment Date. With respect to any payment of defaulted interest, a Special Record Date shall be established by the Trustee in accordance with the provisions of Section 202 hereof.

“Regulations” means the proposed, temporary or permanent regulations promulgated under the Code.

“Reserve Account” means such Account created by Section 302 hereof.

“Reserve Account Deficiency Notice” means written notice provided by the Trustee under Section 307 hereof and the Guarantee Agreement, indicating the Reserve Deficiency, substantially in the form attached as Exhibit E to the Guarantee Agreement.

“Reserve Account Reconciliation Date” means each March 1 and September 1, or in each case the preceding Business Day if such March 1 or September 1 is not a Business Day, on which the Trustee determines whether a Reserve Deficiency exists, pursuant to Section 307 hereof and the Guarantee Agreement.

“Reserve Assets” means as of any calculation date, the money and investments on deposit in the Reserve Account.

“Reserve Deficiency” means the amount necessary, if any, to replenish the Reserve Account to the Reserve Requirement, calculated by subtracting: (1) the Reserve Assets, together with all other amounts available to the Trustee for deposit into the Reserve Account as of the date of calculation, from (2) the Reserve Requirement.

“Reserve Deposits” means any payment required to be made by the Museum to the Trustee for deposit into the Reserve Account, from time to time, as Facilities Rent (as defined in the Lease) pursuant to the Lease.

“Reserve Requirement” means an amount equal to the least of the following: (a) 10% of the original proceeds of the Bonds; (b) the Maximum Annual Debt Service on the Bonds; and (c) 1.25 times the Average Annual Debt Service on the Bonds. Upon the optional redemption, open market purchase or defeasance of a portion of the outstanding principal amount of the Bonds, the Reserve Requirement shall be reduced accordingly.

“Resolution” means the resolution of the MDA duly adopted and approved by the MDA on February 20, 2014, authorizing the issuance and sale of the 2014 Bonds and the execution of this Indenture.

“Revenues” means: (a) moneys held in the Funds and Accounts (excluding the Rebate Fund), together with investment earnings thereon received by the Trustee which the Trustee is authorized to receive, hold and apply pursuant to the terms of this Indenture; and (b) all income, revenues, proceeds, obligations, securities and other amounts received or receivable by the Trustee and derived from or in connection with the Lease or the Guarantee Agreement, but excluding amounts payable as the Rating Agency Surveillance Fee, the Trustee Fee, the Rebate Amount or the fee for the calculation of the Rebate Amount and the indemnification or reimbursement of the Trustee.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

“Seasoned Funds” means any funds (other than proceeds of the Bonds or money previously deposited in the Reserve Account or the reserve account for the 2005 Bonds) received by the Trustee from the MDA or the Museum that, in the written opinion (delivered to the City and to the Trustee) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an “avoidable transfer” under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the MDA or the Museum.

“Seasoned Funds Account” means the Account so designated in the Debt Service Fund which may be established by the Trustee pursuant to Section 302 hereof.

“Special Record Date” means, with respect to the payment of any defaulted interest on the Bonds, a date fixed by the Trustee pursuant to Section 202 hereof.

“State” means the State of Washington.

“Supplemental Indenture” means any agreement hereafter authorized and entered into between the MDA and the Trustee pursuant to Article X hereof that amends, modifies or supplements and forms a part of this Indenture, including without limitation any Supplemental Indenture setting forth the terms of Additional Bonds.

“Tax Agreement” means the Federal Tax Certificate dated as of the Bond Closing for the 2014 Bonds executed by the MDA and the Museum setting forth the methodology for computation of Rebate Amount and requirements for compliance with the Code.

“Trust Estate” means the property, interests and rights conveyed to the Trustee pursuant to the Granting Clauses hereof.

“Trustee” means U.S. Bank National Association, or any successor trustee or co-trustee appointed in accordance with the terms of this Indenture.

“Trustee Fee” means (a) an annual payment of \$3,000, payable on a semiannual basis on each January 1 and July 1 in advance (except that the first payment accrued through the next semiannual payment date shall be made on Bond Closing), plus (b) bond printing costs and fees and expenses (including attorneys’ fees) incurred for extraordinary services performed by the Trustee under this Indenture, and the Guarantee Agreement.

“Underwriter” means Citigroup Global Markets Inc., as underwriter for the 2014 Bonds.

“Valuation Date” means each January 1 and July 1.

Such terms as are not defined herein shall have the meanings assigned to them in the Guarantee Agreement.

## ARTICLE II

### THE BONDS

Section 201. Authorized Amount of Bonds. No Bonds may be issued under the provisions of this Indenture, except in accordance with this article and except for Additional Bonds issued pursuant to a Supplemental Indenture in accordance with Article X and Section 211. Except for Bonds issued on transfer or exchange as provided in Sections 203 or 208, or Bonds issued in replacement of lost, stolen, mutilated or destroyed Bonds pursuant to Section 207, or Bonds issued for refunding purposes as provided in Section 211, the total principal amount of Bonds that may be issued is hereby expressly limited to \$44,375,000.

#### Section 202. Issuance of the Bonds.

(a) Description of the Bonds. The MDA may issue the Bonds following the execution of this Indenture, and the Bond Registrar shall, at the MDA’s request, authenticate such Bonds and deliver them as specified in such request. No Bonds may be issued under this Indenture in addition to those authorized by Sections 201 and 211, except Bonds issued on transfer or exchange as provided in Sections 203 or 208, or Bonds issued in replacement of lost, stolen, mutilated or destroyed Bonds pursuant to Section 207. The 2014 Bonds shall be designated “Museum Development Authority of Seattle Special Obligation Refunding Bonds, 2014” and shall be issued initially in Authorized Denominations of \$5,000 and any integral multiples of \$5,000 within a single maturity in the aggregate principal amount of \$44,375,000. Unless the MDA shall otherwise direct, the Bonds shall be numbered as determined by the Bond Registrar.

The 2014 Bonds shall be dated their date of delivery to the Underwriter. Interest on the Bonds shall be payable on each Interest Payment Date (commencing October 1, 2014 in the case of the 2014 Bonds), and shall be calculated on the basis of a 360 day year of twelve 30-day months. Each Bond shall bear interest from the later of its dated date or the most recent Interest Payment Date to which interest has been paid or made available for payment pursuant to this Indenture. The Bond Registrar shall insert the date of registration and authentication of each Bond in the place provided for such purpose in the form of the Bond Registrar’s certificate of

authentication to be printed on each Bond. Each Bond shall bear interest on overdue principal at the rate then in effect on such Bond.

Subject to prior redemption as provided in Article VI hereof, the 2014 Bonds shall mature on the dates and in the amounts and bear interest at the rates per annum set forth below:

Maturity (April 1)	Principal Amount	Interest Rate
2015	\$ 1,675,000	0.50%
2016	1,805,000	5.00
2017	1,895,000	5.00
2018	1,990,000	5.00
2019	2,090,000	5.00
2020	2,190,000	5.00
2021	2,305,000	5.00
2022	2,420,000	5.00
2023	2,540,000	5.00
2024	2,665,000	5.00
2025	2,800,000	5.00
2026	2,940,000	5.00
2027	3,090,000	5.00
2028	3,240,000	5.00
2029	3,405,000	5.00
2030	3,575,000	5.00
2031	3,750,000	5.00

The form of the Bonds, including the Bond Registrar's certificate of authentication to be endorsed thereon, and the form of assignment to be endorsed on such Bonds are to be in substantially the form set forth in Exhibit A, and hereby made a part hereof, with necessary and appropriate variations, omissions and insertions as permitted or required by this Indenture or by a Supplemental Indenture.

The Bonds may be in printed, engraved, or typewritten form.

(b) Payment of Bonds. The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. The principal and premium, if any, of each Bond will be payable upon the presentation and surrender of such Bond, when due, at the Principal Office of the Bond Registrar. Payment of interest on each Bond shall be made to the Registered Owner thereof as specified on the records of the Bond Registrar on the Record Date with respect to such Interest Payment Date irrespective of the cancellation of such Bond upon any transfer or exchange thereof subsequent to such Record Date and prior to such Interest Payment Date, unless the MDA shall default in the payment of interest due on such Interest Payment Date. Each interest payment on each Bond shall be paid (a) by

check or draft mailed by first-class mail to such Registered Owner on the Interest Payment Date at his address as it appears on the Bond Register on the Record Date or, at the option of any Registered Owner of an aggregate principal amount of at least \$1,000,000, (b) by wire transfer to an account within the United States designated in writing by such Registered Owner prior to the Record Date with an acknowledgment that the then applicable wire fee of the Trustee will be deducted from the wire, or (c) by Automatic Clearinghouse Transfers at no cost to the Owner in next day funds if such Owner shall have requested in writing a payment by such method and shall have provided the Bond Registrar with an account number in a bank within the United States and other necessary information for such purposes prior to the Record Date. In the event of any default in the payment of interest, such defaulted interest shall be payable to the Registered Owner of such Bond on a Special Record Date for the payment of such defaulted interest established by notice mailed by or on behalf of the MDA to Registered Owners.

(c) Book-entry Only. Notwithstanding anything herein to the contrary, the Bonds initially shall be held in fully immobilized form by DTC acting as securities depository pursuant to the terms and conditions set forth in the Blanket Issuer Letter of Representations. None of the MDA, the Trustee or the Bond Registrar shall have any responsibility or obligation to DTC participants or to the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants, the payment by DTC or DTC participants of any amount in respect of principal or redemption price of or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners hereunder (except such notice as is required to be given by the MDA, the Bond Registrar or the Trustee to DTC), or any consent given or other action taken by DTC as Bondholder.

The Bonds initially shall be issued in denominations equal to the aggregate principal amount of the Bonds of each maturity and initially shall be registered in the name of CEDE & Co. as the nominee of DTC. The Bonds so registered shall be held in fully immobilized form by DTC as securities depository. For so long as any Bonds are held in fully immobilized form, DTC, its successor or any substitute depository appointed by the MDA, as applicable, shall be deemed to be the registered owner for all purposes hereunder and all references to Registered Owners, Bondowners, Owners or the like shall mean DTC or its nominees and shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

1. to any successor of DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the services proposed to be provided by it;
2. to any substitute depository appointed by the MDA pursuant to this subsection or such substitute depository's successor; or
3. to any Person as herein provided if the Bonds are no longer held in immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as securities depository, or a determination by the MDA to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the MDA may appoint a substitute depository. Any such substitute

depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

In the case of any transfer pursuant to clause 1 or 2 of the second preceding paragraph, the Trustee, upon receipt of all outstanding Bonds together with a written request on behalf of the MDA, shall issue a single new Bond for each maturity of Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case, may be, all as specified in such written request of the MDA.

In the event that DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained; or in the event the MDA determines that the beneficial owners of the Bonds be able to obtain Bond certificates, the ownership of Bonds may be transferred to any person as herein provided, and the Bonds shall no longer be held in fully immobilized form. The MDA shall deliver a written request to the Bond Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any Authorized Denomination. Upon receipt of all then Outstanding Bonds by the Bond Registrar, together with a written request on behalf of the MDA to the Bond Registrar, new Bonds shall be issued in such denominations and registered in the names of such persons as are requested in such a written request.

For so long as Outstanding Bonds are registered in the name of CEDE & Co., or its registered assigns, as nominee of DTC, payments of principal of, premium, if any, and interest on the Bonds shall be made at the place and in the manner provided in the Letter of Representations and in accordance with DTC operational procedures.

Section 203. Registration, Transfer and Exchange. The MDA shall cause books for the registration and transfer of the Bonds (the "Bond Register") to be kept by the Trustee, which is hereby constituted and appointed the Bond Registrar of the MDA as of the Bond Closing. The transfer of ownership of the Bonds may be registered only in the Bond Register. Upon surrender for transfer of any Bonds at the Principal Office of the Bond Registrar duly endorsed for transfer or accompanied by an assignment duly executed, by the Registered Owner or his/her attorney duly authorized in writing, the MDA shall cause to be executed, and the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees, a new Bond or Bonds in Authorized Denomination(s) in the aggregate principal amount and maturity shown on the books and records of the Bond Registrar.

Bonds may be exchanged at the Principal Office of the Bond Registrar for Bonds of Authorized Denomination(s) and of the same maturity in the aggregate principal amount shown on the books and records of the Bond Registrar. The MDA shall cause to be executed and the Trustee shall authenticate and deliver Bonds which the Registered Owner making the exchange is entitled to receive, bearing numbers not then outstanding. The execution by the manual or facsimile signatures of the Chair or Vice Chair and a councilmember of the MDA of any Bonds of any Authorized Denomination shall constitute full and due authorization of such Bond and the Bond Registrar shall thereby be authorized to authenticate and deliver such Bonds. The Bond Registrar shall not be required to register the transfer or exchange any Bonds after notice calling such Bonds for redemption has been given as herein provided.



As to any Bond, the Bondowner shall be deemed and regarded as the absolute owner thereof for all purposes. Payment of principal of and premium, if any, on any Bonds shall be made only to or upon the order of the Bondowner or his/her attorney or legal representative duly authorized in writing as of the date of such payment. Payment of the interest on any Bonds shall be made only to or on the order of the Bondowner or his/her attorney or legal representative duly authorized in writing as of the Record Date or, if applicable, the Special Record Date established pursuant to Section 202 hereof for such payment, as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bonds to the extent of the sum or sums so paid.

The MDA and the Bond Registrar shall not charge Bondowners for any exchange or transfer of Bonds, except pursuant to Section 207 hereof and except that in each case the Bond Registrar shall require the payment by Bondowners requesting exchange or transfer of any tax or other governmental charge required to be paid with respect thereto. The cost of printing any new Bonds shall be paid to the Trustee in accordance with the Lease.

Section 204. Execution; Special Obligation. The Bonds shall be executed in the name and on behalf of the MDA by the Chair or Vice Chair of the MDA, shall have printed thereon a facsimile of, or impressed thereon, the seal of the MDA and shall be attested by a councilmember of the MDA. Any facsimile signature shall have the same force and effect as if the Chair or Vice Chair or councilmember of the MDA, as the case may be, had manually signed each of said Bonds.

In case any officer of the MDA whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery.

The Bonds shall be special limited obligations of the MDA payable only from the Revenues and Funds and Accounts pledged in the Granting Clauses hereof as provided herein. **The MDA is organized pursuant to the Act, which provides that all liabilities incurred by the MDA shall be satisfied exclusively from the assets and properties of the MDA and no creditor or other person shall have any right of action against the city, town, or county creating the MDA on account of any debts, obligations, or liabilities of the MDA.** The City's obligation under the Guarantee Agreement to make advances into the Reserve Account under certain circumstances described therein is an obligation of the City for the benefit of the MDA and the Bondowners.

Section 205. Authentication. No Bond shall be valid for any purpose until the certificate of authentication on such Bond shall have been duly executed by the Bond Registrar, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the Registered Owner thereof is entitled to the benefits of the trust hereby created. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been executed by the Bond Registrar if (a) signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder, and (b) the date of registration and

authentication of the Bond is inserted in the place provided therefor on the Bond Registrar's certificate of authentication.

Section 206. Form of Bonds. The Bonds issued under this Indenture shall be substantially in the form set forth in Exhibit A attached hereto and incorporated by reference herein, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture.

Section 207. Mutilated, Destroyed, Lost or Stolen Bonds. In the event any Bond or temporary Bond is mutilated, lost, stolen or destroyed, the MDA may cause to be executed and, thereupon, the Bond Registrar shall authenticate a new Bond of like series, date, maturity, interest rate and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Bond Registrar, and in the case of any lost, stolen or destroyed Bond, there shall be furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Bond Registrar, together with indemnity satisfactory to the Trustee. In the event any such Bond shall have matured, instead of issuing a replacement Bond as provided above, the Trustee may pay the same upon receipt by the Bond Registrar and MDA of indemnity satisfactory to them. The MDA and the Bond Registrar may charge the owner of such Bond with their reasonable fees and expenses in this connection. The MDA shall cooperate with the Bond Registrar in connection with the issue of replacement Bonds, but nothing in this Section 207 shall be construed in derogation of any rights which the MDA or the Bond Registrar may have to receive indemnification against liability, or payment or reimbursement of expenses, in connection with the issue of a replacement Bond.

Every substituted Bond issued pursuant to this Section 207 shall constitute an additional contractual obligation of the MDA, whether or not the Bond alleged to have been mutilated, destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

All Bonds shall be held and owned upon the express condition that the foregoing provisions are, to the extent permitted by law, exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and preclude any and all other rights or remedies.

Section 208. Temporary Bonds. Pending preparation of definitive Bonds or by agreement with the purchasers of all Bonds, the MDA may issue and, upon the MDA's request, the Bond Registrar shall authenticate, in lieu of definitive Bonds, one or more temporary printed or typewritten Bonds in any Authorized Denominations and of substantially the tenor recited above. Upon request of the MDA, the Bond Registrar, without any additional charge to the Registered Owners thereof, shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 209. Cancellation and Destruction of Surrendered Bonds. Whenever any Outstanding Bond shall be delivered to the Bond Registrar for cancellation pursuant to this Indenture, for payment of the principal amount represented thereby, or for replacement pursuant

to Sections 203, 207, 208 or Article VI hereof, such Bond shall be promptly cancelled and cremated or otherwise destroyed by the Trustee. The Trustee shall not be obligated to destroy Bonds for one year after cancellation.

Section 210. Delivery of the 2014 Bonds. Upon the execution and delivery of this Indenture, the MDA shall execute and deliver to the Bond Registrar, and the Bond Registrar shall authenticate, the 2014 Bonds and the Trustee shall deliver or cause to be delivered such 2014 Bonds to the Underwriter as directed by the MDA as hereinafter in this Section 210 provided.

Prior to the delivery by the Trustee of any of the 2014 Bonds there shall have been filed with the Trustee:

- (a) A copy, duly certified by the MDA, of the Resolution.
- (b) Original executed counterparts of this Indenture, the Lease and the Guarantee Agreement.
- (c) An opinion of Bond Counsel regarding the defeasance of the 2005 Bonds and an opinion of Bond Counsel that the issuance of the 2014 Bonds and the execution of this Indenture have been duly and validly authorized, that all requirements under this Indenture precedent to the delivery of the 2014 Bonds have been satisfied, and that the 2014 Bonds and the Indenture are valid and binding special obligations, enforceable against the MDA in accordance with their terms (subject to any applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally and subject also to the application of equitable principles if equitable remedies are sought) and that, subject to such assumptions and qualifications as Bond Counsel may deem appropriate, the interest on the 2014 Bonds is not subject to federal income taxes.
- (d) A request and authorization to the Trustee on behalf of the MDA directing the Trustee as to the amounts required to be deposited into the various Funds and Accounts.
- (e) A request and authorization to the Trustee on behalf of the MDA to authenticate and deliver the 2014 Bonds in its capacity as Bond Registrar to the purchasers therein identified upon payment to the Trustee, but for the account of the MDA, of a sum specified in such request and authorization. The proceeds of such payment shall be transferred and deposited pursuant to Article III hereof and as indicated in such request and authorization.
- (f) An opinion of Counsel to the Museum regarding the enforceability of the Lease and the Guarantee Agreement.
- (g) An opinion of counsel to the City regarding the enforceability of the Guarantee Agreement.

Section 211. Additional Bonds.

(a) Additional Bonds may be issued by the MDA upon the written request of the Museum to provide funds to (i) refund all or any portion of the Bonds, (ii) make a deposit to the Reserve Account, and (iii) pay the costs associated with issuing such Additional Bonds. Such Additional Bonds shall be secured by the Trust Estate on a parity with the Bonds and any Additional Bonds theretofore or thereafter issued.

(b) Such Additional Bonds shall be issued in such series and principal amounts, shall be dated, shall bear interest at such rate or rates, shall have such terms, shall be subject to redemption at such times and prices and shall mature in such years as a Supplemental Indenture authorizing the issuance thereof shall fix and determine, and shall be deposited with the Trustee for authentication and delivery.

(c) The Trustee shall, at the request of the MDA, authenticate and deliver the Additional Bonds as specified in the request, but only upon receipt of the following:

(i) a certificate of the MDA stating that the annual debt service on such Additional Bonds will not exceed the annual debt service on the Bonds to be refunded with proceeds of such Additional Bonds;

(ii) an executed counterpart of: (1) an amendment or supplement to the Lease requiring the Museum to make rent payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on all Outstanding Bonds and the Additional Bonds to be issued when due or upon the prior redemption thereof; and (2) an amendment or supplement to the Guarantee Agreement confirming the City's obligation to replenish the Reserve Account when and to the extent necessary in order to guarantee the timely payment of the principal of and interest on all Outstanding Bonds and the Additional Bonds to be issued; and

(iii) an Opinion of Bond Counsel to the effect that upon issuance of such Additional Bonds, the Bonds to be refunded with proceeds of such Additional Bonds will no longer be Outstanding.

(d) For each series of Additional Bonds, if any, issued hereunder, the Trustee may establish separate subaccounts of trust funds established hereunder for moneys held with respect to each such series.

ARTICLE III

REVENUES AND FUNDS

Section 301. Source of Payment of Bonds. The Bonds and all payments required of the MDA hereunder are not and shall never become general obligations of the MDA, but are special, limited obligations payable solely and only from the Revenues and Funds and Accounts pledged in the Granting Clauses hereof, and as authorized by the Act and provided herein.

Section 302. Creation of Funds and Accounts. The following Funds and Accounts of the MDA are hereby created and established with the Trustee:

- (a) the Cost of Issuance Fund;
- (b) the Debt Service Fund, consisting of the Interest Account and the Principal Account; and
- (c) the Reserve Account.

Each Fund and Account shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in this Indenture. All money deposited in the Funds and Accounts shall be used solely for the purposes set forth in this Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and Account, and all disbursements therefrom.

The Trustee shall be entitled to establish other trust funds and accounts, including but not limited to a Seasoned Funds Accounts in the Debt Service Fund and a Rebate Fund, as the Trustee shall deem necessary in order to properly administer the Trust Estate.

Section 303. Initial Deposits. On the date of Bond Closing, except as otherwise set forth in the Closing Memorandum, the Trustee shall deposit or transfer the net proceeds received from the sale of the 2014 Bonds, together with \$4,767,374.64 released from the Indenture for the 2005 Bonds, as follows:

- (a) \$52,096,521.71 to the Escrow Agent, for deposit under the Escrow Deposit Agreement;
- (b) \$3,943,000.00 to the Reserve Account; and
- (c) the remainder to the Costs of Issuance Fund.

Section 304. [Reserved].

Section 305. Cost of Issuance Fund.

(a) On the date of Bond Closing, the Trustee shall deposit into the Cost of Issuance Fund the amount required by Section 303(b) of this Indenture. Moneys on deposit in the Cost of Issuance Fund shall be applied to pay Issuance Costs set forth in a closing memorandum prepared by the Underwriter and approved by the Authority. Subject to subsection (b), such Issuance Costs shall be payable upon submission of written invoices to the Trustee that do not exceed amounts approved by the MDA and the Museum.

(b) All interest earnings on amounts deposited in the Cost of Issuance Fund shall retained therein. Money in the Cost of Issuance Fund shall be invested only in Permitted Investments as set forth in Section 501. On October 1, 2014, all amounts, if any, remaining on deposit in the Costs of Issuance Fund shall be transferred to the Principal Account.

Section 306. Debt Service Fund.

(a) Interest Account. The Trustee shall deposit into the Interest Account of the Debt Service Fund (i) money received for payment of interest from the Museum as Facilities Rent under the Lease (whether directly from the Museum or from the Lockbox Agent on behalf of the Museum); (ii) investment earnings on the money therein; and (iii) any other Revenues (other than payments of principal on the Bonds) collected by the Trustee and available to pay interest on the Bonds; (iv) amounts transferred from the Seasoned Funds Account; and (v) all sums required to be transferred from the Reserve Account to the Interest Account pursuant to Section 307(d) hereof; in that order of priority, in an amount sufficient to pay the interest becoming due and payable on the Bonds on the next Interest Payment Date. Money on deposit in the Interest Account shall be applied solely to pay the interest on the Bonds as the same becomes due and payable.

On each scheduled Interest Payment Date on the Bonds, the Trustee shall remit or cause to be remitted in accordance with Section 202 hereof to the Bondowner as of the Record Date for such interest payment, an amount from the Interest Account sufficient to pay the interest on the Bonds becoming due and payable on such date. Any amounts on deposit in the Interest Account on any Interest Payment Date, after payment of the amount of interest coming due on such Interest Payment Date, representing deposits pursuant to (i) above shall be transferred to the Museum.

(b) Principal Account. The Trustee shall deposit into the Principal Account of the Debt Service Fund (i) money received for payment of principal from the Museum as Facilities Rent under the Lease (whether directly from the Museum or from the Lockbox Agent on behalf of the Museum); (ii) investment earnings thereon; and (iii) any other Revenues collected by the Trustee and available to pay principal of or premium, if any, on the Bonds (iv) amounts transferred from the Seasoned Funds Account or Costs of Issuance Fund; and (v) all sums required to be transferred from the Reserve Account to the Principal Account pursuant to Section 307(d) hereof, in an amount sufficient to pay the principal of and premium, if any, on the Bonds due on the next Interest Payment Date.

Money on deposit in the Principal Account shall be applied solely to pay the principal of and premium, if any, on the Bonds as the same become due and payable at scheduled maturity, or by prior redemption. On each date on which any principal or premium becomes payable on the Bonds, the Trustee shall set aside and hold in trust, an amount from the Principal Account sufficient to pay the amount of principal of and premium, if any, on the Bonds becoming due and payable on such date. Any amounts on deposit in the Principal Account on any Interest Payment Date on which principal comes due, after payment of the amount of principal coming due on such Interest Payment Date, representing deposits pursuant to (i) shall be transferred to the Museum.

(c) Seasoned Funds Account. If the MDA or Museum shall deposit with the Trustee money to be used to pay the principal of and premium, if any, or interest on the Bonds in accordance with Section 602(b) hereof, the Trustee shall establish a Seasoned Funds Account in the Debt Service Fund and a separate subaccount therein for each such deposit. Money on deposit in the Seasoned Funds Account which represent Seasoned Funds shall be transferred to

the Principal Account to the extent necessary to pay the principal of, premium, if any, and to the Interest Account to the extent necessary to pay interest on the Bonds as the same shall become due and payable by optional redemption. Such money shall be paid to the Bondowners only if they constitute Seasoned Funds. Any money in the Seasoned Funds Account not needed for the purposes of this section shall be transferred at the direction of the MDA, in the case of money deposited by the MDA, or the Museum, in the case of money deposited by the Museum, to the Principal Account or Interest Account or the MDA or the Museum per such direction.

Section 307. Reserve Account.

(a) On the Bond Closing, the Trustee shall deposit into the Reserve Account the amount required by Section 303(c) hereof.

(b) Immediately upon receipt thereof, the Trustee shall deposit the following into the Reserve Account:

(1) All Reserve Deposits (including, but not limited to, amounts paid by the Museum under the Lease for deposit to the Reserve Account);

(2) Any advance by the City pursuant to the Guarantee Agreement; and

(3) All other money required to be transferred to or deposited in the Reserve Account pursuant to any provision of the Lease, the Guarantee Agreement or this Indenture.

(c) The value of the Reserve Assets shall be maintained at a level at least equal to the Reserve Requirement, except when the Trustee has transferred funds from the Reserve Account to the Principal Account or the Interest Account for the purposes described in Paragraph (d) below.

(d) The Reserve Assets are irrevocably pledged and shall be used by the Trustee, to the extent required, in the following order of priority:

(1) To the extent that money is available in the Reserve Account, such money shall be transferred, if necessary, to the Interest Account and/or to the Principal Account, in that order, for the purposes of paying interest and the principal on the Bonds due on such date in the event there is a deficiency in such accounts for such payments;

(2) If the aggregate value of the Reserve Assets exceeds the Reserve Requirement on any Valuation Date, such amounts in excess of the Reserve Requirement shall be transferred to the Rebate Fund for the purpose of paying any Rebate Amount coming due and then to the Interest Account, until the amount on deposit in the Interest Account equals the amount necessary to pay the interest coming due on the Bonds on the next succeeding Interest Payment Date, and then the remaining excess shall be transferred to the Principal Account;

(3) For transfer to the Interest Account or the Principal Account, as appropriate, when the Reserve Assets in the Reserve Account are sufficient (together with amounts in the Interest Account and the Principal Account) to pay the principal of, premium, if

any, and interest on all the Outstanding Bonds, when due, whether by reason of maturity or prior redemption.

(e) Amounts on deposit in the Reserve Fund shall be invested as set forth in Section 501. Subject to this Section 307, investment earnings on amounts in the Reserve Account shall be retained therein.

(f) The Trustee shall provide notice regarding the Reserve Account to the MDA, the City and the Lockbox Agent within two Business Days (except as otherwise noted) as follows: on each Interest Payment Date (or within two Business Days thereafter) notice of the balance in the Reserve Account; notice of total Reserve Assets on each Valuation Date and immediately following any draw on the Reserve Account; and notice of its receipt of any notice relating to any Bankruptcy Recovery requiring an advance by the City.

(g) Within two Business Days following any draw on the Reserve Account, the Trustee shall give notice, substantially in the form attached as Exhibit E-1 to the Guarantee Agreement, of the Reserve Deficiency to the MDA, the Museum, the City, and the Lockbox Agent demanding that the MDA deposit or cause to be deposited the amount of such Reserve Deficiency. If on a Valuation Date the Trustee finds a Reserve Deficiency, the Trustee shall, within two Business Days, give notice to the Museum, the MDA and the City demanding that the Museum deposit or cause to be deposited the amount of such Reserve Deficiency. If the Reserve Account is not replenished to the Reserve Requirement within five Business Days after the giving of this second notice, the Trustee shall, within two Business Days, give a third notice to the Museum, the MDA, and the City demanding that the MDA take all action necessary under the Guarantee Agreement to replenish the Reserve Account to the Reserve Requirement.

(h) Within two Business Days after any Reserve Account Reconciliation Date, the Trustee shall provide a Reserve Deficiency Notice with respect to any Reserve Deficiency to the MDA, the Museum and the City demanding that the City deliver to the Trustee the Reserve Deficiency for deposit into the Reserve Account, no later than 10:00 a.m., Seattle time, on the Business Day prior to the next Interest Payment Date.

Section 308. Rebate Fund. If the Trustee shall receive amounts determined in accordance with the Tax Agreement, the Trustee shall establish a Rebate Fund and deposit such amounts therein. The Trustee shall withdraw such amounts to pay the Rebate Amount required to be paid to the United States of America in accordance with the Tax Agreement.

Section 309. [Reserved].

Section 310. Final Balances. Upon the deposit with the Trustee of money sufficient to pay all principal of, premium, if any, and interest on the Bonds, and upon satisfaction of all claims hereunder or under the Lease or Guarantee Agreement, including all fees, charges and costs of the Trustee that are properly due and payable hereunder or under the Lease, or upon the making of provisions satisfactory to the Trustee for the payment of such amounts as permitted hereby, all money remaining in all Funds and Accounts, except money necessary to pay principal of, premium, if any, and interest on the Bonds, which money shall be held and disbursed by the



Trustee pursuant to Section 311 hereof, and moneys in the Rebate Fund necessary to pay any Rebate Amount, shall be remitted to the Museum.

Section 311. Nonpresentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay the principal and interest accrued thereon to such date shall have been made available to the Trustee for the benefit of the owner thereof, the Trustee shall hold such principal and interest accrued thereon to such date without liability to the Bondowner for further interest thereon, for the benefit of the Registered Owner of such Bond, for a period of five years from the date such Bonds shall have become due, either at maturity or upon earlier redemption, and thereafter the Trustee shall remit said funds pursuant to the Uniform Unclaimed Property Act, RCW 63.29, as amended, or its successor. In the event the Uniform Unclaimed Property Act, as amended, or its successor, should require by law other action to be taken by the Trustee, then the Trustee shall comply with such law and this Section 311 shall be deemed amended. After the payment pursuant to the Uniform Unclaimed Property Act as herein provided, the Trustee's liability for payment to the owner or Registered Owner of such Bond shall forthwith cease, terminate and be completely discharged and thereafter the Registered Owner shall be restricted exclusively to his or her rights of recovery provided under the Uniform Unclaimed Property Act.

If the Bonds are in certificated form, during the period prior to the date all such unclaimed moneys are transferred pursuant to the Uniform Unclaimed Property Act, the Trustee shall invest and reinvest said unclaimed principal amounts in Permitted Investments, limited to clause (5)(a) of the definition thereof. The Trustee shall have no liability or responsibility for any loss resulting from an investment made in accordance with the provisions of this Section 311. If the Bonds are in certificated form, earnings on the investment and reinvestment of such unclaimed money shall accrue to and for the benefit of the MDA. If the Bonds are in certificated form, earnings on the investment of uncashed interest payment checks shall also accrue to and for the benefit of the MDA. The Trustee shall pay such investment earnings to the MDA on a periodic basis (not less than once every month).

The MDA shall remit any such earnings to the Trustee if required under the Uniform Unclaimed Property Act.

#### ARTICLE IV

[RESERVED]

#### ARTICLE V

#### INVESTMENT OF MONEY

Section 501. Investment of Money. Money in all Funds and Accounts, except as provided in Sections 305, 307, 311 and 1201 hereof, shall be continuously invested and reinvested by the Trustee, at the written direction of the MDA, as practicable and as provided in this Section 501, until such time or times as said moneys shall be needed for the purposes for

which they were deposited. Money on deposit in all Funds and Accounts may be invested only in Permitted Investments. Except as provided in Section 1201 hereof, amounts held in the Debt Service Fund and any Seasoned Funds Account shall be either (1) held as cash or (2) invested and reinvested by the Trustee only in Government Obligations maturing as needed (including shares of a money market mutual fund or other collective investment fund registered under the federal Investment Company Act of 1940, whose shares are registered under the federal Securities Act of 1933, having assets of at least \$100,000,000, and having a rating AAAM or AAAM-G by Rating Agency, including money market mutual funds from which the Trustee or its affiliates derive a fee for investment advisory or other services to the fund). The Trustee shall have no liability or responsibility for any loss or for failure to maximize earnings resulting from any investment made in accordance with the provisions of this Section 501. The Trustee shall be entitled to assume, absent receipt of written notice to the contrary, that all Permitted Investments purchased at the direction of the MDA are permitted by law for the moneys invested.

Money in the Reserve Account shall be invested in the Permitted Investments.

All investments shall constitute a part of the Fund or Account from which the money used to acquire such investments have come. The Trustee shall sell and reduce to cash a sufficient amount of investments in a Fund or Account whenever the cash balance therein is insufficient to pay the amounts required to be paid therefrom. The Trustee may transfer investments in lieu of cash from any Fund or Account to any other Fund or Account when a transfer is required or permitted by the provisions of this Indenture.

In computing the amount of any Fund or Account, Permitted Investments purchased as an investment of money therein shall be valued at the then market price of such obligations, excluding any accrued interest. With respect to the Costs of Issuance Fund and the Reserve Account for which amounts are deposited thereunder, Permitted Investments (including any Investment Agreement) shall be valued at 100% of the principal amount of the investment amount held thereunder on account of such Fund.

The Trustee may make any and all investments permitted by the provisions of this Section 501 through its own investment department or that of any affiliate. As and when any amount invested pursuant to this article may be needed for disbursement, the Trustee may cause without liability for any loss thereon a sufficient amount of such investments to be sold and reduced to cash to the credit of such funds.

The MDA acknowledges that to the extent the regulations of the Comptroller of the Currency or other applicable regulatory agency grant the MDA the right to receive brokerage confirmations of security transactions, the MDA waives receipt of such confirmations. The Trustee shall furnish to the MDA and the Museum periodic statements of accounts which shall include details of all investment transactions made by the Trustee.

Section 502. Earnings and Losses. Subject to the restrictions hereinafter set forth in this Article V, all capital gains, profits and interest earnings resulting from the investment of money in all Funds, including any Accounts thereof, shall be deposited into, and any loss of principal value resulting from the investment of money in any Fund or Account and any

expenses incurred in making or disposing of investments shall be charged, when incurred, to the Fund or Account from which such investments were made.

Section 503. Tax Covenants.

(a) The MDA shall not use or knowingly permit the use of any proceeds of 2014 Bonds or any other funds of the MDA, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Code.

(b) The MDA covenants with all Bondowners that so long as any of the 2014 Bonds remain Outstanding, money on deposit with the Trustee under the Indenture, whether such money was derived from the proceeds of the sale of the 2014 Bonds or from any other source, will not knowingly be used in a manner which will cause the 2014 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and any regulations proposed or promulgated thereunder, as the same exist on this date, or may from time to time hereafter be amended, supplemented or revised; provided, however, that the MDA and the Trustee will rely upon certain certificates of the Museum as to arbitrage.

(c) The MDA will pay, or cause to be paid, the Rebate Amount, if any, to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption for interest payments on the 2014 Bonds, in accordance with the Tax Agreement. The Trustee shall have no responsibility to independently make any calculation or determination or to review the MDA’s calculations or determinations of the Rebate Amount hereunder or to enforce compliance with any rebate filing or reporting requirements.

## ARTICLE VI

### REDEMPTION OF BONDS BEFORE MATURITY

Section 601. Limitation on Redemption. The 2014 Bonds shall be subject to redemption prior to maturity only as provided in this Article VI.

Section 602. Redemption Dates, Amounts and Prices.

The 2014 Bonds maturing on or prior to April 1, 2024 are not subject to optional redemption. The 2014 Bonds maturing on or after April 1, 2025 at the direction of the MDA may be redeemed in whole or in part, upon no less than 30 days’ written notice from the MDA to the Trustee (with copy to the Museum and the City), on any date on or after April 1, 2024, at the price of 100% of the principal to be redeemed plus accrued interest to the date fixed for redemption. The Trustee shall give notice to Bondowners of any optional redemption of Bonds in accordance with Section 604 hereof. Publication of conditional notice may be made prior to receipt of proceeds of Bonds, money previously deposited in the Reserve Account or Seasoned Funds.

Section 603. Partial Redemption. All or a portion of any 2014 Bond may be redeemed in increments of \$5,000, but only if the unredeemed portion is in a principal amount equal to an

Authorized Denomination. In the event of a partial redemption, the maturity or maturities of Bonds shall be selected in accordance with the written instructions of the MDA. The Trustee is to provide notice of the selection of 2014 Bonds to DTC, and the selection of 2014 Bonds to be redeemed within a maturity shall be completed, in accordance with the Letter of Representations..

Upon surrender of any Bond for redemption in part, the MDA shall execute and the Bond Registrar shall authenticate and deliver to the owner thereof a new Bond or Bonds of Authorized Denominations of the same maturity and in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Moneys held or received by the Trustee with respect to the redemption of Bonds under Section 602(a) or with refunding bond proceeds or money previously deposited in the Reserve Account pursuant to Section 602(b) hereof shall be deposited in the Principal Account and Interest Account, respectively, and used to redeem Bonds on the dates specified therein. Any other moneys received by the Trustee with respect to optional redemption under Section 602(b) hereof shall be deposited in the Seasoned Funds Account and shall be transferred to the Principal Account, and Interest Account, respectively, only when such moneys are determined to be Seasoned Funds. The Trustee shall provide notice of such redemption in accordance with Section 604 hereof.

Section 604. Notice of Redemption. The Trustee shall give notice of redemption pursuant to this Article VI not less than 20 days and not more than 60 days prior to the date fixed for redemption.

All notices of redemption pursuant to Section 602 hereof shall be sent by first-class mail, postage prepaid, to the MDA, the Museum, the City and the Registered Owner of each Bond to be redeemed at the address of such Registered Owner as shown on the Bond Register as of the Record Date. Such notice having been sent, neither the failure of a Bondowner to receive notice by mail nor any defect in any notice so mailed shall affect the validity of the proceedings for such redemption. Such notice shall state the date fixed for redemption, the redemption price, the amount of accrued interest payable on the date fixed for redemption, the premium, if any, the place at which the Bonds are to be surrendered for payment, that from the date fixed for redemption interest on the Bonds to be redeemed will cease to accrue so long as funds for such payment are available to the Trustee, and, if less than all of the Bonds Outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed and, if applicable, the substance of the second to last sentence of this Section 604. Any notice mailed as provided in this Section 604 shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. The Trustee shall provide one additional notice of redemption to Bondowners in the event Bonds are not presented for payment within 60 days after the date fixed for redemption. Notice may be given on a conditional basis for any optional redemption to be funded with the proceeds of Bonds, money previously deposited in the Reserve Account or Seasoned Funds. Notwithstanding the foregoing, notice to the Registered Owner of each Bond shall be given in accordance with the Letter of Representations so long as the Bonds are held in fully immobilized form by DTC.

Section 605. Payment Upon Redemption. Upon presentation and surrender of any such Bonds at the Principal Office of the Bond Registrar on or after the date fixed for redemption, the Trustee shall pay the principal of, premium, if any, and interest on such Bonds then due to the extent of moneys received for such purpose.

Section 606. Effect of Redemption. Notice of redemption having been given as provided in Section 604 hereof (and any conditions in the case of an optional redemption to be funded with the proceeds of Bonds, money previously deposited in the Reserve Account or Seasoned Funds having been satisfied), the Bonds or portions thereof designated for redemption shall become due and payable on the date fixed for redemption and, unless the MDA defaults in the payment of the principal thereof, premium, if any, and interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption whether or not such Bonds are presented and surrendered for payment on such date. If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest until paid or until due provision is made for the payment of same.

Section 607. Purchase of Bonds. The MDA reserves the right to direct the Trustee to acquire Bonds for retirement from amounts on deposit in the Debt Service Fund at a price that is not more than the amount required (including accrued interest) to redeem such Bonds on the next applicable redemption date with respect thereto.

## ARTICLE VII

### PAYMENT; FURTHER ASSURANCES

Section 701. Payment of Principal or Redemption Price of and Interest on Bonds. The MDA shall promptly pay or cause to be paid the principal or redemption price of, and the interest on the Bonds when due, but shall be required to make such payment or cause such payment to be made only from the Trust Estate, including the Revenues.

The MDA hereby designates the Principal Office of the Trustee as the principal place of payment for the Bonds, and the Trustee as paying agent for the Bonds, such appointment and designation to remain in effect until notice of change is filed with the Trustee pursuant to the terms of this Indenture.

Section 702. [Reserved].

Section 703. Power to Issue Bonds and to Make Pledge, Grant and Assignment. The MDA is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign and grant its right, title and interest in the Trust Estate in the manner and to the extent provided in this Indenture and hereby does pledge and assign and grant to the Trustee all of the Authority's rights, title and interest in the Trust Estate, including the Revenues and all other rights to the Lease and the Guarantee Agreement to the extent set forth in the Granting Clauses hereof. The Bonds and the provisions of this Indenture are and will be legal, valid and binding special, limited obligations of the MDA in accordance with their terms, and the MDA and Trustee (subject to the limitations contained in this Indenture including without limitation

Section 901(g)) hereof shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of and lien on the Trust Estate and all the rights of the Bondowners under this Indenture against all claims and demands of all Persons whatsoever and will use its best efforts to preserve the exclusion from gross income for purposes of federal income taxation of interest on the Bonds; provided, that the Trustee may rely on the written investment instructions of the MDA.

Section 704. Further Assurances. Except to the extent otherwise provided in this Indenture, the MDA shall not enter into any contract or take any action by which the rights of the Trustee or the Bondowners may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be reasonably necessary or proper to carry out the purposes of this Indenture.

Section 705. [Reserved].

Section 706. Additional Instruments. The MDA shall cause this Indenture or a financing statement or other similar document relating thereto to be filed in such manner and at such places as may be required by law, if any, to protect the right, title and interest of the Trustee in and to the Trust Estate or any part thereof. The MDA shall execute or cause to be executed any and all further instruments as may be required by law or in accordance with any opinion of Counsel provided for herein for such protection of the interests of the Trustee and the Bondowners, and shall furnish satisfactory evidence to the Trustee of filing of such instrument and of every additional instrument which shall be necessary to preserve the lien of this Indenture upon the Trust Estate or any part thereof until the principal of, premium, if any, and interest on the Bonds issued hereunder shall have been paid. The Trustee and the MDA shall, if necessary, execute or join in the execution of any such further or additional instruments and file or join in the filing thereof at such time or times and in such place or places as either of them may be advised by an opinion of Counsel (which may be obtained as an expense of the Trust Estate) will preserve the lien of this Indenture upon the Trust Estate or any part thereof until the aforesaid principal, premium, if any, and interest shall have been paid.

Section 707. Extension of Payment of Bonds. The MDA shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any interest thereon, and in case the maturity of any of the Bonds or the time of payment of interest shall be extended, such Bonds shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of and interest on all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 707 shall be deemed to limit the right of the MDA to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 708. Covenant Against Encumbrances. Neither the MDA nor the Trustee shall create, or knowingly permit the creation of, any pledge, lien, charge or other encumbrance upon the Trust Estate while any of the Bonds are Outstanding, except as permitted under the Guarantee Agreement and the pledge and assignment created by this Indenture without the prior written consent of the City. Subject to the limitations in this Indenture and the Guarantee

Agreement, the MDA expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Section 709. Payment of Taxes and Claims. The MDA shall pay or cause the Trustee to pay, any property taxes, assessments or other governmental charges that may be lawfully imposed upon the Trust Estate, when the same shall become due, as well as any lawful claim which, if unpaid, might by law become a lien or charge upon the Trust Estate or which might impair the security of the Bonds.

Section 710. First Supplement to Lease and Guarantee Agreement. The Lease and the Guarantee Agreement set forth certain covenants and obligations of the MDA, the Trustee, the Lockbox Agent, and the Museum and reference is hereby made to such documents for a detailed statement of such covenants and obligations. So long as any of the Bonds remain Outstanding, the MDA and the Trustee shall each faithfully and punctually perform and observe all obligations and undertakings on its part to be performed and observed under the Lease and Guarantee Agreement to which each is a party.

The MDA and the Trustee shall take no action, shall permit no action to be taken by others within their control and shall not knowingly omit to take any action, which action or omission might release the Museum from its liabilities or obligations under the Lease or the Guarantee Agreement or the City from its obligations under the Guarantee Agreement or result in the surrender, termination, amendment or modification of, or impair the validity of, such documents.

The MDA covenants to enforce diligently all covenants, undertakings and obligations of the Museum under the Lease and the Guarantee Agreement and of the City under the Guarantee Agreement, and, subject to the following, hereby authorizes and directs the Trustee to enforce any and all of the MDA's rights under the Indenture and the Guarantee Agreement on behalf of the MDA and the Registered Owners of the Bonds.

The Trustee hereby acknowledges, accepts and agrees to the terms, conditions, appointments and agencies of the Guarantee Agreement as they relate to it and its participation in the transactions contemplated thereby. In the event of any inconsistency between the terms of the Guarantee Agreement and this Indenture, the terms of the Guarantee Agreement shall govern.

The Trustee shall retain possession of the executed originals of the Indenture, the Lease and the Guarantee Agreement on behalf of the MDA and shall release the same only in accordance with the provisions thereof and hereof. The Indenture, the Lease and the Guarantee Agreement shall be available for inspection at reasonable times during regular business hours, under reasonable conditions, by the MDA, the Museum, the City and any Registered Owner of any Bond.

The obligations of the Trustee under this Section 710 shall be subject to the Trustee's rights to compensation and the obligations of the Trustee under this Section 710 shall be subject to the Trustee's rights to reimbursement and indemnification under Article IX hereof (except for making all required payments to Bondowners when due to the extent of available funds and in

accordance with the terms of the Indenture, causing mandatory sinking fund redemption of the Bonds as required herein, and providing notices required under the Guarantee Agreement).

Section 711. List of Bondowners. The Trustee, as the Bond Registrar, will keep the Bond Register. At reasonable times and under reasonable regulations established by the Trustee, said Bond Register may be inspected and copied by the MDA, the City, the Underwriter, or the Registered Owners of five percent (5%) or more in aggregate principal amount of Bonds then Outstanding (or a designated representative thereof), such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Trustee.

Section 712. Compliance With Indenture, Contracts. The MDA and the Trustee shall faithfully observe and perform all the covenants, conditions and requirements of this Indenture, shall not issue any Bonds in any manner other than in accordance with this Indenture, and shall not suffer or permit any default to occur hereunder or do or permit to be done anything that might in any way weaken, diminish or impair the security intended to be given pursuant to this Indenture except as specifically permitted herein. Subject to the limitations and consistent with the covenants, conditions and requirements contained in this Indenture, the MDA and the Trustee shall comply with the express terms, covenants and provisions of all contracts concerning or affecting the application of proceeds of the Bonds or Revenues to which they are a party, respectively.

Section 713. Maintenance of Powers. As long as any of the Bonds are Outstanding, the MDA shall preserve its existence under the Act, and will not be dissolved or lose its right to exist as such or lose any rights necessary to enable it to function and to maintain the Revenues. The MDA shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, or assure the assumption of its obligations under the Lease, the Guarantee Agreement and this Indenture by any corporation or political subdivision succeeding to its powers, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained.

## ARTICLE VIII

### DEFAULT PROVISIONS, NONPAYMENT EVENTS AND REMEDIES OF TRUSTEE AND BONDOWNERS

Section 801. Defaults; Events of Default. If any of the following events occurs, it is hereby defined as and declared to be and to constitute an Event of Default:

(a) Failure to make payment of interest upon any Bond when the same shall have become due and payable;

(b) Failure to make due and punctual payment of the principal of or premium, if any, on any Bond, whether at the stated maturity thereof, or upon proceedings for redemption thereof;



(c) Any material representation or warranty made by the MDA in this Indenture or the Bonds shall be determined by the Trustee to have been untrue when made or any failure by the MDA to observe and perform any covenant, condition or agreement on its part to be observed and performed under this Indenture or the Bonds, other than as referred to in subsection (a) or (b) of this Section 801, shall continue for a period of 60 days after written notice specifying such breach or failure and requesting that it be remedied, is given to the MDA, the City and the Bondowners by the Trustee or to the MDA and the Trustee by the City or the Registered Owners of not less than 25 percent (25%) in aggregate principal amount of the Bonds then outstanding, unless (i) the Trustee and the City shall agree in writing to an extension of such time prior to its expiration or (ii) if the breach or failure be such that it cannot be corrected within the applicable period, corrective action is instituted by the MDA within the applicable period and is being diligently pursued; and

(d) The occurrence of any City Default as defined in the Guarantee Agreement.

Section 802. No Acceleration of Maturity. The Bonds shall not be subject to acceleration of principal due prior to maturity.

Section 803. Enforcement of Covenants and Conditions.

(a) Upon the occurrence of any Event of Default described in Section 801(a), Section 801(b), or Section 801(c) which has not been waived as permitted herein (1) the Trustee shall proceed, upon the written request of the City, or (2) with the consent of the City, the Trustee (A) may proceed in its discretion, or (B) upon the written request of the MDA or of the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds shall proceed, forthwith by suit(s) at law or in equity or by any other appropriate remedy to enforce payment of the Bonds; to enforce application to such payment of the funds, revenues and income under this Indenture; to enforce the assigned rights of the MDA under the Lease and the Guarantee Agreement; to pursue all remedies of a creditor under the applicable laws of the State; and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Owners of the Bonds. Upon the occurrence of any Event of Default described in Section 801(d) which has not been waived as permitted herein, the Trustee may proceed in its discretion, or upon the written request of the MDA or of the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds shall proceed, forthwith by suit(s) at law or in equity, either in mandamus or for the specific performance of any covenant or agreement in the Guarantee Agreement, or by any other appropriate remedy to enforce the Guarantee Agreement; to enforce application of the funds, revenues and income under the Guarantee Agreement; to enforce the assigned rights of the MDA under the Guarantee Agreement; to pursue all remedies of a creditor under the applicable laws of the State; and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Owners of the Bonds.

(b) Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the MDA or of the Owners of the Outstanding Bonds as aforesaid, unless the MDA or such Owners shall have offered to the Trustee security and indemnity satisfactory to it against the fees, costs, expenses and liabilities to be incurred therein or thereby.

(c) The Trustee shall not be required to take any action with respect to the MDA Unit or the Existing Museum Facility which could cause it to be considered an “owner” or “operator” within the meaning of the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended, or any other statute dealing with hazardous substances; and the Trustee shall have no authority to manage or operate the facilities refinanced with the proceeds of the 2014 Bonds, except as necessary to exercise remedies upon default.

Section 804. Application of Money. All money received by the Trustee pursuant to any right given, remedy pursued or action taken under the provisions of this Article VIII or by virtue of action taken under provisions of the Lease or Guarantee Agreement after payment of the costs and expenses of the proceedings resulting in the collection of such money and of the fees, expenses, liabilities and advances incurred or made by Trustee (including those of its attorneys), shall be deposited and applied as follows:

(a) Amounts allocable to the Bonds shall be deposited into the Principal Account and Interest Account and applied as follows:

(1) To the payment of interest on Outstanding Bonds as the same shall become due, such payments to be made ratably to the Owners entitled thereto, without discrimination or preference;

(2) To the payment of the principal as the same shall become due on Outstanding Bonds, without preference or priority of any Bond over any other Bond, ratably, according to the amounts due, to the Owners entitled thereto without any discrimination or privilege, plus, to the extent permitted by applicable law, interest on overdue installments of interest or principal at the rate borne by the respective Bonds; or

(3) Whenever all principal of and interest on all Outstanding Bonds have been paid under the provisions of this Section 804 and all fees, expenses and charges of the Trustee and the MDA have been paid, any balance remaining with the Trustee or in the Bond Fund shall be paid to the Museum.

Section 805. [Reserved].

Section 806. Remedies Vested in the Trustee. All rights of action (including the right to file proofs of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Bondowners, and any recovery or judgment shall be for the equal and ratable benefit of the Registered Owners of the Outstanding Bonds.

Section 807. Limitation on Rights and Remedies of Bondowners. No Bondowner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy hereunder unless (1) an Event of Default has occurred of which the Trustee has

been notified, (2) the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee, shall have offered the Trustee reasonable opportunity either to proceed to exercise the powers herein granted or to institute such action, suit or proceeding in its own name, and shall have offered to the Trustee indemnity satisfactory to the Trustee as provided in Section 901(g) hereof, and (3) the Trustee shall for a period of 30 days thereafter fail or refuse to exercise the powers herein granted, or to institute such action, suit or proceeding in its own name as Trustee; and such notification, request and offer of opportunity and indemnity are hereby declared in every case to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder. No one or more Bondowners shall have any right in any manner whatsoever to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Bondowners of all Bonds then Outstanding. Nothing in this Indenture contained shall, however, affect or impair the right of any Bondowner to enforce the payment of the principal of, and premium, if any, and interest on, any Bonds at and after the maturity thereof.

Section 808. Termination of Proceedings. In case the Trustee, the City or the Owners of the Bonds shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adverse to the Trustee, the City or the Owners of the Bonds, then and in every such case the MDA, the Museum, the Trustee, the City and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 809. Remedies Cumulative, Delay Not to Constitute Waiver.

(a) No remedy conferred upon or reserved to the Trustee, the City or the Owners of the Bonds by the terms of this Indenture, the Guarantee Agreement or the Lease is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

(b) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

(c) No waiver of any default or Event of Default hereunder, whether by the Trustee or the Owners of the Bonds shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Section 810. Waivers of Events of Default. The Trustee may, in its discretion, but only upon written consent of the City so long as the City is not then in default under the Guarantee Agreement, waive any Event of Default hereunder and rescind its consequences and shall do so

upon the written request of the City or of the Bondowners of not less than a majority in aggregate principal amount of all Bonds then Outstanding with the written consent of the City; provided, however, that there shall not be waived (a) any Event of Default in the payment of the principal of any Outstanding Bonds when due (whether at maturity or by prior redemption), (b) any Event of Default in the payment when due of the interest on any such Bonds, unless prior to such waiver and rescission all arrears of interest and all arrears of principal when due, as the case may be, together, in either case, with the moneys due and owing to the Trustee, including reasonable attorneys' fees paid or incurred, shall have been paid or provided for, and the Bondowners of all Bonds then Outstanding approve such waiver or (c) any Event of Default under Section 801(d), unless the MDA and the owners of a majority of Bonds then Outstanding shall have consented in writing to such waiver. In the case of any such waiver and rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the MDA, the Trustee and the Registered Owners shall be restored to their former positions and rights hereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under this Indenture shall be in writing and a copy thereof shall be delivered to the MDA and to the City. So long as there is no Event of Default under Section 801(d), the City may waive any event of default or obligation of the MDA, the Museum, the Lockbox Agent or the Trustee under the Guarantee Agreement.

Section 811. Absolute Obligation of MDA. Nothing in any provision of this Indenture or in the Bonds shall affect or impair the obligation of the MDA, which is absolute and unconditional, to pay the principal or redemption price of and interest on the Bonds to the respective Bondowners at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of the Bondowners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

## ARTICLE IX

### THE TRUSTEE

Section 901. Appointment, Duties, Immunities and Liabilities of Trustee; Successor Trustee.

(a) The MDA hereby appoints U.S. Bank National Association, as Trustee, Bond Registrar and paying agent and designates the Principal Office of the Trustee as the principal place of payment for the Bonds. Notwithstanding any other provision of this Indenture or the Lease or the Guarantee Agreement, the Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and the Guarantee Agreement and no implied covenants or obligations of the Trustee shall be read into this Indenture or the Guarantee Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Prior to an Event of Default, (i) the MDA, with the City's written consent, may remove the Trustee at any time with or without cause and (ii) the City may request that the MDA remove the Trustee for cause and the MDA shall remove the Trustee. If an Event of Default shall have occurred and then be continuing, the MDA shall remove the Trustee only at the direction of the City in each case, only if the City is not then in default of its obligations under the Guarantee Agreement (i) for cause or, (ii) if requested to do so by an instrument or concurrent instruments in writing signed by the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or (iii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section 901, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; in each case by giving written notice of such removal to the Trustee, the Museum and the City, as applicable, and the MDA thereupon shall appoint a successor Trustee by an instrument in writing; provided, that, if an Event of Default shall have occurred and be continuing, the City shall have the right to approve the MDA's appointment of a successor Trustee if the City is not then in default of its obligations under the Guarantee Agreement.

(c) The Trustee may at any time resign by giving written notice of such resignation to the MDA, the Museum and the City, by registered or certified mail. Upon receiving such notice of resignation, the MDA shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall only become effective upon acceptance of appointment by the successor Trustee and transfer of all Funds and other property of the Trust Estate. Promptly upon such acceptance, the MDA shall give notice thereof to the Registered Owners by first-class mail postage prepaid, and to the Museum and the City by registered or certified mail. If no successor Trustee shall have been appointed and have accepted appointment within 45 days after giving notice of removal or notice of resignation as aforesaid, the incumbent Trustee, the City, the Museum or any Bondowner (on behalf of himself and all other Bondowners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the MDA and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the money, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the request of the MDA or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the MDA shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming

to such successor Trustee all such money, estates, properties, rights, powers, trusts, duties and obligations.

(e) Any Trustee appointed under the provision of this Section in succession to the Trustee shall be a trust company, national banking association or a federal savings bank or commercial bank having trust powers, and shall be subject to supervision or examination by federal or state authority and shall be acceptable to the City, the MDA and the Museum. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately upon the appointment of a successor thereto in the manner and with the effect specified in this Section 901. The Trustee shall cooperate fully in the transfer to a successor Trustee and shall promptly deliver to such successor all records and documents held by the Trustee with regard to the Trustee's obligations under this Indenture and the Lease.

(f) Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under subsection (e) of this Section 901, shall be the successor to such Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. The Trustee shall provide notice of any such merger, conversion or consolidation to the MDA, the Museum and the City.

(g) As a condition precedent to taking any action under this Indenture or the Guarantee Agreement (except for making all required payments to Bondowners when due to the extent of available funds and in accordance with the terms of the Indenture, causing mandatory redemption of maturity of the Bonds as required herein, and providing optional redemption notices and notices under the Guarantee Agreement), the Trustee may require that indemnity satisfactory to it be furnished for the payment of its fees and reimbursement of all expenses to which it may be put (including reasonable attorneys' fees) and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action. The Trustee shall be under no obligation to institute any suit, to take any proceeding under this Indenture or the Guarantee Agreement, to enter any appearance or in any way defend in any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, or in the compliance with any covenant contained in Article VIII hereof, until it shall be satisfied that repayment of all costs and expenses, outlays and counsel fees and other reasonable disbursements in connection therewith, and adequate indemnity against all risk and liability, has been provided for. However, the Trustee may begin suit, or appear in and defend any suit, or intervene, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity. In all such cases the Trustee shall be reimbursed or indemnified for all costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful misconduct of the Trustee. If the Museum shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture, subject only to the provisions of this Indenture.

(h) The Trustee's rights to receive compensation, reimbursement and indemnification of money due and owing hereunder shall survive the Trustee's resignation or removal, the payment of the Bonds and the defeasance of this Indenture.

(i) Unless the Trustee shall have received notice in writing of default by the Museum, the MDA or the City, from the City or from the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding, the Trustee shall not be deemed to have notice of any default hereunder or under the Guarantee Agreement, other than in the following events, for which no notice in writing shall be required: (1) failure to receive any of the payments to the Trustee required to be made hereunder, under the Lease, or the Guarantee Agreement, or (2) failure to receive any document required by this Indenture or the Guarantee Agreement to be delivered to the Trustee.

Section 902. Fees, Charges and Costs of Trustee. The Trustee shall be entitled to payment of the Trustee Fee. The Trustee's rights to receive compensation under this Section 902 and under applicable provisions of the Lease shall be secured by, and there is hereby granted, a lien on the Trust Estate (except for any moneys representing any payment under the Guarantee Agreement), which lien shall be subordinate to the lien in favor of the Bondowners for payment of the principal of, premium, if any, and interest on the Bonds, except that, upon an Event of Default, but only upon an Event of Default, the Trustee shall have a prior lien upon the Trust Estate (except for any proceeds of the Guarantee Agreement, any moneys representing Seasoned Funds or proceeds of refunding bonds after notice of redemption) for its ordinary and extraordinary fees, charges and costs (including without limitation the reasonable fees and expenses of its counsel) incurred in enforcing the provisions of the Indenture or any other agreement referred to herein.

Section 903. Liability of Trustee. The recitals of facts herein and in the Bonds contained shall be taken as statements of the MDA, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of this Indenture, the Guarantee Agreement or the Bonds, or any other document that constitutes part of the Trust Estate, or for the validity, sufficiency, adequacy, enforceability or priority of any lien or security interest granted hereunder or under the Guarantee Agreement, and shall incur no responsibility in respect thereof other than to perform its duties hereunder and thereunder. The Trustee shall not be accountable for the use or application by the MDA or the Museum of the Bonds or the proceeds thereof or of any money paid to the MDA or the Museum pursuant to the terms of this Indenture and the Guarantee Agreement. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder or under the Guarantee Agreement either directly or through agents or attorneys; provided, that the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney only if such agent or attorney is appointed with due care and approved by the MDA and the Museum. The Museum shall not be deemed an agent of the Trustee for any purpose, and the Trustee shall not be responsible for the compliance of the Museum with its duties hereunder or under the Guarantee Agreement in connection with the transactions contemplated herein or therein. The Trustee may become the

owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may (but shall not be required to) act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondowners, whether or not such committee shall represent the Bondowners of a majority in principal amount of the Bonds then Outstanding.

The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

The officers and employees of the Trustee shall not be personally liable for any debts contracted or for damages to persons or to personal property injured or damaged. The Trustee shall have no responsibility with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the Bonds.

The Trustee shall not be liable for actions taken at the direction of Bondowners pursuant to the provisions of Article VIII hereof or at the direction of the City. The Trustee shall be under no duty to advance or expend its own funds.

Section 904. Right of Trustee to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with Counsel to the MDA or any counsel appointed and approved pursuant to Section 903 hereof, with regard to legal questions, and the opinion of such Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted in good faith in reliance upon such opinion or advice.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the MDA, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Section 905. Intervention By Trustee. In any judicial proceedings to which the MDA (or the City, in the case of a judicial proceeding with respect to the Guarantee Agreement) is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interest of Owners of the Bonds, the Trustee may, in its discretion, intervene on behalf of Bondowners and, upon being indemnified to its satisfaction therefor, shall do so if requested in writing by the Owners of a majority in aggregate principal amount of all Bonds then Outstanding.



Section 906. Reports of the Trustee.

(a) The Trustee shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Project, the proceeds of the Bonds, the principal amount of Bonds Outstanding, the Revenues, the Trust Estate and the Funds and Accounts established by this Indenture. Such books of the Trustee shall at all reasonable times during regular business hours be subject to the inspection of the MDA, the Museum, the City and the Registered Owners of an aggregate of not less than five percent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

(b) As of each month end, and on or before the fifteenth (15th) day of each month, the Trustee shall submit to the MDA, the City and the Museum a statement for the preceding month setting forth:

(1) the amounts withdrawn or transferred by it and the amounts deposited with it on account of each Fund held by it under the provisions of this Indenture, and the balance held in each Fund;

(2) a brief description of all obligations held by it as an investment of money in each such Fund and accrued interest earned;

(3) the amount applied (broken down as to prepayments and interest) to the redemption of Bonds under the provisions of this Indenture, a description of the Bonds or portions of Bonds so redeemed, and an accounting of the Bonds outstanding;

(4) a statement of called but unpaid Bonds and investment earnings thereon if the Bonds become certificated; and

(5) any other information that the MDA or the Museum may reasonably request from time to time, without charge if said information is required by its auditor, rebate analyst or the Internal Revenue Service, and is readily available from the records of the Trustee, and otherwise with such reasonable charges as are required by the Trustee.

(c) The reports, statements and other documents required to be furnished to or by the Trustee pursuant to any provision of this Indenture shall be available upon reasonable prior notice during normal business hours at the office of the Trustee.

Section 907. Communications Among Owners. Within five Business Days after the receipt by the Trustee of a written application by any three or more Beneficial Owners stating that the applicants desire to communicate with other Owners with respect to their rights under this Indenture or under the Bonds and accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, and by reasonable proof that each such applicant has owned a Bond for a period of at least six months preceding the date of such application, the Trustee shall inform such applicants as to the approximate number of Owners and as to the approximate cost of mailing to the Owners the form of proxy or other communication, if any, specified in such application.

The disclosure of any such information as to the names and addresses of the Owners in accordance with the provisions of this Section 907, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law or of any law hereafter enacted which does not specifically refer to the comparable section of the Indenture Act, nor shall the Trustee be held accountable by reason of mailing any material pursuant to a request made under this Section 907.

The term Beneficial Owners, for purposes of this Section 907 or any other section herein requiring the Trustee to deliver statements, reports or documents to or to receive instructions from Beneficial Owners, includes any Beneficial Owner who provides to the Trustee an affidavit of beneficial ownership of Bonds. The Trustee may rely conclusively upon such affidavit and shall have no liability to the MDA, Museum or any Owner of Bonds, or any other person in connection with such reliance.

Section 908. Appointment of a Co-Trustee. It is the intent of the MDA and the Trustee that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, the Lease or the Guarantee Agreement, and, in particular, in case of the enforcement of any of them on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted herein to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint, with the consent of the MDA, an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section 908 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, in the event of the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers, trusts and remedies herein granted to the Trustee or to hold title to the Trust Estate or to take any other action which may be necessary or desirable in connection therewith, each and every remedy, power, right, obligation, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be imposed upon, exercised by or vested in or conveyed to the Trustee with respect thereto shall be imposed upon, exercisable by and vest in such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them. Such separate trustee or co-trustee shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to the MDA, the Trustee, the Museum and the City. The appointment of any such co-trustee shall be subject to confirmation by the Rating Agency that the then rating on the Bonds will not be downgraded or withdrawn.

Should any instrument in writing from the MDA be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such

instruments in writing shall, on request, be executed, acknowledged and delivered by the MDA. If the MDA shall fail to deliver the same within 15 days of such request, the Trustee is hereby appointed attorney-in-fact for the MDA to execute, acknowledge and deliver such instruments in the MDA's name and stead. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

## ARTICLE X

### SUPPLEMENTAL INDENTURES

Section 1001. Amendments Requiring Consent of Bondowners. This Indenture and the rights and obligations of the MDA, the Bondowners and the Trustee may be modified or amended at any time by a Supplemental Indenture which unless otherwise permitted by Section 1002, shall become effective when signed by the parties hereto and the written consents of the Registered Owners of a majority of the aggregate principal amount of Bonds Outstanding shall have been filed with the Trustee; provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the Registered Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 1001. No such modification or amendment shall (a) extend the fixed maturity of any Bond, or reduce the amount of principal thereof or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Registered Owner of each Bond so affected, or (b) reduce the aforesaid percentage of the aggregate principal amount of Bonds then Outstanding the consent of the Registered Owners of which is required to effect any such modification or amendment, or (c) permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture, or deprive the Bondowners of the lien created by this Indenture upon such Revenues and other assets (except as expressly provided in this Indenture, the Guarantee Agreement or the Lease), without the consent of the Bondowners of all of the Bonds then Outstanding. Notwithstanding the foregoing, this Indenture shall not be amended without the consent of the City provided the City is not then in default of its obligations under the Guarantee Agreement.

No amendment shall be made to the Indenture which adversely affects the City's obligation under the Guarantee Agreement. No amendment which affects the rights or duties of the Trustee shall be made without its prior written consent.

If at any time the MDA shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes allowed by this Section 1001, the Trustee shall, at the request of the MDA and upon being indemnified to its satisfaction with respect to costs, cause notice of the proposed execution of such Supplemental Indenture to be given to the Bondowners in substantially the manner provided in Section 604 hereof with respect to redemption of Bonds. Such notice (which shall be prepared by the MDA) shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the Principal

Office of the Trustee for inspection by all Bondowners. If, within 60 days or such longer period as shall be prescribed by the MDA following the mailing of such notice, the Registered Owners of sixty percent (60%) or more of the aggregate principal amount of Bonds then Outstanding at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Registered Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the MDA from executing the same or from taking any action pursuant to the provisions thereof. The MDA shall have the right to extend from time to time the period within which such consent and approval may be obtained from Bondowners.

Section 1002. Amendments Not Requiring Consent of Bondowners. This Indenture and the rights and obligations of the MDA, the Bondowners and the Trustee may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Bondowners but with the written consent of the City, when signed by the parties hereto, which amendment shall become effective upon execution (or such later date as may be specified in such Supplemental Indenture), but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the MDA contained in this Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power herein reserved to or conferred upon the MDA, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the security for the payment of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the MDA may deem necessary or desirable and not inconsistent with this Indenture, and which shall not materially adversely affect the security for the payment of the Bonds;

(c) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Indenture Act or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the security for the payment of the Bonds;

(d) to modify, amend or supplement this Indenture in any other way which shall not materially adversely affect the interests of the Bondowners; provided, that the determination of whether any amendment under this Section materially adversely affects the security for the payment of the Bonds shall be made as if there were no Guarantee Agreement;

(e) to provide for the delivery of Bonds in fully certificated form;

(f) to modify, amend or supplement this Indenture in any other way necessary to preserve the exemption of interest on the Bonds from federal income taxation;

- (g) to comply with federal or state securities laws; or
- (h) to supplement this Indenture to provide for Additional Bonds issued pursuant to Section 211.

Section 1003. Consent of Museum to Supplemental Indentures. Anything herein to the contrary notwithstanding, a Supplemental Indenture under this Article X which adversely affects any rights or expands the obligations of the Museum in any manner not contemplated by the Lease or Guarantee Agreement shall not become effective unless and until the Museum shall have consented to the execution and delivery of such Supplemental Indenture. In this regard, the Trustee shall cause notice of the proposed execution and delivery of any such Supplemental Indenture to be mailed by certified or registered mail to the Museum and its Counsel and the City and its Counsel at least 15 days prior to the date of the first mailing of notice of the proposed execution of such Supplemental Indenture as hereinbefore in Section 1001 provided. The Museum shall be deemed to have consented to the execution and delivery of any such Supplemental Indenture if the Trustee does not receive a letter of protest or objection thereto, signed by or on behalf of the Museum, on or before 12:00 p.m., Seattle time, on the fifteenth day after the mailing of said notice and a copy of the proposed Supplemental Indenture.

Section 1004. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article X, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the MDA, the Trustee and all Registered Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 1005. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after any Supplemental Indenture becomes effective pursuant to this Article X may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the MDA and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owners of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the Principal Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bond. If the MDA or the Trustee shall so determine, new Bonds modified as to conform, in the opinion of the MDA and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the MDA and authenticated by the Trustee, and upon demand of the Owner of any Bond then Outstanding shall be exchanged at the Principal Office of the Trustee, without cost to any Bondowner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds in equal aggregate principal amounts of the same maturity.

Section 1006. Amendment of Particular Bonds. The provisions of this Article X shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

Section 1007. Required Opinion of Bond Counsel. The MDA and the Trustee shall not enter into or consent to any amendment, change or modification to this Indenture unless the MDA and the Trustee have each received an opinion of Bond Counsel to the effect that such amendment will comply with this Article X and not impair the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds. The MDA and the Trustee may rely upon any such opinion of Bond Counsel. Prior to the execution and delivery of any amendment, change or modification to the Lease, the Trustee shall send a copy of the proposed form thereof to each Rating Agency.

## ARTICLE XI

### AMENDMENT OF LEASE OR GUARANTEE AGREEMENT

Section 1101. Amendments to Lease or Guarantee Agreement Not Requiring Consent of Bondowners. Subject to the provisions of Section 1103 hereof and with the written consent of the City and the Trustee, but without the consent of or prior notice to any of the Bondowners, the respective parties thereto may enter into any amendment, change or modification of the Lease or Guarantee Agreement, as may be required (a) by the provisions of the Lease or Guarantee Agreement or this Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission, (c) so as to add additional rights of the Trustee acquired in accordance with the provisions of the Lease or Guarantee Agreement, (d) to modify the provisions of the Lease or Guarantee Agreement deemed necessary or advisable, in the opinion of Bond Counsel, in order to comply with the requirements of federal or state securities laws; (e) in connection with the issuance of Additional Bonds pursuant to Section 211; or (f) in connection with any other change therein which, in the reasonable judgment of the Trustee and an opinion of counsel that any change does not materially adversely affect the security for the payment of the Bonds. In making a determination under (f) above, the Trustee may rely on the advice of Counsel. Notwithstanding the foregoing, the MDA and the Trustee shall, without the consent of or notice to any of the Bondowners but after notice to and the written consent of the City enter into any amendment, change or modification of the Lease or Guarantee Agreement as may be necessary, in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 145 of the Code.

Section 1102. Amendments to Lease and Guarantee Agreement Requiring Consent of Bondowners. Except for the amendment, changes or modifications as provided in Section 1101 hereof, and subject to the provisions of Section 1103 hereof, neither the MDA nor the Museum shall enter into any other amendment, change or modification of the Lease or Guarantee Agreement without the written consent of the City, and without mailing of notice to, and receipt of the written approval or consent of the Bondowners of not less than a majority of the aggregate principal amount of Bonds then Outstanding given and procured as provided in this Section 1102; provided, however, that nothing in this Section or Section 1101 hereof shall permit or be construed as permitting any change to the Guarantee Agreement which, in the reasonable judgment of the Trustee, materially adversely affects the security for the payment of the Bonds, without the consent of the Bondowners of all Bonds then Outstanding. In making such judgment, the Trustee may rely on the advice of Counsel. If at any time the MDA shall request

the consent of the Trustee to any such proposed amendment, change or modification of the Lease or Guarantee Agreement, the Trustee shall, at the request of the MDA and upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given to Bondowners in the same manner as provided by Section 604 hereof with respect to redemption of Bonds; provided, that the Trustee shall not be required to consent to any amendment that affects its rights or responsibilities hereunder or under the Lease or Guarantee Agreement. Such notice (which shall be prepared by either the Museum or the MDA) shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instruments modifying the same are on file with the Trustee for inspection by all Bondowners. If, within 60 days, or such longer period as shall be prescribed by the MDA, following the mailing of such notice, the owners of a majority of the aggregate principal amount of Bonds then Outstanding at the time of the execution of any such amendment, change or modification shall have consented to and approved the execution thereof as herein provided, no Bondowner shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Museum, the Trustee or the MDA from executing the same or from taking any action pursuant to the provisions thereof, or the Trustee from consenting thereto. The MDA shall have the right to extend from time to time the period within which such consent and approval may be obtained from Bondowners. Upon the execution of any such amendment, change or modification as in this Section 1102 permitted and provided, the Lease or the Guarantee Agreement, as the case may be, shall be and be deemed to be modified, changed and amended in accordance therewith.

If requested by the MDA, the Trustee shall, without the consent of the Bondowners but only after the written consent of both the Museum and the City have been obtained, permit a parity of lien on the Revenues pledged hereunder in order to secure additional indebtedness of the Museum.

Section 1103. Required Opinion of Bond Counsel. The MDA and the Trustee shall not enter into or consent to any amendment, change or modification to any one or more of the Lease or the Guarantee Agreement unless the MDA has received an opinion of Bond Counsel to the effect that such amendment will comply with this Article XI and not impair the exemption of the interest on the Bonds from federal income taxation. The MDA and the Trustee may rely upon any such opinion of Bond Counsel. Prior to the execution and delivery of any amendment, change or modification to the Lease or Guarantee Agreement, the Trustee shall send a copy of the proposed form thereof to each Rating Agency.

## ARTICLE XII

### DEFEASANCE

Section 1201. Defeasance. If the MDA or the Museum shall pay or cause to be paid, or make provisions for payment, to or for the Bondowners, of the principal of, premium, if any, and interest due or to become due on the Bonds at the times and in the manner stipulated therein, and if the MDA shall have kept, performed and observed all and singular the covenants and promises in the Bonds and in this Indenture expressed to be kept, performed and observed by it or on its part, and shall pay or cause to be paid to the Trustee all sums of money due or to become due

according to the provisions hereof, then this Indenture and the lien, rights, estate and interests created hereby shall cease, determine and become null and void (except as to any rights of registration, transfer or exchange of Bonds herein provided for, which shall survive), whereupon the Trustee shall take all such actions to cancel and discharge the lien of this Indenture and to terminate the trust created herein release, assign and deliver unto the MDA any and all the estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee or otherwise subject to this Indenture, except (a) moneys, obligations or securities held by the Trustee for the payment of the principal of, premium, if any, and interest on the Bonds, (b) any money in the Rebate Fund to pay the Rebate Amount, or (c) any other money remaining in any Fund or Account created pursuant to this Indenture, which money shall be delivered to the MDA or Museum, as agreed by the MDA and Museum.

Any Bond or portions thereof in Authorized Denominations shall, prior to the maturity or redemption thereof, be deemed to be paid and defeased within the meaning of this Indenture when:

(a) payment of the principal of, and premium, if any, on such Bonds or portion thereof, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in this Indenture, or otherwise), either: shall have been made or caused to be made in accordance with the terms of Section 202 hereof or shall have been provided for, by irrevocably depositing with the Trustee, in trust, and irrevocably setting aside exclusively for such payment any combination of money which shall be sufficient to make such payment when due and/or non-prepayable Government Obligations consisting of noncallable direct obligations of the United States purchased with such money maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient money to make such payment;

(b) the Trustee and the City shall have received a certificate in a form acceptable to the City from a firm of certified public accountants acceptable to the City that the money so deposited will be sufficient, to pay debt service on all Bonds to be paid with the deposit described in (a) above to the due date thereof;

(c) all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee;

(d) the Trustee and the City shall have received an opinion of Bond Counsel to the effect that all of the requirements of the Indenture for defeasance have been complied with and that such defeasance will not adversely impact the exclusion of interest from gross income for purposes of federal income tax on the Bonds; and

(e) the Trustee shall have given irrevocable notice of redemption or, if the date fixed for redemption is more than 60 after the date of deposit, the MDA shall have delivered to the Trustee and the Escrow Agent irrevocable instructions to give such notice of redemption.



A new certificate and opinion of the type specified in clauses (b) and (d) of the preceding sentence shall be provided to the Trustee and the City in the event any substitute securities are provided to the Trustee.

At such time as a Bond or portion thereof shall be deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of Sections 203, 207 and 311 hereof and shall be payable only from such money or Government Obligations.

Any money so deposited with the Trustee as provided in this Article XII may at the direction of the MDA be invested and reinvested in non-callable, non-prepayable Government Obligations consisting of noncallable direct obligations of the United States maturing in the amounts and at the times as hereinbefore set forth, and all income from all such Government Obligations in the hands of the Trustee pursuant to this Article XII which is not required (based upon a verification provided by a firm of certified public accountants) for the payment of the Bonds and interest thereon with respect to which such money shall have been so deposited, shall be deposited in the Debt Service Fund as and when realized and collected for use and application as are other money deposited in that Fund.

Notwithstanding any provisions of any other article of this Indenture which may be contrary to the provisions of this Article XII, all such money or Government Obligations set aside and held in trust pursuant to the provisions of this Article XII and for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereon, if any) with respect to which such moneys and Government Obligations have been so set aside in trust.

Anything in Article X hereof to the contrary notwithstanding, if such money or noncallable Government Obligations consisting of noncallable direct obligations of the United States have been deposited or set aside with the Trustee pursuant to this Article XII for the payment of Bonds and interest and premium, if any, thereon and such Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this Article XII shall be made without the consent of the Registered Owner of each Bond affected thereby.

## ARTICLE XIII

### MISCELLANEOUS

Section 1301. Consents, Etc., of Bondowners. Any consent, approval, direction or other instrument required by this Indenture to be signed and executed by the Bondowners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed in writing. Proof of the execution of any such consent, approval, direction or other instrument or of the writing appointing any such agent, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) the fact and date of the execution by any Person of any such instrument or writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the Person signing such instrument or writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution; and;

(b) the fact of ownership of Bonds and the amount or amounts, numbers and other identification of such Bonds, and the date of holding the same shall be proved by the registration books maintained by the Trustee pursuant to Section 203 hereof.

Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Bondowner of any Bonds shall be conclusive and binding upon all future Bondowners of the same Bonds and upon Bonds issued in exchange therefor or upon transfer or in place thereof.

Section 1302. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the City, the Museum and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect to this Indenture. This Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties hereto, the Bondowners, the City, and the Museum as herein provided.

Section 1303. Severability. If any provision of this Indenture shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Indenture contained, shall not affect the remaining portions of this Indenture, or any part thereof.

Section 1304. Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed given (except for notices to the Lockbox Agent, which shall be deemed given only when actually received) using the notice addresses in this section: (a) for all communications 10 or fewer pages in length (including any transmittal cover sheet), on the Business Day on which the same have been transmitted by facsimile or electronic mail with a telephone call immediately to follow confirming receipt, with a hard copy to follow via a commercial messenger or courier service that guarantees next day delivery, or (b) for all other communications, on the Business Day following the day on which the same have been sent using same day or overnight delivery via a commercial messenger or courier service that guarantees next day delivery.

If to the Authority: Museum Development Authority of Seattle  
1300 First Avenue  
Seattle, WA 98101  
Attn: Chair  
Telephone: (206) 344-5272  
Fax: (206) 654-3135

If to the Museum: Seattle Art Museum  
1300 First Avenue  
Seattle, WA 98101  
Attn: Chief Financial Officer  
Telephone: (206) 654-3150  
Fax: (206) 654-3135

If to the City: The City of Seattle  
Department of Finance  
600 Fourth Avenue, Sixth Floor  
Seattle, WA 98124-4747  
Attn: Director  
Telephone: (206) 684-8347  
Fax: (206) 684-8534

If to the Lockbox Agent: U.S. Bank National Association  
1420 Fifth Avenue, 7<sup>th</sup> Floor  
Seattle, WA 98101  
Attn: Corporate Trust Services  
Telephone: (206) 344-4681  
Fax: (206) 344-4630

If to the Trustee: U.S. Bank National Association  
1420 Fifth Avenue, 7<sup>th</sup> Floor  
Seattle, WA 98101  
Attn: Corporate Trust Services  
Telephone: (206) 344-4681  
Fax: (206) 344-4630

To Rating Agencies: Moody's Investors Service  
99 Church Street  
New York, New York 10007  
Telephone: (212) 553-4441  
Facsimile: (212) 553-4090

Standard & Poor's Ratings Services, a Standard &  
Poor's Financial Services LLC business unit  
55 Water Street  
New York, New York 10041  
Attention: Manager, Municipal Finance  
Department

A duplicate copy of each notice, certificate or other communication given hereunder by one party to another party shall also be given to the others named in this Section 1304. All other

documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 1305. Payments Due on Other Than Business Days. In any case where the date of payment of principal, premium, if any, or interest on the Bonds or the date fixed for redemption of any Bonds or for performing any act shall be a day other than a Business Day, then payment of interest or principal and premium, if any or performance of such act, need not be made on such date but may be made or performed on the next succeeding Business Day with the same force and effect as if it had been made on the date scheduled for payment or performance.

Section 1306. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 1307. Applicable Law. This Indenture shall be governed by and construed in accordance with the laws of the State of Washington.

Section 1308. Interpretation. Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondowners will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Bondowners without regard to the Guarantee Agreement.

The Trustee shall not be permitted to resolve ambiguities in the Guarantee Agreement in any manner that shall be deemed to be conclusively binding on Bondowners without the consent of the City. The City shall receive notice of any proposed meetings of Bondowners held under the Indenture and shall be given the opportunity to attend and participate in the same.

Any legal opinions rendered to any party to this Indenture as to compliance with or interpretation of, the provisions hereof, shall also be provided to the City.

Section 1309. Captions. The captions or headings in this Indenture are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or sections of this Indenture.

Section 1310. Compliance Certificates and Opinions. Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall, if applicable, comply with Section 714 hereof and shall include:

(a) a statement that the Person or Persons making such certificate or opinion have read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether or not, in the opinion of the signers, such condition or covenant has been complied with.

Section 1311. Conflict with Indenture Act. If this Indenture is required to be qualified under the Indenture Act and any provision of the Indenture Act which limits, qualifies or conflicts with another provision hereof is required to be included in this Indenture by any of the provisions of the Indenture Act, such required provision shall control.

Section 1312. Successors. Whenever in this Indenture either the MDA or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the MDA or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 1313. Records. The Trustee shall hold in safekeeping, for seven years after no Bonds remain outstanding, all documents delivered to it by the MDA all documents and records with respect to the Bonds.

Section 1314. Compliance with Secondary Disclosure Requirements of the Securities and Exchange Commission. On the date of Bond Closing, the MDA shall enter into a Continuing Disclosure Undertaking for the benefit of the holders of the Bonds as required by United States Securities and Exchange Commission (the “SEC”) Rule 15c2-12 (the “Rule”). For purposes of this undertaking, the term “holders of the Bonds” shall have the meaning intended for such term under the Rule.

Section 1317. City Rights. The rights of the City specified hereunder, including without limitation any rights to consent or to direct action, may be exercised and shall be recognized only if no City Default under the Guarantee Agreement has occurred and is continuing.

IN WITNESS WHEREOF, the Museum Development Authority of Seattle has caused these presents to be signed in its name and its seal to be hereunto affixed and attested by its duly authorized officers, respectively, and U.S. Bank National Association, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its name by its duly authorized officer, respectively, all as of the day and year first above written.

MUSEUM DEVELOPMENT  
AUTHORITY OF SEATTLE

By \_\_\_\_\_  
Chair

[SEAL]

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By \_\_\_\_\_  
Vice President



EXHIBIT A

FORM OF 2014 BOND

[Form of 2014 Bond]

STATE OF WASHINGTON

MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE  
SPECIAL OBLIGATION REFUNDING BOND, 2014

NO. \_\_\_\_\_ CUSIP NO. \_\_\_\_\_  
DATED DATE: \_\_\_\_\_, 2014  
MATURITY DATE: \_\_\_\_\_  
INTEREST RATE: \_\_\_\_\_ %  
REGISTERED OWNER: CEDE & CO.  
PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THE MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE, a public corporation chartered by The City of Seattle (the "MDA"), for value received, hereby promises to pay to the Registered Owner identified above, or registered assigns, but solely from the sources and in the manner hereinbelow provided, on the Maturity Date specified above, unless this Bond shall have been duly called for prior redemption and payment of the redemption price hereof shall have been duly made or provided for, the Principal Amount set forth above and to pay to such Registered Owner from such sources interest thereon from the later of the date hereof or the most recent date to which interest has been paid or made available for payment, at the rate per annum equal to the Interest Rate stated above, on April 1 and October 1 of each year, commencing October 1, 2014 (each, an "Interest Payment Date" as defined in the Indenture). Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of, premium, if any, and interest on the Bonds (as hereinbelow defined) shall be payable in lawful money of the United States of America.

The principal of this Bond and premium, if any, are payable, upon presentation and surrender hereof, at the corporate trust office (the "Principal Office") designated in writing by U.S. Bank National Association or its successor, as trustee (the "Trustee") under the Indenture of Trust dated as of April 1, 2014 (the "Indenture"), between the MDA and the Trustee. Payment of interest on this Bond shall be made to the Registered Owner hereof by check or draft mailed on the Interest Payment Date to the person in whose name this Bond is registered on close of business on the fifteenth calendar day of the month preceding the applicable Interest Payment Date (the "Record Date"), at the address of such Registered Owner shown on the registration books of the Trustee. If the Interest Payment Date is not a Business Day, the payment due on such date shall be made on the next Business Day. Payment of interest on the Bonds may, at the option of any Registered Owner of an aggregate principal amount of at least \$1,000,000 be



transmitted by wire transfer to such owner to the bank account number within the United States designated to the Trustee in writing on or before the Record Date and shall be made by Automatic Clearinghouse Transfers at no cost to the Owner in next day funds if such Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number in a bank within the United States.

**For so long as the Bonds of this issue are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company referred to in the Blanket Issuer Letter of Representations from the MDA to The Depository Trust Company.**

All capitalized terms used but not defined herein shall have the meanings given in the Indenture.

This Bond is one of the MDA's Special Obligation Refunding Bonds, 2014, in the aggregate principal amount of \$44,375,000 (the "Bonds"), issued under and pursuant to the Constitution and laws of the State of Washington, particularly RCW 35.21.730 et seq. and Seattle Municipal Code Ch. 3.110 (Ordinance 103387, as amended), and a resolution duly adopted by the MDA. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security for the Bonds, of the rights, duties and immunities of the Trustee and of the rights and obligations of the MDA thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are being issued in order to provide funds to advance refund and defease certain outstanding special obligation bonds of the MDA and to pay costs of issuing the Bonds.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof, except as otherwise provided in the Indenture. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations, as defined in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same maturity and of Authorized Denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The MDA and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the MDA and the Trustee shall not be affected by any notice to the contrary.

The Bonds are subject to optional redemption prior to their stated maturity as described in the Indenture.

The Indenture contains provisions permitting the MDA and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

No officer, agent or employee of the MDA, and no officer, official, agent or employee of the State of Washington, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture unless this Bond is authenticated by the Trustee, as Bond Registrar, by the due execution of the Trustee's certificate endorsed hereon.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

***The MDA is not acting as the agent of the City or the Museum and its obligations under the Indenture and the Bonds do not constitute obligations of the Museum (except as set forth in the Lease), the City or any entity other than the MDA.*** The MDA is organized pursuant to Seattle Municipal Code (SMC) 3.110 and 35.21.730-.755. RCW 35.21.750 provides as follows: “[A]ll liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or other person shall have any right of action against the city, town, or county creating such corporation, commission, or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority. The City’s obligation under the First Supplement to Guarantee Agreement to make advances into the Reserve Account under certain circumstances described therein is an obligation of the City for the benefit of the Authority and the Bondowners and is not limited by this provision of RCW 35.21.750.

IN WITNESS WHEREOF, the Museum Development Authority of Seattle has caused this Bond to be executed with the manual or facsimile signature of its Chair and its corporate seal or a facsimile thereof to be hereunto affixed and to be signed and attested manually or by facsimile by its councilmember, all as of the Dated Date set forth above.

MUSEUM DEVELOPMENT  
AUTHORITY OF SEATTLE

By \_\_\_\_\_  
Chair

(SEAL)

Attest:

\_\_\_\_\_  
Councilmember

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date: \_\_\_\_\_

U.S. Bank National Association,  
as Trustee and Bond Registrar

By \_\_\_\_\_  
Authorized Officer

The following abbreviations, when used in the inscription on the Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common

TEN ENT — as tenants by the entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT (TRANSFERS) MIN ACT -

\_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

under Uniform Gifts (Transfers) to Minors Act

\_\_\_\_\_  
(State)

Additional abbreviations may also be used, though not in the above list.

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**FIRST SUPPLEMENTAL INDENTURE OF TRUST**

between

**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**

Dated as of July 1, 2024

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**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE**

\$\_[\_\_\_\_\_]

**SPECIAL OBLIGATION REFUNDING BONDS, 2024**

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## FIRST SUPPLEMENTAL INDENTURE OF TRUST

THIS FIRST SUPPLEMENTAL INDENTURE OF TRUST (the “Supplemental Indenture”), is made and dated as of July 1, 2024, by and between the MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE (the “MDA”), a public corporation chartered by The City of Seattle (the “City”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, as successor in interest to U.S. Bank National Association, as Trustee (together with any successor trustee and any separate or co-trustee serving as such pursuant to the Indenture, the “Trustee”).

### WITNESSETH:

WHEREAS, the MDA has been duly constituted pursuant to RCW 35.21.730 *et seq.* and Seattle Municipal Code Ch. 3.110 (Ordinance 103387, as amended) (together, the “Act”); and

WHEREAS, the public purpose of the MDA pursuant to its Charter includes undertaking, assisting with and otherwise facilitating the development and operation of a public art museum in downtown Seattle; and

WHEREAS, the downtown public art museum (the “Leased Premises”) is leased to the Seattle Art Museum (the “Museum”), a Washington nonprofit corporation described under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the MDA previously issued its Special Obligation Refunding Bonds, 2014 (the “2014 Bonds”), to refinance bonds issued to finance capital improvements to the Leased Premises pursuant to an Indenture of Trust dated as of April 1, 2014, by and between MDA and the Trustee (the “Original Indenture” and, together with this Supplemental Indenture, the “Indenture”); and

WHEREAS, pursuant to Sections 211 and 1002 of the Original Indenture, the MDA may, without the consent of Bondowners but with the written consent of the City, supplement the Original Indenture to provide for Additional Bonds to (ii) refund all or any portion of the 2014 Bonds, (ii) make a deposit to the Reserve Account, if necessary, and (iii) pay the costs associated with issuing such Additional Bonds; and

WHEREAS, on March 27, 2024, the MDA adopted Resolution No. 24-1 (the “Resolution”), authorizing the issuance of its Special Obligation Refunding Bonds, 2024 (the “Bonds”), for the purpose of refunding, on a current basis, the 2014 Bonds, to be issued as Additional Bonds under the Original Indenture; and

WHEREAS, in accordance with the Original Indenture and the Resolution, the MDA wishes to authorize and approve the sale of the Bonds and the final principal maturity amount, interest rates, and redemption rights for the Bonds, all as set forth herein; and

WHEREAS, in connection with the issuance of the Bonds, (i) the MDA and the Museum have executed a Second Amendment to Lease dated as of [July 1], 2024, relating to the Leased

Premises and requiring the Museum to make rent payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on the Bonds, and (ii) the MDA, City, Trustee, Museum, and U.S. Bank Trust Company, National Association, as Lockbox Agent, have executed a Third Amended and Restated Guarantee and Reimbursement Agreement dated as of [July 1], 2024, confirming the City's obligation to replenish the Reserve Account when and to the extent necessary in order to guarantee the timely payment of the principal and interest on the Bonds;

NOW, THEREFORE, the MDA does hereby covenant to and agree with the Trustee, for the benefit of the Owners from time to time of the Bonds authorized herein, as follows:

## ARTICLE I

### DEFINITIONS; INTERPRETATION; BOND TERMS

SECTION 1.01. Definitions and Interpretation. Words and terms defined in the Original Indenture shall have the same meanings when used herein, unless the context or use clearly indicates another meaning or intent. In addition, the words and terms set forth in this Section 1.01 shall have the meanings set forth herein unless the context or use clearly indicates another meaning or intent. As used herein, the following terms shall have the following meanings:

***Bond Purchase Contract*** means the Bond Purchase Contract between the MDA and the Underwriter relating to the purchase of the Bonds.

***Bonds*** means the "Museum Development Authority of Seattle Special Obligation Refunding Bonds, 2024" issued in the aggregate principal amount of \$[ ] pursuant to the terms of the Original Indenture, the Resolution, and this Supplemental Indenture.

***Closing Memorandum*** means the closing memorandum prepared in connection with the issuance of the Bonds and approved by a designated representative of the MDA.

***Code*** means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

***Guarantee Agreement*** means the Third Amended and Restated Guarantee and Reimbursement Agreement dated as of [July 1], 2024, by and among the MDA, City, Trustee, Museum, and U.S. Bank Trust Company, National Association, as Lockbox Agent.

***Lease*** means the Lease for the Downtown Seattle Art Museum Property and Expansion Project, by and between the MDA and the Museum, dated as of October 6, 2005, as amended by the Amendment to Lease dated April 29, 2014, as further amended by the Second Amendment to Lease dated as of [July 1], 2024.

**Project** means the refunding, on a current basis, of all of the 2014 Bonds.

**Resolution** means Resolution No. 2024-1 adopted by the MDA on March 27, 2024, as it may be amended and supplemented from time to time in accordance with its terms.

**Underwriter** means Raymond James and Associates as the underwriter for the Bonds.

**2014 Bonds** means the Museum Development Authority of Seattle Special Obligation Refunding Bonds, 2014 in the original principal amount of \$44,375,000 issued pursuant to the terms of the Original Indenture.

SECTION 1.02. Authorization of the Bonds. For the purpose of financing the costs of the Project and paying related costs of issuance, the MDA hereby authorizes the issuance and sale of the Bonds as provided in the Indenture.

SECTION 1.03. Bond Details.

(a) **Bonds.** The Bonds shall be issued in the aggregate principal amount of \$[ ] and shall be designated the “Museum Development Authority of Seattle Special Obligation Refunding Bonds, 2024.” The Bonds shall be in denominations of \$5,000 or any integral multiple thereof within a single maturity; shall be numbered separately, in the manner and with any additional designation as the Trustee deems necessary for purpose of identification; shall bear interest from their Date of Issue (computed on the basis of a 360-day year consisting of twelve 30-day months), payable semiannually on each April 1 and October 1, commencing October 1, 2024, to the maturity or prior redemption of the Bonds. The Bonds shall mature on the following dates in the following years in the following amounts and bear interest at the following rates per annum:

<u>Date (April 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
	\$	%

If any Bond is duly presented for payment upon maturity and is not paid, then interest thereon shall continue to accrue thereafter at the rate stated therein until such Bond is paid. The Bonds shall conform in all other respects to the terms and conditions set forth in the Original Indenture, except as expressly provided herein.

(b) **Conditions of Issuance.** At any time after the execution of this Agreement, the MDA may execute and, upon satisfaction of the conditions set forth in this Section, the Trustee shall authenticate and, upon request of the MDA, deliver the Bonds. Prior to the authentication and delivery of any Bonds by the Trustee, there shall have been filed with the Trustee the documents as set forth in Section 211 of the Original Indenture.



SECTION 1.04. Priority of the Bonds; Pledge and Security and Sources of Payment.

(a) *Priority of the Bonds.* The Bonds shall be secured by the Trust Estate on a parity with the 2014 Bonds pursuant to the terms of the Indenture.

(b) *Limited Obligations.* The Bonds shall not in any manner or to any extent constitute general obligations of the City or of the State, or of any political subdivision of the State or the City. All liabilities incurred by the MDA shall be satisfied exclusively from the assets and properties of the MDA and no creditor or other person shall have any right of action against the City on account of any debts, obligations, or liabilities of the MDA.

(c) *Reserve Account.* The Original Indenture provides for the creation of the Reserve Account to be held by the Trustee. The Reserve Account secures the 2014 Bonds and will secure any Additional Bonds (specifically including the Bonds) issued for refunding purposes under the Indenture. The MDA shall continue to maintain in the Reserve Account money and investments equal to the Reserve Requirement pursuant to the terms of the Original Indenture. Immediately upon receipt, the Trustee shall deposit into the Reserve Account: (1) all Reserve Deposits (including, but not limited to, amounts paid by the Museum under the Lease for deposit to the Reserve Account); (2) any advance by the City pursuant to the Guarantee Agreement; and (3) all other money required to be transferred to or deposited in the Reserve Account pursuant to any provision of the Lease, the Guarantee Agreement, or the Original Indenture.

(d) *The Bonds are Additional Bonds for Refunding Purposes.* The Bonds are Additional Bonds to be issued pursuant to the Original Indenture.

The Trustee shall authenticate and deliver the Bonds, but only upon receipt of the following:

(1) A certificate of the Authority stating that the annual debt service on the Bonds will not exceed the annual debt service on the 2014 Bonds;

(2) The Lease requiring the Museum to make rent payments in amounts and at times sufficient to pay the principal of and premium, if any, and interest on all Bonds to be issued when due or upon the prior redemption thereof; and the Guarantee Agreement confirming the City's obligation to replenish the debt service reserve account for the Bonds when and to the extent necessary in order to guarantee the timely payment of the principal of and interest on all Bonds to be issued;

(3) An Opinion of Bond Counsel to the effect that upon issuance of such Bonds, the 2014 Bonds to be refunded with proceeds of the Bonds will no longer be Outstanding; and

(4) A written request by the MDA, and written consent of both the Museum and the City, that the Bonds be issued as Additional Bonds under the Original Indenture, permitting a parity of lien on the Revenues in order to secure additional indebtedness of the Museum.

(e) *No Acceleration.* The Bonds shall not be subject to acceleration of principal due prior to maturity.

SECTION 1.05. Redemption.

(a) *Optional Redemption.* The Bonds are not subject to optional redemption prior to maturity.

SECTION 1.06. Debt Service Schedule. The debt service schedule for the Bonds is attached hereto as Exhibit A, which is incorporated herein by this reference.

SECTION 1.07. Form of Bonds; Execution of Bonds.

(a) *Form of Bonds.* The Bonds shall be in substantially the form set forth in Exhibit B attached hereto, which is incorporated herein by this reference.

(b) *Execution of Bonds.* The Bonds shall be executed on behalf of the MDA with the manual or facsimile signatures of its Chair and its corporate seal or a facsimile thereof, attested manually or by facsimile by its councilmember.

In case any officer who shall have executed the Bonds shall cease to be an officer or officers of the MDA before the Bonds so signed shall have been authenticated or delivered by the Trustee, or issued by the MDA, such Bonds may nevertheless be authenticated, delivered and issued, and upon such authentication, delivery and issuance, shall be as binding upon the MDA as though those who signed the same had continued to be such officers of the MDA. Any Bond also may be signed and attested on behalf of the MDA by such persons as at the actual date of execution of such Bond shall be the proper officers of the MDA although at the original date of such Bond any such person shall not have been such officer of the MDA.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form provided herein, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

## ARTICLE II

### DISPOSITION OF PROCEEDS

SECTION 2.01. Refunding Plan. The MDA will use a portion of the proceeds of the Bonds to defease and refund on a current basis all of the outstanding 2014 Bonds for aggregate debt service savings pursuant to an escrow deposit agreement by and between the MDA and U.S. Bank Trust Company, National Association, as Escrow Agent, to provide for the refunding of the 2014 Bonds and the payment of bond issuance costs.

## ARTICLE III

### COVENANTS AND AGREEMENTS

SECTION 3.01. General Covenants. For so long as the Bonds remain Outstanding, the MDA covenants and agrees for the benefit of the Owners of the Bonds to comply with the covenants set forth in the Original Indenture and to execute, deliver and comply with the Continuing Disclosure Undertaking dated as of the date hereof in connection with the Bonds.

SECTION 3.02. Tax Covenants.

(a) *Tax Status.* The Bonds shall be issued as Tax-Exempt Bonds under the terms of the Original Indenture.

(b) *Covenants.* The MDA will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds, including but not limited to the covenants set forth in the MDA Resolution.

## ARTICLE IV

### MISCELLANEOUS

SECTION 4.01. Successor Is Deemed Included in All References to Predecessor. Whenever in this Supplemental Indenture either the MDA or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Supplemental Indenture contained by or on behalf of the MDA and the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 4.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Supplemental Indenture or the Bonds is intended or shall be construed to give to any Person other than the parties hereto, the City, the Museum and the Owners of the Bonds any legal or equitable right, remedy or claim under or in respect to this Supplemental Indenture. This Supplemental Indenture and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the parties hereto, the Bondowners, the City, and the Museum as herein provided.

SECTION 4.03. Severability of Invalid Provisions. If any provision of this Supplemental Indenture shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of

rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses or Sections in this Supplemental Indenture contained, shall not affect the remaining portions of this Supplemental Indenture, or any part thereof.

SECTION 4.04. Applicable Law. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of Washington.

SECTION 4.05. Counterparts. This Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[Signatures follow]*

IN WITNESS WHEREOF, the Museum Development Authority of Seattle has caused this Supplemental Indenture to be signed in its name by its duly authorized officer, and U.S. Bank Trust Company, National Association, in accepting the trusts created hereunder, has caused this Supplemental Indenture to be signed in its corporate name by its officer thereunder duly authorized, all as of the day and year first above written.

MUSEUM DEVELOPMENT  
AUTHORITY OF SEATTLE

By \_\_\_\_\_  
Chair

[SEAL]

U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION, as Trustee

By \_\_\_\_\_  
[ ]

**Exhibit A**

**Debt Service Schedule**

**Exhibit B**

**Form of Bond**

STATE OF WASHINGTON

MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE  
SPECIAL OBLIGATION REFUNDING BOND, 2024

NO. \_\_\_\_\_ CUSIP NO. \_\_\_\_\_  
DATED DATE: \_\_\_\_\_, 2024  
MATURITY DATE: \_\_\_\_\_  
INTEREST RATE: \_\_\_\_\_ %  
REGISTERED OWNER: CEDE & CO.  
PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THE MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE, a public corporation chartered by The City of Seattle (the “MDA”), for value received, hereby promises to pay to the Registered Owner identified above, or registered assigns, but solely from the sources and in the manner hereinbelow provided, on the Maturity Date specified above, unless this Bond shall have been duly called for prior redemption and payment of the redemption price hereof shall have been duly made or provided for, the Principal Amount set forth above and to pay to such Registered Owner from such sources interest thereon from the later of the date hereof or the most recent date to which interest has been paid or made available for payment, at the rate per annum equal to the Interest Rate stated above, on April 1 and October 1 of each year, commencing October 1, 2024 (each, an “Interest Payment Date” as defined in the Indenture). Interest on this Bond shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of, premium, if any, and interest on the Bonds (as hereinbelow defined) shall be payable in lawful money of the United States of America.

The principal of this Bond and premium, if any, are payable, upon presentation and surrender hereof, at the corporate trust office (the “Principal Office”) designated in writing by U.S. Bank Trust Company, National Association or its successor, as trustee (the “Trustee”) under the Indenture of Trust dated as of April 1, 2014 (the “Original Indenture”), as supplemented by the First Supplemental Indenture of Trust dated as of [July 1], 2024 (the “Supplemental Indenture” and, together with the Original Indenture, the “Indenture”), between the MDA and the Trustee. Payment of interest on this Bond shall be made to the Registered Owner hereof by check or draft mailed on the Interest Payment Date to the person in whose name this Bond is registered on close of business on the fifteenth calendar day of the month preceding the applicable Interest Payment Date (the “Record Date”), at the address of such Registered Owner shown on the registration books of the Trustee. If the Interest Payment Date is not a Business Day, the payment due on such date shall be made on the next Business Day. Payment of interest on the Bonds may, at the option of any Registered Owner of an aggregate principal amount of at

least \$1,000,000 be transmitted by wire transfer to such owner to the bank account number within the United States designated to the Trustee in writing on or before the Record Date and shall be made by Automatic Clearinghouse Transfers at no cost to the Owner in next day funds if such Owner shall have requested in writing payment by such method and shall have provided the Trustee with an account number in a bank within the United States.

**For so long as the Bonds of this issue are in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company referred to in the Blanket Issuer Letter of Representations from the MDA to The Depository Trust Company.**

All capitalized terms used but not defined herein shall have the meanings given in the Indenture.

This Bond is one of the MDA's Special Obligation Refunding Bonds, 2024, in the aggregate principal amount of \$[ ] (the "Bonds"), issued under and pursuant to the Constitution and laws of the State of Washington, particularly RCW 35.21.730 et seq. and Seattle Municipal Code Ch. 3.110 (Ordinance 103387, as amended), and a resolution duly adopted by the MDA. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security for the Bonds, of the rights, duties and immunities of the Trustee and of the rights and obligations of the MDA thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds are being issued in order to provide funds to currently refund and defease certain outstanding special obligation refunding bonds of the MDA and to pay costs of issuing the Bonds.

The Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof, except as otherwise provided in the Indenture. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Principal Office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations, as defined in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person, or by its attorney duly authorized in writing, at the Principal Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of the same maturity and of Authorized Denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange herefor. The MDA and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the MDA and the Trustee shall not be affected by any notice to the contrary.

The Bonds are not subject to optional redemption prior to their stated maturity.



The Indenture contains provisions permitting the MDA and the Trustee to execute supplemental indentures adding provisions to, or changing or eliminating any of the provisions of, the Indenture, subject to the limitations set forth in the Indenture.

No officer, agent or employee of the MDA, and no officer, official, agent or employee of the State of Washington, nor any person executing this Bond, shall in any event be subject to any personal liability or accountability by reason of the issuance of the Bonds.

This Bond shall not be valid or obligatory for any purpose or be entitled to any benefit under the Indenture unless this Bond is authenticated by the Trustee, as Bond Registrar, by the due execution of the Trustee's certificate endorsed hereon.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

***The MDA is not acting as the agent of the City or the Museum and its obligations under the Indenture and the Bonds do not constitute obligations of the Museum (except as set forth in the Lease), the City or any entity other than the MDA.*** The MDA is organized pursuant to Seattle Municipal Code (SMC) 3.110 and 35.21.730-.755. RCW 35.21.750 provides as follows: “[A]ll liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or other person shall have any right of action against the city, town, or county creating such corporation, commission, or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority. The City’s obligation under the Third Amended and Restated Guarantee and Reimbursement Agreement to make advances into the Reserve Account under certain circumstances described therein is an obligation of the City for the benefit of the Authority and the Bondowners and is not limited by this provision of RCW 35.21.750.

IN WITNESS WHEREOF, the Museum Development Authority of Seattle has caused this Bond to be executed with the manual or facsimile signature of its Chair and its corporate seal or a facsimile thereof to be hereunto affixed and to be signed and attested manually or by facsimile by its councilmember, all as of the Dated Date set forth above.

MUSEUM DEVELOPMENT  
AUTHORITY OF SEATTLE

By \_\_\_\_\_

Chair

(SEAL)

Attest:

\_\_\_\_\_

Councilmember

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and has been registered on this date: \_\_\_\_\_

U.S. Bank Trust Company, National Association,  
as Trustee and Bond Registrar

By \_\_\_\_\_  
Authorized Officer

The following abbreviations, when used in the inscription on the Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common

TEN ENT — as tenants by the entireties

JT TEN — as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT (TRANSFERS) MIN ACT -

\_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

under Uniform Gifts (Transfers) to Minors Act

\_\_\_\_\_  
(State)

Additional abbreviations may also be used, though not in the above list.

**APPENDIX H**

**PROPOSED FORM OF BOND COUNSEL OPINION**

\_\_\_\_\_, 2024

Museum Development Authority of Seattle  
Seattle, Washington

Re: Museum Development Authority of Seattle  
Special Obligation Refunding Bonds, 2024 — \$ \_\_\_\_\_

To the Addressee:

We have acted as bond counsel to the Museum Development Authority (the “Authority”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Authority of its Special Obligation Refunding Bonds, 2024 (the “Bonds”), in the aggregate principal amount of \$ \_\_\_\_\_ to defease and refund on a current basis all of the outstanding Museum Development Authority of Seattle Special Obligation Refunding Bonds, 2014, and to pay costs of issuance.

The Bonds have been authorized pursuant to RCW 35.21.730 *et seq.* and Seattle Municipal Code 3.110.420, as amended (together, the “Act”), a resolution of the Authority adopted on March 27, 2024 (the “Resolution”), and the Indenture of Trust dated of April 1, 2014, as supplemented by the First Supplemental Indenture of Trust dated as of July 1, 2024 (as supplemented, the “Indenture”) between the Authority and the Trustee. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

The Bonds are special limited obligations of the Authority. The principal of, redemption premium, if any, and interest on the Bonds are payable solely from and secured by a pledge of the Trust Estate under the Indenture, which includes certain moneys (including amounts received pursuant to the Lease and the Guarantee Agreement), securities and earnings held in the funds and accounts created under the Indenture and pledged to the Bonds. Pursuant to the Guarantee Agreement, the Museum and the City have agreed to replenish the Reserve Account for the Bonds.

The Bonds are not subject to redemption prior to their stated dates of maturity.

As to questions of fact material to our opinion, we have relied on representations of the Authority and the Museum contained in the Indenture and the Lease and other certified proceedings and certifications of officials of the Authority and others furnished to us without undertaking to verify such representations and certifications by independent investigation. In rendering the following opinion we have relied upon the representations of the Museum to conclude that the Museum is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). In addition, in rendering this opinion, we have relied upon representations of the Museum concerning the Museum’s “unrelated trade or business” activities, as defined in Section 513(a) of the Code.

We have examined executed counterparts of the Lease, the Guarantee Agreement, the Indenture, Tax Agreement and such other documents, rules, regulations or other matters as we have deemed relevant in arriving at the opinion stated below.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been duly authorized, executed and delivered, constitute legal, valid and binding special obligations of the Authority in accordance with their terms and are entitled to the benefits and security provided by the Indenture.

2. The Indenture has been duly authorized, executed and delivered and creates the valid pledge and assignment of the Trust Estate, which includes certain revenues, other money and securities, funds, accounts, guarantees, insurance and other items held by the Trustee under the Indenture, which it purports to create to pledge and assign and/or support the principal of, redemption premium, if any, and interest on the Bonds, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority and the Museum must comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority and the Museum have covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

The Authority has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

These opinions are based on existing law and we assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

With respect to the opinions expressed herein, the enforceability of rights and obligations under the Bonds, the Indenture, the Resolution, the Tax Agreement, the Guarantee Agreement, and the Lease and against the assets pledged by the Indenture are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

PACIFICA LAW GROUP LLP

## APPENDIX I

### BOOK-ENTRY ONLY SYSTEM

*The following information has been provided by DTC. The Authority and the Museum make no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike through~~ has been deleted as permitted by DTC as it does not pertain to the 2024 Bonds.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for ~~[each issue of]~~ the Securities, ~~[each]~~ in the aggregate principal amount of such issue, and will be deposited with DTC. ~~[If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]~~

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

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

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

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

~~[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]~~

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

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

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

**APPENDIX J**

**FORM OF THIRD AMENDED AND RESTATED GUARANTEE AND REIMBURSEMENT  
AGREEMENT (EXCEPT EXHIBITS)**

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**FORM OF  
THIRD  
AMENDED AND RESTATED  
GUARANTEE AND REIMBURSEMENT AGREEMENT**

**by and among  
THE CITY OF SEATTLE  
and  
THE MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE  
and  
THE SEATTLE ART MUSEUM  
and  
U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
as Bond Trustee  
and  
U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
as Lockbox Agent**

**Museum Development Authority of Seattle  
\$ \_\_\_ Special Obligation Refunding Bonds, 2024  
(refunding its Special Obligation Bonds, 2014,  
which refunded its Special Obligation Bonds, 2005)**

Dated as of November 1, 2005  
and amended and restated as of October 1, 2007  
and amended and restated as of April 29, 2014  
and amended and restated as of July 31, 2024

*This document prepared by:  
Stradling Yocca Carlson & Rauth LLP  
601 Union Street, Suite 2424  
Seattle, Washington 98101*

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**THIRD AMENDED AND RESTATED  
GUARANTEE AND REIMBURSEMENT AGREEMENT**

relating to the

**Museum Development Authority of Seattle  
\$ \_\_\_ Special Obligation Refunding Bonds, 2024  
(refunding its Special Obligation Bonds, 2014,  
which refunded its Special Obligation Bonds, 2005)**

This **GUARANTEE AND REIMBURSEMENT AGREEMENT** (“Agreement”), originally dated as of November 1, 2005, as amended and restated effective as of October 1, 2007, as amended by the Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of April 29, 2014, and as subsequently amended and restated by this Third Amended and Restated Guarantee and Reimbursement, dated as of July 31, 2024, is entered into by and among THE CITY OF SEATTLE (the “City”), a first class city organized under the laws of the State of Washington; the MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE (the “Authority”), a public corporation chartered by the City to provide for the management and operation of a public art museum facility; the SEATTLE ART MUSEUM (the “Museum”), a Washington nonprofit corporation and an entity described under Section 501(c)(3) of the Code; U.S. Bank Trust Company, National Association, in its capacity as Trustee (the “Bond Trustee”) for the benefit of the owners of the Authority’s Special Obligation Refunding Bonds, 2024 (the “Bonds”) issued to refund its Special Obligation Bonds, 2014, and U.S. Bank Trust Company, National Association, in its capacity as Lockbox Agent, as defined below.

The City, the Authority, the Museum, the Bond Trustee and the Lockbox Agent agree as follows:

**ARTICLE 1.  
Recitals**

The following facts and circumstances form the background of this Agreement:

1. The City, by Ordinance 112923, passed July 7, 1986, determined that a public art museum in downtown Seattle would make the considerable collections of the Seattle Art Museum, a Washington nonprofit corporation (the “Museum”), more accessible to the public; would provide a facility capable of hosting major touring exhibitions; would include space needed for the Museum’s educational, administrative and curatorial activities; and would contribute to the economic viability and attractiveness of downtown Seattle.

2. The City chartered the Authority pursuant to RCW 35.21.730, et seq. and Seattle Municipal Code (SMC) Chapter 3.110 (Ordinance 103387, as amended) to undertake, assist with and otherwise facilitate the development and operation of a public art museum in downtown Seattle.

3. On September 16, 1986, the voters approved a measure authorizing annual taxes to fund construction of a downtown museum facility.

4. In order to facilitate the financing of construction of a new downtown museum facility, the City and the Authority entered into a Museum Cooperation Agreement dated as of December 8, 1986, pertaining to the financing, construction and operation of the downtown museum facility. That agreement enabled \$24,795,000 of the Authority's bonds to be secured by the proceeds of the 1986 voter-approved levy.

5. The construction of the downtown museum facility, defined in this Agreement as the Existing Museum Facility, was completed in late 1991. The Existing Museum Facility has been owned by the Authority and operated by the Museum, pursuant to the "Operating Agreement (Part II) for the Design, Development, Construction and Operation of a Public Art Museum" dated September 25, 1985, between the Authority and the Museum.

6. The Authority expanded the Existing Museum Facility in 2005 by the addition of the MDA Unit, as defined below. The MDA Unit is owned by the Authority and leased to the Museum, together with the Existing Museum Facility, for a term of approximately 99 years under the MDA Lease, as defined below, which is applicable to the MDA Real Estate Parcels, as defined below. The Authority, by resolution adopted by the Authority Council on September 7, 2005, and the Museum by resolution of its Board, adopted on August 24, 2005, have each authorized the MDA Lease, which was entered into and became effective as of October 1, 2005, and was amended by the Amendment to Lease, dated as of April 29, 2014.

7. The Museum simultaneously had the opportunity to provide for future expansion by owning the Museum Expansion Unit, as defined below. The Museum Expansion Unit was originally leased by the Museum to Washington Mutual Bank under an Office Space Lease, as defined below. Following rejection of that Office Space Lease, the Museum by a resolution of its Board, adopted on December 15, 2009, authorized the Museum to enter into the Nordstrom Office Space Lease, which became effective April 2, 2010. The Museum intends to apply some or all of the Office Space Lease Revenue to pay rent to the Authority under the MDA Lease.

8. The Authority, by resolution adopted by the Authority Council on November 2, 2005, authorized the issuance of \$60,720,000 principal amount of the Authority's Special Obligation Bonds, 2005 (the "2005 Bonds") for the purpose of carrying out the Project, as defined below. The 2005 Bonds were subsequently refunded by the issuance of the Authority's Special Obligation Refunding Bonds, 2014 (the "2014 Bonds"), which are currently outstanding in the aggregate principal amount of \$25,465,000, and became callable on April 1, 2024. By refunding the 2005 Bonds with the proceeds of the 2014 Bonds, the Authority reduced the maximum annual debt service on the bonds from \$4,429,225 to \$3,894,875.

9. It now appears to the Authority that it may issue refunding bonds (the "Bonds") to carry out a current refunding of and to defease, call, pay, and redeem, the outstanding 2014 Bonds in order to achieve a debt service savings, further reducing maximum annual debt service on the Bonds to \$\_\_\_\_\_.

10. In addition to its other covenants, the Authority has covenanted in the Bond Resolution, as defined below, and in this Agreement: (a) to use the proceeds of the Bonds to carry out the defeasance and refunding of the outstanding 2014 Bonds and to pay the costs of issuance of the Bonds and the administrative costs of carrying out the refunding; and (b) to make payments at times and in the amounts necessary to pay debt service on the Bonds.

11. The Authority has agreed to maintain and fund a Reserve Account to provide additional assurances that principal of and interest on the Bonds will be paid when due. In addition, the Authority and the Museum have asked the City to facilitate the financing by providing certain additional assurances that the Reserve Requirement (as defined below) will be maintained in the Reserve Account.

12. The City, by Ordinance 121950, passed by the City Council on September 29, 2005, authorized the City to enter into the Guarantee and Reimbursement Agreement by among the Authority, the Museum, the Bond Trustee and the Lockbox Agent for the 2005 Bonds (the "Guarantee Agreement"). The Guarantee Agreement was entered into among the parties thereto as of November 1, 2005, and provides a City guarantee for the debt service reserve established in connection with the 2005 Bonds, which were issued pursuant to an Indenture of Trust, dated as of October 1, 2005, (the "2005 Indenture") to pay the cost of acquiring and equipping an addition to the Authority's downtown museum facilities. The Guarantee Agreement was amended and restated as of October 1, 2007, pursuant to authorization set forth in Ordinance 122458, passed by the City Council on August 13, 2007, and was further subject to clarification, waivers and revision as set forth in Ordinance 123893, passed by the City Council on May 21, 2012. The Guarantee Agreement was again amended and restated as of April 29, 2014, pursuant to Ordinance 124429 passed by the City Council on February 24, 2014, which approved the form of the Second Amended and Restated Guarantee Agreement in order to accommodate the issuance of the 2014 Bonds pursuant to an Indenture of Trust dated as of April 1, 2014 (the "2014 Indenture") to defease and refund the 2005 Bonds.

13. The Authority now desires to defease and refund all or a portion of its outstanding 2014 Bonds in order to achieve a debt service savings, and has requested that the City amend and restate its guarantee to apply to the Bonds to be issued under the Indenture of Trust, dated as of April 1, 2014 (the "2014 Indenture"), as supplemented by the Supplemental Indenture, dated as of July 1, 2024 (the "2024 Supplement" and together with the 2014 Indenture, the "Indenture") to carry out such refunding.

14. By Ordinance 127031, passed by the City Council on May 28, 2024 and signed by the Mayor on May 30, 2024, the City has approved the form of this Third Amended and Restated Guarantee and has authorized its execution by the City Finance Director on behalf of the City.

## **ARTICLE 2.**

### **Incorporation of Documents; Rules of Construction; Definitions**

#### Section 2.1 Incorporation of Documents; No Amendments.

(a) The Bond Debt Service Schedule and the Lease Payment Schedules (all as defined below) are attached as Exhibit A-1, A-2 and A-3, and by this reference are incorporated into this Agreement. The legal descriptions of the MDA Real Estate Parcels and other real property listed in Exhibit B are by this reference incorporated into this Agreement.

(b) So long as this Agreement is in effect, neither the Authority nor the Museum shall amend or agree to the amendment of any of the Security Documents or the Indenture, without first obtaining the written consent of the City Finance Director. Nor shall the Authority or the Museum permit any amendment to the MDA Lease, the Office Space Lease, or the Condominium Documents presented as of Bond Closing, without first obtaining the written consent of the City Finance Director, which written consent shall not be unreasonably withheld or delayed, but in no event shall the City be required to permit any amendment that would have the effect of diminishing the City's security for reimbursement of advances it may make under this Agreement.

Section 2.2 Rules of Construction. The following rules shall apply to the construction of this Agreement unless the context otherwise requires:

(a) Words describing the singular number shall include the plural number and vice versa, except where otherwise indicated.

(b) All references herein to particular articles, sections or exhibits are references to articles, sections or exhibits of this Agreement, unless otherwise expressly stated.

(c) The headings and table of contents herein are solely for convenience of reference and shall not constitute a part of this Agreement nor shall they affect its meaning, construction or effect.

Section 2.3 Definitions. The following terms shall have the respective meanings set forth below for all purposes of this Agreement.

**"2005 Bonds"** means the Special Obligation Bonds, 2005 of the Authority, authorized by resolution of the Authority Council adopted on November 2, 2005, and issued in the original principal amount of \$60,720,000 for the purpose of carrying out the Project.

**"2005 Bank Reimbursement Agreement"** means the Letter of Credit Reimbursement Agreement with respect to the 2005 Commission Bonds.

**"2005 City Ordinance"** means Ordinance 121950, passed by the City Council on September 29, 2005, as subsequently amended, authorizing the City to enter into a guarantee and reimbursement agreement with the Authority, the Museum, the Bond Trustee and the Lockbox Agent for the 2005 Bonds to evidence the City's guarantee with respect to the 2005 Bonds and approving the final forms of certain related documents.

**“2005 Commission Bonds”** means the Washington State Housing Finance Commission’s Variable Rate Demand Nonprofit Revenue Bonds (Seattle Art Museum Project), Series 2005, dated October 6, 2005, issued to make loans to the Museum for Museum purposes.

**“2005 Indenture”** means the Indenture of Trust, dated as of October 1, 2005, with respect to the 2005 Bonds, between the Bond Trustee for the 2005 Bonds and the Authority.

**“2005 Reserve Account”** means the debt service Reserve Account established in the custody of the 2005 Bond Trustee pursuant to the 2005 Indenture.

**“2014 Bonds”** means the Special Obligation Refunding Bonds, 2014 of the Authority, authorized by resolution of the Authority Council adopted on February 20, 2014, and issued in the original principal amount of \$44,375,000 for the purpose of defeasing and refunding the then-outstanding 2005 Bonds.

**“2014 City Ordinance”** means Ordinance 124429, passed by the City Council on February 24, 2014, authorizing the City to enter into a second amended and restated guarantee and reimbursement agreement with the Authority, the Museum, the Bond Trustee and the Lockbox Agent for the 2014 Bonds to evidence the City’s guarantee with respect to the 2014 Bonds and approving the final forms of certain related documents.

**“2014 Indenture”** means the Indenture of Trust, dated as of April 1, 2014, with respect to the 2014 Bonds, between the Bond Trustee for the 2014 Bonds and the Authority.

**“2014 Refunding Resolutions”** means, collectively: (1) that resolution of the Museum Board, adopted on March 10, 2014 which authorizes the execution and delivery of the 2014 Lease Amendment, the Letter of Representation and the Second Amended and Restated Guarantee and Reimbursement Agreement and the carrying out by the Museum of all actions necessary to complete the transactions described therein (the **“Museum 2014 Resolution”**); and (2) the resolution of the Authority Council, adopted on February 20, 2014, authorizing the issuance and sale of the 2014 Bonds, and authorizing the Authority to enter into the Second Amended and Restated Guarantee and Reimbursement Agreement and the carrying out by the Authority of all actions necessary to complete the transactions described therein (the **“MDA 2014 Resolutions”**).

**“2014 Reserve Account”** means the debt service Reserve Account established in the custody of the 2014 Bond Trustee pursuant to the 2014 Indenture.

**“2024 City Ordinance”** means Ordinance 127031, passed by the City Council on May 28, 2024 and signed by the Mayor on May 30, 2024, as it may be amended, authorizing the City to enter into this Third Amended and Restated Guarantee and Reimbursement Agreement with the Authority, the Museum, the Bond Trustee and the Lockbox Agent to evidence the City’s commitment to replenish the Reserve Account to the Reserve Requirement, when and to the extent necessary, and approving the final forms of certain related documents.

“**2024 Indenture**” means the Supplemental Indenture, dated as of July 1, 2024, with respect to the 2024 Bonds, between the Bond Trustee for the 2024 Bonds and the Authority.

“**2024 Refunding Resolutions**” means, collectively: (1) that resolution of the Museum Board, adopted on May 8, 2024 which authorizes the execution and delivery of this Third Amended and Restated Guarantee and Reimbursement Agreement and the carrying out by the Museum of all actions necessary to complete the transactions described herein (the “**Museum 2024 Resolution**”); and (2) the Bond Resolution and each other resolution of the Authority Council, relating to the issuance of the Bonds, the execution and delivery of this Third Amended and Restated Guarantee and Reimbursement Agreement, the 2024 Indenture, the Letter of Representation, the 2024 Refunding Escrow Agreement, and the carrying out by the Authority of all actions necessary to complete the refunding of the 2014 Bonds, as described herein and therein (the “**MDA 2024 Resolutions**”).

“**Agreement**” means the Guarantee and Reimbursement Agreement by and among the City, the Museum, the Authority, the Bond Trustee and the Lockbox Agent, dated as of November 1, 2005; as amended and restated by the Amended and Restated Guarantee and Reimbursement Agreement, dated as of October 1, 2007; subject to the further clarifications, waivers and consents as set forth in Ordinance 123893, adopted May 21, 2012; as further amended and restated by the Second Amended and Restated Guarantee and Reimbursement Agreement; and as further amended and restated by this Third Amended and Restated Guarantee and Reimbursement Agreement.

“**Annual Debt Service**” means the amount required, as shown on the Bond Debt Service Schedule, to make the payments of principal of (including scheduled mandatory redemption payments with respect to term bonds) and interest on the Bonds during the 12-month period immediately following the date of computation. Annual Debt Service does not include any amounts to be paid in connection with the optional redemption, or other special or extraordinary redemption of Bonds.

“**Authority**” or “**MDA**” means the Museum Development Authority of Seattle or its successors, established by the City pursuant to RCW 35.21.730 et seq. and SMC Chapter 3.110, and chartered to undertake, assist with or otherwise facilitate the development and operation of a public art museum in downtown Seattle.

“**Authority Council**” means the Council of the Authority established pursuant to its Charter and Bylaws.

“**Authority Representative**” means the person or persons at the time designated by the Authority to act on behalf of the Authority by written certificate furnished to the City containing the specimen signatures of such person or persons and signed on behalf of the Authority by one of the Authority’s officers. That certificate may designate an alternate or alternates.

“**Authorizing Resolutions**” means, collectively: (1) that resolution of the Museum Board, adopted on September 14, 2005 which authorizes the execution of the Development



Agreement and acquisition of the Museum Expansion Unit, the execution of the Office Space Lease, the MDA Lease, the Museum Security Documents, the Standby Security Documents and this Agreement, and the carrying out by the Museum of all actions necessary to complete the transactions described herein and therein (the “**Museum Authorizing Resolution**”); (2) the resolutions of the Authority Council, adopted on September 7, 2005 and November 2, 2005, authorizing the execution of the Development Agreement and acquisition of the MDA Unit, the execution of the MDA Lease, the MDA Security Documents, the Museum Security Documents, and this Agreement and the carrying out by the Authority of all actions necessary to complete the transactions described herein and therein (the “**MDA Authorizing Resolutions**”); (3) the **2014 Refunding Resolutions**; and (4) the **2024 Refunding Resolutions**.

“**Available MDA Funds**” means all money, securities, revenues and receivables of the Authority from any source whatsoever, including but not limited to: (1) all rent, delinquency payments, penalties, fees and other payments received or to be received by the Authority, including but not limited to all MDA Lease Revenue and all other revenue from any lessee of any portion of the MDA Unit or the Existing Museum Facility; (2) all amounts received by the Authority under the Museum Security Documents; (3) all payments on contractors’ bonds and all insurance proceeds relating to the MDA Unit or the Existing Museum Facility; and (4) all amounts, if any, held in any Prepayment Reserve established and maintained by the Authority in accordance with a Bond Prepayment Plan.

“**Available Museum Funds**” means all funds, securities, receivables and other resources of the Museum from any source whatsoever, including but not limited to: all interest earned on the unrestricted portion of the Museum’s endowment, all income from operations, and all donations available for general Museum operating expenses. Available Museum Funds excludes donor pledges that are subject to a security interest given in connection with the Museum Bonds, and excludes amounts in the Collateral Account, as defined in the 2005 Bank Reimbursement Agreement.

“**Bankruptcy Recovery**” means any payment of principal of or interest on the Bonds, which has become Due for Payment and has been paid to the Bondowner by or on behalf of the Authority, but which payment has been deemed an avoidable transfer and recovered from the Bondowner pursuant to the United States Bankruptcy Code or other applicable statutory or common law, in accordance with a final, nonappealable order of a court of competent jurisdiction.

“**Bond Closing**” means the date on which there is an exchange of the Bonds for the proceeds representing the purchase of the Bonds by the initial purchasers thereof.

“**Bond Counsel**” means a firm of nationally recognized bond counsel selected by the Authority.

“**Bond Debt Service Schedule**” means the schedule for repayment of the Bonds attached as Exhibit A-1 to this Agreement.

**“Bond Prepayment Account”** means an account of that name to be maintained by the Bond Trustee (or other escrow agent acceptable to the City Finance Director) in connection with a Bond Prepayment Plan.

**“Bond Prepayment Plan”** means a plan to provide for the purchase, redemption, or defeasance of a principal amount of Bonds: (a) in connection with a Museum termination of all or a portion of the Office Space Lease as required under Section 4.4 of this Agreement, or (b) in relation to the damage, destruction or condemnation of the MDA Unit or the Museum Expansion Unit (or any portion of either unit) pursuant to Section 4.5.

**“Bond Resolution”** means the resolution of the Authority Council, adopted on March 27, 2024, authorizing the issuance and sale of the Bonds, and authorizing the Authority to enter into this Third Amended and Restated Guarantee and Reimbursement Agreement and to take such actions as are necessary to carry out the transactions contemplated by the Bonds and this Agreement.

**“Bond Trustee”** means U.S. Bank Trust Company, National Association of Seattle, Washington, or its successor under the Indenture.

**“Bondowner”** means any person, other than (1) the Authority, or (2) any person whose obligations constitute the underlying security or source of payment for the Bonds, who, as of the applicable record date (as defined in the Indenture), is the registered owner of a Bond.

**“Bonds”** means the \$\_\_\_\_\_ Special Obligation Refunding Bonds, 2024 of the Authority issued for the purpose of carrying out the defeasance and refunding of the 2014 Bonds, and any Additional Bonds issued for the purposes of refunding (or defeasing and refunding) all or a portion of the then-Outstanding Special Obligation Refunding Bonds, 2024 pursuant to the Indenture and a supplement or amendment to this Agreement as provided herein.

**“Business Day”** means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in Seattle or any of the cities in which is located the Principal Office of the Bond Trustee or the Lockbox Agent are authorized or required by law or executive order to close, or (c) a day on which the offices of the City are closed.

**“City”** means The City of Seattle, Washington, a city of the first class of the State of Washington.

**“City Default”** means the failure of the City to make an advance to the Bond Trustee at such time, following notice given in accordance with this Agreement, and in such amount as is required under this Agreement.

**“City Finance Director”** means the City’s Director of Finance, or such other official who succeeds to substantially all of the responsibilities of that office.

“**Code**” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

“**Condominium Association**” means the condominium association created pursuant to the Condominium Documents.

“**Condominium Declaration**” means that certain Condominium Declaration for the Washington Mutual – Seattle Art Museum Project, a Condominium, recorded under King County Recording No. 20060329000201, as it may be amended from time to time in accordance with its terms and upon approval by the City Finance Director.

“**Condominium Documents**” means, collectively: (a) the Condominium Declaration and all related covenants, conditions and restrictions; (b) the condominium survey maps and plans; and (c) the articles of incorporation, bylaws, rules and regulations of the Condominium Association.

“**Cost Reimbursement Agreement**” means the Cost Reimbursement Letter Agreement, dated as of \_\_\_\_, 2024 and accepted on \_\_\_\_, 2024, among the City, the Authority and the Museum.

“**Coverage Requirement**” means, in each Bond year commencing with the first full Bond year, (a) an amount of MDA Lease Revenue equal to at least 1.0 times Annual Debt Service, and (b) Office Space Lease Revenue at least equal to an amount of Office Space Lease Revenue equal to at least 1.2 times Annual Debt Service [Is this repetitive?]. For the purposes of calculating the Coverage Requirement, MDA Lease Revenue and Office Space Lease Revenue shall exclude landlord expense pass-throughs, if any.

“**Declaration of Default**” has the meaning given in Section 6.1 of this Agreement.

“**Defeasance Opinion**” means an opinion of Bond Counsel to the Authority to the effect that all of the outstanding 2014 Bonds have been legally defeased, using Seasoned Funds or the proceeds of the Bonds or amounts released from the 2014 Reserve Account, and are no longer to be considered Outstanding under the 2014 Indenture and are no longer entitled to the benefits of the guarantee of the City under the Second Amended and Restated Guarantee and Reimbursement Agreement, dated as of April 29, 2014.

“**Development Agreement**” means the “Development Agreement” originally entered into by and among Washington Mutual Bank, the Museum and the Authority, as of October 1, 2002, as amended, restated and supplemented by: (1) the “Amended and Restated Development Agreement,” dated as of May 23, 2003; (2) the “First Amendment and Supplement to Amended and Restated Development Agreement” dated as of January 26, 2004; (3) the “Second Amendment to Amended and Restated Development Agreement” dated as of June 3, 2004; (4) the “Third Amendment and Supplement to Amended and Restated Development Agreement”

dated as of December 20, 2004; and (5) the “Fourth Amendment and Supplement to Amended and Restated Development Agreement” dated as of September 28, 2005.

“**Due for Payment**” means: (1) as to principal of the Bonds, the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment, in accordance with the Bond Debt Service Schedule; and (b) as to interest on the Bonds, the scheduled date for payment of interest in accordance with the Bond Debt Service Schedule. Due for Payment does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), other advancement of maturity.

“**Event of Default**” has the meaning given in Section 6.1 of this Agreement.

“**Existing Museum Facility**” means the art museum facility located at 100 University Street in Seattle, the legal description of which is in Exhibit B.

“**Finance Director Determined Liability**” means the aggregate amount of potential liability that, in the City Finance Director’s good faith judgment, presents a substantial enough risk of loss by the Museum that it should be treated as a Finance Director Determined Liability. The determination of risk and amount of potential liability as to each event, claim, demand or lawsuit shall be made by the City Finance Director, acting in good faith, in accordance with the following process:

- (1) The Museum shall provide written notice to the City Finance Director within 10 Business Days of each of the following:
  - (i) receipt of a complaint, demand letter, claim or other notice that a lawsuit has been or will be commenced involving the Museum (regardless of the propriety of any service of process on the Museum) where the amount in controversy (either as stated by the claimant or, for so long as no amount is stated by the claimant, an amount reasonably estimated by the Museum to be at risk), when added to the amounts in controversy (as described above) in all matters pending or threatened as described in this paragraph, against the Museum, exceeds the limits of the Museum’s primary insurance coverage (regardless of whether the Museum tenders or intends to tender the matter to its primary insurer);
  - (ii) receipt of a letter or other notice from the Museum’s primary insurer reserving rights or denying coverage with respect to the defense or indemnity of the Museum for any matter or matters where the individual or aggregate amount in controversy (as described above) exceeds 10% of the difference between (A) Museum Net Assets less the amount of previously determined Finance Director Determined Liability (if any, and only to the

extent not otherwise treated by the Museum as a liability), and (B) \$90,000,000; or

- (iii) receipt of audited financial statements that disclose any event as to which unasserted claims may exist.

The notice shall describe the matter and shall include a copy of the complaint, demand letter, claim or notice (if any). The City Attorney's Office shall consult with the Museum and its counsel in order to assist the City Finance Director in reviewing the matter. The Museum and its counsel shall cooperate with and provide assistance to the City Attorney's Office in the preliminary review of the matter.

- (2) The City Finance Director, in consultation with the City Attorney's Office, shall make a preliminary assessment of the matter. If the City Finance Director makes a preliminary assessment that:
  - (i) the Museum's risk of liability for the matter is other than remote; and
  - (ii) the amount at risk exceeds 10% of the difference between (A) Museum Net Assets less the amount of previously determined Finance Director Determined Liability (if any, and only to the extent not otherwise treated by the Museum as a liability), and (B) \$90,000,000; and
  - (iii) either: (A) the Museum's primary insurance carrier has denied coverage, (B) there is a material possibility that the Museum's primary insurance carrier would deny coverage after an acceptance under reservation of rights, or (C) the Museum has not sought coverage of the matter from its primary insurer;

then the City Finance Director shall communicate with the Museum regarding the preliminary assessment. If the Museum agrees that the City Finance Director should add the full amount determined to be at risk in the City Finance Director's preliminary assessment to the amount of previously determined Finance Director Determined Liability for a new aggregate total, then there shall be no further inquiry or investigation by the City. However, if the Museum does not agree that the City Finance Director should add the preliminary assessment amount to the previously determined amount of Finance Director Determined Liability, the City Finance Director shall select outside counsel to assist the City Finance Director in further analyzing the risk of loss and in making a judgment as to the amount of such potential liability. The City Finance Director shall consult with the Museum in the selection of such outside counsel, but the City Finance Director shall retain discretion in such selection. The City Finance Director's outside counsel shall provide legal advice to the City Finance Director at the sole expense of the Museum. The Museum and its counsel shall cooperate fully with the City

Finance Director's outside counsel. The records reviewed by the City Finance Director's outside counsel shall be limited to: (i) the inspection of non-privileged Museum files or documentation; and (ii) the pleadings (if any), court file (if any), and discovery that is not subject to protective order (if any). The City Finance Director's counsel may also make inquiries of Museum officers and staff.

- (3) Following this review, the City Finance Director shall determine, in his sole discretion, acting in good faith and in consultation with the City Finance Director's outside counsel, the amount of potential liability as to which the risk of loss is substantial enough that it should be treated as a Finance Director Determined Liability and added to the previously determined Finance Director Determined Liability for a new aggregate total.

**"Future Museum Bonds"** means any bonds or other debt obligations incurred by the Museum after the date of this Agreement in accordance with Section 5.6 other than those obligations incurred within the limits set forth in Section 5.6(a)(1) and (2).

**"Hazardous Substances Certifications"** means, collectively, the "Certificate and Indemnity Agreements Regarding Hazardous Substances" executed by (a) the Authority, in the form attached as Exhibit C-2 (the "MDA Hazardous Substances Certification"); and (b) the Museum, in the form attached as Exhibit E-2 (the "Standby Hazardous Substances Certification").

**"Indenture"** means, depending on context, (1) with respect to the Bonds, the 2024 Indenture, and (2) with respect to the 2014 Bonds, the 2014 Indenture.

**"Interest Payment Date"** means each [April 1 and October 1, commencing October 1, 2024].

**"Lease Default"** means the occurrence (and, in each case, expiration of any applicable cure period) of an Event of Default under the Office Space Lease or under the MDA Lease.

**"Lease Payment Schedules"** means, collectively, the schedules for the payment of rent under: (a) the MDA Lease (the "MDA Lease Payment Schedule"), attached as Exhibit A-2; and (b) the Office Space Lease to Nordstrom (the "Office Space Lease Payment Schedule"), attached as Exhibit A-3, and any such schedule established in relation to any other Office Space Lease.

**"Leases"** means, collectively, the MDA Lease and every Office Space Lease.

**"Lockbox Account"** means the account of that name created in the custody of the Lockbox Agent pursuant to Section 4.1(b), into which shall be deposited all Office Space Lease Revenue, including all amounts paid under a Tenant Payment Agreement.

**"Lockbox Addendum"** means the "Lockbox Account and Control Addendum" attached as Exhibit J and by reference incorporated into this Agreement.

“**Lockbox Agent**” means U.S. Bank Trust Company, National Association of Seattle, Washington.

“**MDA**” means the Authority.

“**MDA Deed of Trust**” means that certain Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing dated May 8, 2006, as amended by the First Amendment to Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (MDA) dated April 29, 2014, as further amended by the Second Amendment to Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing (MDA), dated July 31, 2024, relating to the MDA Real Estate Parcels and the Museum Assignment, in the form attached as Exhibit C-1.

“**MDA Lease**” means the Lease for the Downtown Seattle Art Museum Property and Expansion Project, between the MDA and the Museum dated as of October 6, 2005 relating to the MDA Real Estate Parcels, as amended by the Amendment to Lease, dated as of April 29, 2014, and as further amended by the Second Amendment to Lease, dated July 31, 2024.

“**MDA Lease Payment**” means a monthly payment made from the Lockbox Account to the Bond Trustee, pursuant to Section 4.1(b), in accordance with an MDA Lease Payment Schedule, in satisfaction of the Museum’s obligation to pay rent under the MDA Lease.

“**MDA Lease Revenue**” means all revenue (including but not limited to all rent, delinquency payments, penalties, fees and other payments) received or to be received by the Authority under the MDA Lease.

“**MDA Real Estate Parcels**” means the MDA Unit, and the Existing Museum Facility, the legal descriptions of which are attached as Exhibit B.

“**MDA Security Documents**” means, collectively, the MDA Deed of Trust; the MDA Subordination, Nondisturbance and Attornment Agreement; the MDA Hazardous Substances Certification; and any and all UCC filings relating to the foregoing.

“**MDA Subordination, Nondisturbance and Attornment Agreement**” means the Subordination, Nondisturbance and Attornment Agreement (MDA Lease) dated May 8, 2006, as amended by the First Amendment to Subordination, Nondisturbance and Attornment Agreement (MDA Lease) dated as of April 29, 2014, as further amended by the Second Amendment to Subordination, Nondisturbance and Attornment Agreement (MDA Lease), dated July 31, 2024, relating to the MDA Lease.

“**MDA Unit**” means the condominium units (collectively) owned by the Authority, as described in Exhibit B.

“**Museum**” means the Seattle Art Museum, a Washington nonprofit corporation and an entity described under Section 501(c)(3) of the Code.

**“Museum Assignment”** means that certain Assignment of Rents Proceeds and Negative Pledge Agreement dated May 8, 2006, as amended by the First Amendment to Assignment of Rents Proceeds and Negative Pledge Agreement dated April 29, 2014, as further amended by the Second Amendment to Assignment of Rent Proceeds and Negative Pledge Agreement, dated July 31, 2024, relating to the proceeds of rents from the Museum Expansion Unit, in the form attached as Exhibit D–1.

**“Museum Bonds”** means the 2005 Commission Bonds and any Future Museum Bonds.

**“Museum Expansion Unit”** means the condominium units (collectively) owned by the Museum, as described in Exhibit B.

**“Museum Net Assets”** means:

- (4) the total assets of the Museum, as determined by generally accepted accounting principles applicable to nonprofit entities such as the Museum, but excluding specifically: (i) the Museum’s art collection and proceeds from the sale of art; (ii) the Capital Campaign Pledges and all amounts in the Collateral Account, as those capitalized terms are defined in the Bank Reimbursement Agreement; (iii) the amount of the OSP Endowment Pledge, as defined in the Bank Reimbursement Agreement, during the time that the amount is set aside in a separate account as required under the Bank Reimbursement Agreement; and (iv) receivables; less [something missing here or is this meant to flow into (5)?]
- (5) the total liabilities of the Museum, as determined by generally accepted accounting principles applicable to nonprofit entities such as the Museum. Environmental claims arising out of the property at 10 Broad Street or the Olympic Sculpture Park shall not be included among the Museum’s liabilities. The Museum’s assets and liabilities shall not include assets and liabilities of any other entity (e.g., the Seattle Art Museum Foundation).

**“Museum Security Documents”** means, collectively, the Museum Assignment; the Museum Subordination, Nondisturbance and Attornment Agreement; the Tenant Payment Agreement; and any and all UCC filings relating to the foregoing.

**“Museum Subordination, Nondisturbance and Attornment Agreement”** means each “Subordination, Nondisturbance and Attornment Agreement” relating to an Office Space Lease.

**“Nonpayment”** means the failure of the Authority to have provided sufficient funds to the Bond Trustee for payment in full of all principal of and interest on the Bonds that are Due for Payment.

**“Nordstrom”** means Nordstrom, Inc.

**“Office Premises”** means all or a portion of the Museum Expansion Unit leased under an Office Space Lease.



**“Office Space Lease”** means: (1) that certain Office Space Lease between the Museum and Nordstrom, under which the Museum agrees to lease the Office Premises to Nordstrom (the **“Nordstrom Office Space Lease”**), in the form in effect as of the date hereof, with such changes hereafter as may be approved by the City Finance Director; and (2) any future agreement by the Museum, or its successor or assign, to lease out any portion of the Museum Expansion Unit.

**“Office Space Lease Revenue”** means all payments received and to be received by the Museum or its successors under an Office Space Lease.

**“Office Space Tenant”** means any tenant of any portion of the Museum Expansion Unit under an Office Space Lease.

**“Principal Office”** means: (a) with respect to the Bond Trustee, the corporate trust office of the Trustee, which at the date of this Indenture is located in Seattle, Washington, at the address shown in Section 7.2, and (b) with respect to the Lockbox Agent, the corporate trust office of the Lockbox Agent, which at the date of the Indenture is located in Seattle, Washington, at the address shown in Section 7.2.

**“Project”** means the acquisition, design, construction and equipping of the MDA Unit, including the Authority’s improvements to the MDA Unit, and the Authority’s improvements to the Existing Museum Facility in connection with the expansion of the existing downtown art museum to include the MDA Unit, as described in Exhibit F.

**“Project Costs”** means, to the extent permitted by the Code and by State law, any and all costs, including financing costs, incurred by the Authority with respect to the acquisition, construction, and equipping of the Project including, without limitation, costs for site preparation, the acquisition of real property and of tangible personal property, the removal or demolition of existing structures, and all of the Authority’s costs relating to the issuance of the Bonds, including, without limitation, the cost of consulting, accounting and legal services, other expenses directly allocable to the Project, insurance premiums, costs of surveys and appraisals, administrative and other expenses necessary or incident to the development and the financing thereof and all other costs approved by Bond Counsel.

**“Rating Agency”** means Moody’s Investors Service, Inc. (“Moody’s”) or S&P Global Ratings (“S&P”).

**“RCW”** means Revised Code of Washington.

**“Rebate Amount”** means the amount, if any, determined to be payable with respect to the Bonds in accordance with Section 148(f) of the Code.

**“Refunding Plan”** means the deposit of Bond proceeds, together with amounts, if any, released from the 2014 Reserve Account for this purpose, with the Refunding Trustee at Bond Closing in an amount, together with interest earnings thereon (if any), sufficient to defease all outstanding 2014 Bonds, and to call, pay and redeem such bonds on October 28, 2024.

**“Refunding Escrow Agreement”** means an agreement among the Authority, the City and the Refunding Trustee providing for the carrying out of the Refunding Plan.

**“Refunding Trustee”** means U.S. Bank Trust Company, National Association of Seattle, Washington, serving as trustee or escrow agent or any successor trustee or escrow agent under the Refunding Escrow Agreement.

**“Reimbursement Interest Rate”** means the interest rate established pursuant to Section 3.2(a) and stated in the Reimbursement Schedule.

**“Reimbursement Schedule”** means any schedule for reimbursing the City for advances made under this Agreement, stating the interest rate and other terms for reimbursement, subject to the approval of the City Finance Director, in accordance with Section 3.2.

**“Reserve Account”** means the Reserve Account established in the custody of the Bond Trustee pursuant to the Indenture.

**“Reserve Account Reconciliation Date”** means each March 1 and September 1, or if such date is not itself a Business Day, then in each case the preceding Business Day.

**“Reserve Assets”** means as of any calculation date, collectively, the total dollar amount of all money and investments in the Reserve Account.

**“Reserve Deficiency”** means the amount necessary, if any, to replenish the Reserve Account to the Reserve Requirement, calculated by subtracting: (1) the Reserve Assets, together with all other amounts available to the Bond Trustee under the Indenture for deposit into the Reserve Account as of the date of calculation, from (2) the Reserve Requirement.

**“Reserve Deficiency Notice”** means written notice provided by the Bond Trustee under Section 3.5, indicating the Reserve Deficiency, substantially in the form attached as Exhibit G-1.

**“Reserve Requirement”** means an amount determined as of the Bond Closing date and equal to the least of the following: (a) 10% of the original proceeds of the Bonds; (b) the Maximum Annual Debt Service on the Bonds; and (c) 1.25 times the Average Annual Debt Service on the Bonds. Maximum Annual Debt Service and Average Annual Debt Service shall be calculated with reference to the Bond Debt Service Schedule and shall otherwise be defined as provided in the Bond Resolution and the Indenture. Upon the optional redemption, open market purchase or defeasance of a portion of the outstanding principal amount of the Bonds, the Reserve Requirement shall be reduced on a pro rata basis.

**“Seasoned Funds”** means any funds (other than proceeds of the Bonds or money previously deposited in the Reserve Account or the reserve account for the 2005 Bonds) received by the Bond Trustee from the Authority or the Museum that, in the written opinion (delivered to the City and to the Bond Trustee) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an “avoidable

transfer” under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the Authority or the Museum.

“**Security Documents**” means, collectively, the MDA Security Documents; the Museum Security Documents; the Standby Security Documents; and the Lockbox Addendum.

“**SMC**” means Seattle Municipal Code.

“**Standby Deed of Trust**” means the standby Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing, in the form attached at Exhibit E-1, to be held by an escrow agent with instructions in the form attached as Exhibit E-3, all in accordance with Section 5.10 of this Agreement.

“**Standby Security Documents**” means, collectively, the Standby Deed of Trust, the Standby Hazardous Substances Certification, the escrow instructions relating to the Standby Security Documents, and any and all UCC filings relating to the foregoing.

“**State**” means the State of Washington.

“**Tenant Payment Agreement**” means those provisions, whether in a separate agreement or incorporated in an Office Space Lease, substantially in the form attached as Exhibit D-2, under which an Office Space Tenant agrees to remit all amounts payable to the landlord under an Office Space Lease directly to Lockbox Agent for deposit into the Lockbox Account.

“**Valuation Date**” means each January 1 and July 1.

All other capitalized terms used but not defined in this Agreement shall have the meanings assigned to them in the Bond Resolution and the Indenture.

### **ARTICLE 3. Guarantee of Authority Bonds**

#### Section 3.1 City Guarantee Provided.

(a) *City Guarantee.* The City agrees to provide, for the benefit of the owners of the Bonds, deposits into the Reserve Account in an amount or amounts sufficient, together with all other money deposited with the Bond Trustee and available for this purpose, to replenish the Reserve Account to the Reserve Requirement, at such time or times as may be required in accordance with the procedures and terms described in this Article 3. The City further agrees to provide, for the benefit of the owners of the Bonds, advances to the Bond Trustee for payment to Bondowners in the event of a Bankruptcy Recovery. Each instance of providing amounts to the Bond Trustee for deposit into the Reserve Account, or for payment in the event of a Bankruptcy Recovery, shall constitute an “advance.” The City’s obligation shall be enforced in accordance with Section 6.3, consistent with applicable notice and cure periods stated in Section 6.3.

(b) *Time and Amount to be Advanced.* Funds shall be advanced at such time, if any, as the amount available to the Bond Trustee to replenish the Reserve Account is insufficient to meet the Reserve Requirement, as determined in accordance with Section 3.5 of this Agreement. In the event that the Bond Trustee has notice of any Bankruptcy Recovery and sufficient funds are not otherwise available to the Bond Trustee, the City shall, upon not less than 45 days' notice from the Bond Trustee, make an advance to the Bond Trustee for payment to such Bondowner(s) in the amount of such Bankruptcy Recovery. The total amount of funds to be advanced by the City pursuant to this Agreement (including all advances made into the Reserve Account and all advances made in the event of a Bankruptcy Recovery) shall not exceed the principal amount of the Bonds issued, plus an amount necessary to make the originally scheduled interest payments on those Bonds as shown in the Bond Debt Service Schedule.

(c) *Nature of City's Obligation.* The City is entering into this Agreement in reliance upon the representations, warranties and agreements of the Authority and of the Museum contained in this Agreement. The City's obligation to advance funds to the Bond Trustee in the amounts at the times and in the manner described in this Agreement shall commence as of the date of Bond Closing, and once commenced, shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise, and shall not be relieved upon the breach of a representation or warranty, or upon a Declaration of Default or the occurrence of an Event of Default hereunder. The full faith, credit and resources of the City are pledged irrevocably for the payment to the Bond Trustee of the required advances, payable in the amounts, at the times and in the manner described herein. The City makes no express or implied warranty that any money advanced to the Authority under the provisions of this Agreement will be sufficient to pay all the amounts which may have been incurred for Project Costs or to carry out the Refunding Plan. The City's obligation under this Agreement shall terminate upon the repayment, purchase and retirement, redemption or defeasance in full of all the Bonds. Notwithstanding the foregoing and except in the case of a defeasance in accordance with the Indenture, the City shall remain obligated to make advances, payable within 45 days of demand, to the Bond Trustee in the event of a Bankruptcy Recovery.

Section 3.2 Reimbursement Agreement. The Authority and the Museum each jointly and severally agrees to reimburse the City for any amounts advanced by the City to the Bond Trustee pursuant to this Agreement, as follows:

(a) *Reimbursement Schedule.* Reimbursements, including all interest due on advances made by the City, shall be paid to the City on or before the 5<sup>th</sup> Business Day of each month, in installments according to a Reimbursement Schedule proposed by the Authority and/or the Museum and acceptable to the City Finance Director, a copy of which shall be provided to the Lockbox Agent. If no Reimbursement Schedule is in effect, the City shall be reimbursed for its advances, plus interest, from amounts deposited in the Lockbox Account consistent with Section 4.1(b)(2)(iii). The interest rate shall be determined in accordance with subsection (b) of this section, and the term for reimbursement in full (including interest) shall not exceed 36 months from the date of any advance, except that the City Finance Director may in his sole discretion permit a reimbursement term of up to 60 months from the date on which the advance is made.

Each Reimbursement Schedule shall state how interest is to be calculated consistent with Subsection 3.2(b).

(b) *Interest Rate.* Each advance made under the terms of this Agreement will bear interest on the amount advanced and unreimbursed, from the date of the advance until the date such advance is reimbursed in full. Interest on the advances will be calculated on the basis of the actual number of days in the year, for the actual number of days elapsed. The rate of interest borne by each advance shall be a variable rate, determined monthly on the first Business Day of each month, based on the source of funds used by the City to fund the advance to the Bond Trustee, as follows:

- (1) If the City borrows money in order to make the advance (other than any internal or inter-fund borrowing), the interest rate shall be equal to the City's true interest cost plus 200 basis points.
- (2) If the City makes the advance from City funds (including general funds or funds from any internal or inter-fund borrowing), then interest shall be calculated in arrears each month, on the first Business Day of the month, and shall be equal to the greater of: (i) the Federal Funds rate plus 300 basis points, or (ii) the Bank Prime Loan rate, as those rates are identified in the Federal Reserve Statistical Release H.15 on the first Business Day of each month.

The City may employ either method or both for obtaining funds from which to make each advance, may change from one to the other from time to time after making an advance, and may refund its borrowing from time to time as it sees fit. Upon making an advance, the City shall promptly inform the Lockbox Agent, the Bond Trustee, the Authority and the Museum of the amount advanced, whether the initial source of the funds advanced is the source described in clause (1) or (2) above, and the applicable initial interest rate. The City shall also provide the Authority, the Museum, the Lockbox Agent and the Bond Trustee with prompt notice of the interest rate and any change therein.

(c) *Source and Method of Reimbursement.*

- (1) For so long as a Reimbursement Schedule is in effect or the City remains unreimbursed for amounts advanced (including interest), the Lockbox Agent shall apply the money deposited into the Lockbox Account to items 4.1(b)(2)(i) through (iv) only.
- (2) Reimbursements shall be made from the following sources in the following order: (i) from the Lockbox Account in accordance with the flow of funds in Section 4.1(b)(2); (ii) from any Available MDA Funds; and (iii) from any Available Museum Funds. So long as no City Default has occurred and is continuing, the provisions of this paragraph shall not limit the City's right to recover following a Declaration of Default, against any source of payment or revenue available to it and in any order as the City may determine.

- (3) Reimbursement amounts received by the City shall be applied first to any interest due on any advance, and then to the principal amount of each advance in the order made.

Section 3.3 Authority Obligation.

(a) *Security.* The Authority has granted to the City the security interests evidenced by the MDA Security Documents and agrees to enforce the Authority's rights under the MDA Lease and the Museum Security Documents in strict accordance with their terms.

(b) *Nature of Authority's Obligation.* The Authority agrees: (1) to take all actions reasonably necessary to realize the amount of MDA Lease Revenue required to pay the principal of and interest on the Bonds and to maintain the Reserve Requirement (including, without limitation, making deposits into the Reserve Account in the amount of any Reserve Deficiency following a draw on the Reserve Account in accordance with the procedures under Section 3.5(c)) without resort to the availability of any advance from the City made pursuant to this Agreement; (2) to make available sufficient MDA Lease Revenue or Available MDA Funds to fulfill its reimbursement obligation under this Agreement; and (3) to perform and observe all other covenants and obligations on its part contained in this Agreement. The Authority's obligations under this Agreement shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise.

The Authority's obligations under this Agreement (including but not limited to its reimbursement obligation and its obligation under Section 7.4) shall continue in effect and shall survive the satisfaction of the Authority's obligations under the Bonds, the Bond Resolution, and the Indenture until such time as: (1) the City has been reimbursed in full for all amounts advanced by it pursuant to this Agreement (including interest on those amounts, if applicable), together with any costs owed to the City pursuant to Section 7.5, and (2) the Authority's obligations with regard to the Bonds have been satisfied and (i) the bankruptcy law or other applicable statutory or common law transfer avoidance period(s) applicable to all payments to Bondowners and to the City have expired without voluntary or involuntary filing of a petition in bankruptcy, for receivership or under other similar statutes or procedures involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant, and (ii) the City has been reimbursed in full for any amounts recovered in a Bankruptcy Recovery and paid by the City (including interest on those amounts, if applicable), and (iii) the City has received an opinion from nationally recognized bankruptcy counsel that no other possibility of a Bankruptcy Recovery exists.

The Authority is not acting as the agent of the City or the Museum and its obligations under this Agreement and the Bonds do not constitute obligations of the Museum, the City or any entity other than the Authority. The Museum Development Authority of Seattle is organized pursuant to Seattle Municipal Code (SMC) 3.110 and 35.21.730-.755. RCW 35.21.750 provides as follows: "[A]ll liabilities incurred by such public corporation, commission, or authority shall be satisfied exclusively from the assets and properties of such public corporation, commission or authority and no creditor or other person shall have any right of action against the city, town, or

county creating such corporation, commission, or authority on account of any debts, obligations, or liabilities of such public corporation, commission, or authority.”

Section 3.4    Museum Obligation.

(a) *Security.* The Museum has granted to the Authority the security interests evidenced by the Museum Security Documents and agrees to enforce its rights under any Office Space Lease in strict accordance with its terms, and has deposited the executed Standby Security Documents with an escrow agent for the benefit of the City. The Museum has further covenanted to maintain minimum Museum Net Assets and to deliver the Standby Security Documents, all as described in Section 5.10.

(b) *Nature of Museum’s Obligation.* The Museum agrees: (1) to make available sufficient Office Space Lease Revenue or Available Museum Funds to make deposits into the Reserve Account in the amount of any Reserve Deficiency following a draw on the Reserve Account in accordance with the procedures under Section 3.5(c) and to fulfill its reimbursement obligation under this Agreement; and (2) to perform and observe all other covenants and obligations on its part contained in this Agreement. The Museum’s obligations under this Agreement shall be absolute and unconditional, and shall not be subject to diminution by setoff, counterclaim, abatement or otherwise.

The Museum’s obligations under this Agreement (including but not limited to its reimbursement obligation and its obligations under Section 7.4) shall continue in effect and shall survive the satisfaction of the Museum’s obligations in connection with the MDA Lease until such time as: (1) the City has been reimbursed in full for all amounts advanced by it pursuant to this Agreement (including interest on those amounts, if applicable), together with any costs owed to the City pursuant to Section 7.5, and (2) the Museum’s and the Authority’s obligations with regard to the Bonds have been satisfied and (i) the bankruptcy law or other applicable statutory or common law transfer avoidance period(s) applicable to all payments to Bondowners and to the City have expired without voluntary or involuntary filing of a petition in bankruptcy, for receivership or under other similar statutes or procedures involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant, and (ii) the City has been reimbursed in full for any amounts recovered in a Bankruptcy Recovery and paid by the City (including interest on those amounts, if applicable), and (iii) the City has received an opinion from nationally recognized bankruptcy counsel that no other possibility of a Bankruptcy Recovery exists.

***The Museum is not acting as the agent of the City or the Authority and its obligations under this Agreement and the MDA Lease do not constitute obligations of the Authority, the City or any entity other than the Museum.***

Section 3.5    Procedures under Guarantee. The following procedures shall apply for so long as the City’s guarantee is in effect. All notices and communications required under this Agreement shall be given in accordance with Section 7.2. Failure by any party to provide timely

notice shall not excuse any other party from performance of its obligations under this Agreement upon actual receipt of such notice.

(a) *Notice by Lockbox Agent.* The Lockbox Agent shall provide to the City, the Museum, the Authority and the Bond Trustee, by the fifth Business Day of each month, a regular monthly report of the deposits to and disbursements from the Lockbox Account. If the Lockbox Agent fails to receive, in full and when due, any Office Space Lease Payment or other payment under a Tenant Payment Agreement, the Lockbox Agent shall provide notice within two Business Days following the due date. Such notice shall be provided to the Authority, the Museum the Bond Trustee and the City, in the form attached as Exhibit G-2.

(b) *Notices by Bond Trustee.* The Bond Trustee shall provide:

- (1) Notice to the Authority, the Museum, the City and the Lockbox Agent within two Business Days (unless otherwise noted below) after each of the following events:
  - (i) On each Interest Payment Date (or within two Business Days thereafter), notice of balance in the Reserve Account;
  - (ii) Notice of the total Reserve Assets on each Valuation Date and immediately following any draw on the Reserve Account;
  - (iii) Notice of its receipt of any notice relating to any Bankruptcy Recovery requiring an advance by the City; and
- (2) Such additional notices as are required under subsections (c) and (d) of this section.

(c) *Reserve Replenishment Procedures and Notices.* Within two Business Days following any draw on the Reserve Account, the Bond Trustee shall give notice, using substantially the form attached as Exhibit G-1, of any Reserve Deficiency to the Authority, the Museum, the City, and the Lockbox Agent demanding that the Authority deposit or cause to be deposited the amount of such Reserve Deficiency. If a Reserve Deficiency exists on the Valuation Date, the Bond Trustee shall, within two Business Days, give notice to the Museum, the Authority and the City demanding that the Museum deposit or cause to be deposited the amount of such Reserve Deficiency. If the Reserve Account is not replenished to the Reserve Requirement within five Business Days after the giving of this second notice, the Bond Trustee shall, within two Business Days, give a third notice to the Museum, the Authority, and the City demanding that the Authority take all action necessary under Section 4.4 to replenish the Reserve Account to the Reserve Requirement and to realize MDA Lease Revenue sufficient to fulfill the Authority's obligations under this Agreement and the Indenture. If at any time prior to the Reserve Account Reconciliation Date, the Bond Trustee receives funds for deposit into the Reserve Account, it shall immediately give notice to the Authority, the Museum, the City and the Lockbox Agent.

(d) *Reserve Deficiency Procedures.* If on any Reserve Account Reconciliation Date, the Bond Trustee determines, pursuant to Section 4.1(a)(2), that a Reserve Deficiency exists, the following actions shall be required:



- (1) *Reserve Deficiency Notice by Bond Trustee.* The Bond Trustee shall provide a Reserve Deficiency Notice to the Authority, the Museum and the City within two Business Days after any Reserve Account Reconciliation Date on which a Reserve Deficiency is found to exist.
- (2) *Actions by City.* After receipt of a Reserve Deficiency Notice, the City shall, no later than 10:00 a.m., Seattle time, on the Business Day prior to the next Interest Payment Date, deliver to the Bond Trustee the Reserve Deficiency for deposit into the Reserve Account.
- (3) *Actions by Authority and the Museum.* Within 20 Business Days after receipt of a Reserve Deficiency Notice, the Authority and the Museum shall provide or cause to be provided to the City: (i) an accounting of the operation of the Existing Art Museum Facility, the MDA Unit and the Museum Expansion Unit, including cash flow information and projections; and (ii) a Reimbursement Schedule that conforms to the terms for reimbursement described in Section 3.2.

Section 3.6 Refunding of the 2014 Bonds.

(a) *Generally.* The proceeds of the Bonds shall be deposited with the Refunding Trustee for the benefit of the holders of the 2014 Bonds, and shall be used solely to carry out the Refunding Plan in accordance with the Refunding Escrow Agreement.

(b) *Bond Closing Conditions.* The City's obligation under this Agreement shall be conditioned upon the performance at or prior to the Bond Closing, by the Authority and by the Museum, of the evidence, covenants, agreements and conditions in this subsection.

- (1) Representations and Warranties. The representations and warranties of the Authority in Exhibit H-1, and of the Museum in Exhibit H-2, shall be true, complete and correct in all material respects on the date of this Agreement, and on and as of the date of Bond Closing.
- (2) Resolutions in Effect. On the date of Bond Closing, the Refunding Resolutions shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented since the date of this Agreement except as shall have been agreed to in writing by the City Finance Director.
- (3) Reserve Fully Funded. As of the date of Bond Closing, the Reserve Account shall be funded to the Reserve Requirement.
- (4) Execution of a Tax Exemption and Nonarbitrage Certificate. On or prior to the date of Bond Closing, the Authority shall execute a certificate acceptable to the Authority's Bond Counsel and to the City Finance Director, pertaining to certain tax exemption and arbitrage matters relating to the Bonds, including the calculation and payment of any Rebate Amount with respect to the Bonds.
- (5) [Reserved].

- (6) City Examination of Documents. On or prior to the date of Bond Closing, the following documents shall have been executed, acknowledged, delivered, recorded and filed, as applicable, and conformed copies of each document, with recording and filing information, if applicable, shall have been delivered to the City Finance Director:
- (i) From the Authority: (A) evidence of the Authority's incorporation and continued corporate existence; (B) the MDA Authorizing Resolutions; (C) the Refunding Resolution; and (D) the 2024 Indenture.
  - (ii) From the Museum: (A) the Museum's Articles of Incorporation, Bylaws, and certificate of existence from the Washington Secretary of State; (B) a signed exemption letter from the Internal Revenue Service evidencing the Museum's status as a 501(c)(3) organization pursuant to the Code; and (C) the Museum Authorizing Resolution.
  - (iii) [Reserved]
  - (iv) the MDA Lease and Memorandum of Lease and amendments thereto.
  - (v) Certificates of insurance or other evidence in forms acceptable to the City Finance Director, demonstrating that the insurance described in Exhibit I has been obtained and is in effect with respect to the Existing Museum Facility.
  - (vi) a copy of the Museum's audited financial statements and all necessary supplemental documentation in a form that demonstrates that the Museum is in compliance with the covenants set forth in Section 5.10.
  - (vii) Certified copies of the following documents, which shall be final and shall not be modified after the date of Bond Closing, except for such changes as may be approved in writing by the City Finance Director: (A) the Office Space Lease or, in lieu of a copy of such lease, written confirmation that the Office Space Lease is substantially in the form previously represented to the City and a representation to the effect that the Office Space Lease is in compliance with the terms of this Agreement and that no default or event of default under the Office Space Lease has occurred; (B) the Condominium Documents; and (C) the Security Documents.
  - (viii) Legal Opinions. On or prior to the date of Bond Closing, the City Finance Director shall be provided legal opinions of counsel to the Authority and counsel to the Museum addressed to the City dated the date of Bond Closing, in form and substance acceptable to the

City Finance Director, including without limitation, a Defeasance Opinion.

- (ix) The Refunding Escrow Agreement.
  - (x) Such additional certificates, instruments and other documents as the City Finance Director may reasonably request to evidence the truth and accuracy, as of the date of Bond Closing, of any or all of the following: (A) the representations and warranties of the Authority and the Museum and of the Authority in Exhibits H-1 and H-2 to this Agreement, (B) the due performance by the Authority and the Museum on or prior to the date of Bond Closing of all the respective agreements then to be performed by them and the satisfaction on or prior to the date of Bond Closing of all the conditions prescribed in this section, and (C) the recording and filing of all recordable documents required to be recorded under the terms of this Agreement on or prior to the date of Bond Closing and necessary to carry out the transactions contemplated under this Agreement, the Indenture and the Security Documents.
- (7) All In Form and Substance Acceptable to City Finance Director. All of the evidence, opinions, letters, certificates, instruments and other documents referred to in this Section 3.6(b) are in form and substance acceptable to the City Finance Director.
- (c) [Reserved]

#### **ARTICLE 4.**

#### **Covenants and Agreements Relating to the Bonds and Leases**

##### Section 4.1 Funds and Accounts.

(a) *Debt Service Reserve Account.* The Authority shall establish and maintain, or cause to be established and maintained, a Reserve Account to be managed and disbursed by the Bond Trustee pursuant to the Indenture. The Authority shall maintain a balance in the Reserve Account equal to the Reserve Requirement.

- (1) Draw on Reserve Account; Procedures. In accordance with the Indenture amounts in the Reserve Account shall be drawn upon and applied solely by the Bond Trustee in the event that sufficient money is not available to it to make the scheduled debt service payments on the Bonds as shown on the Bond Debt Service Schedule. Notice of any draw shall be provided as required under Section 3.5(c). Following any draw, the Reserve Account shall be replenished in accordance with Section 3.5(c) and (d).
- (2) Reserve Account Reconciliation. The Authority shall cause the Bond Trustee to determine, on each Reserve Account Reconciliation Date, whether a Reserve

Deficiency exists. If a Reserve Deficiency is found to exist on the Reserve Account Reconciliation Date, the actions described under Section 3.5(d) shall be required.

(b) *Lockbox Account.* The Lockbox Account shall be established, to be held by the Lockbox Agent under the Lockbox Addendum, separate and apart from all other funds and accounts of the Museum. By acknowledging and accepting this Agreement, the Lockbox Agent accepts the terms of this Section 4.1(b) and the Lockbox Addendum, attached as Exhibit J and by this reference incorporated herein, and its responsibilities under this Agreement.

- (1) Deposits into Account. For so long as the Bonds are outstanding, any and all Office Space Lease Revenue shall be deposited in the Lockbox Account. As security for the MDA Lease, the Museum shall include a Tenant Payment Agreement in every Office Space Lease, or shall otherwise enter into an agreement requiring the tenant to remit all payments due under an Office Space Lease directly to the Lockbox Account in satisfaction of the tenant's obligation to make those payments to the Museum.
- (2) Flow of Funds in Lockbox Account. Except as provided in paragraph (3) of this subsection, for so long as the Bonds are outstanding, all amounts deposited into the Lockbox Account and all interest earned thereon shall, on the 5th Business Day of each month, be applied by the Lockbox Agent only for the following purposes in the following order of priority:
  - (i) To pay any outstanding unpaid regular Lockbox Agent fees, if any;
  - (ii) To pay to the Bond Trustee amounts equal to those shown on the MDA Lease Payment Schedule attached as Exhibit A-2, which amount shall be credited against the Museum's obligation (if any) to pay rent under the MDA Lease.
  - (iii) If no Reimbursement Schedule under Section 3.2(a) is in effect, to the extent necessary to pay all amounts due to the City to reimburse the City for City advances to the Reserve Account, and if a Reimbursement Schedule is in effect, to pay to the City amounts due under a Reimbursement Schedule approved in accordance with Section 3.2(a) of this Agreement (which payments shall in either event be applied as set forth in Section 3.2(c)(3));
  - (iv) To pay to the Bond Trustee any monthly payment required under a Bond Prepayment Plan approved in accordance with Article IV of this Agreement; and
  - (v) Any amounts remaining after satisfaction of items (i) through (iv), including any interest earned thereon, shall be released to the Museum for any Museum purpose.
- (3) Exceptions for Particular Events and Circumstances. In each of the following circumstances and until notified by the City that the circumstance has been cured

or no longer applies, the Lockbox Agent shall cease applying amounts in the Lockbox Account to items (iv) and (v), above. The Lockbox Agent shall instead apply all amounts received to items (i) through (iii), above and then, on a monthly basis, pay any amounts remaining to the Bond Trustee for deposit first, into the Reserve Account in an amount not to exceed the Reserve Deficiency (if any), and second, to the extent necessary to pay to the City for any and all amounts due in connection with an insurance reimbursement due under Section 6.2(c), and third, all remaining amounts shall be equally divided for deposit into the Principal and Interest Accounts, as defined in the Indenture. Upon receipt of a notice of failure to replenish the Reserve Account as described in the third sentence of Section 3.5(c), the Lockbox Agent shall within two Business Days, pay to the Bond Trustee any amounts remaining in the Lockbox Account and shall provide notice to the City, the Museum, and the Authority of the amount so paid. The circumstances include:

- (i) Receipt of notice given under Section 3.5(c) of a draw on the Reserve;
- (ii) Receipt of a copy of a Reimbursement Schedule provided under Section 3.2 (unless the Reimbursement Schedule provides for payments under a Bond Prepayment Plan, in which case the Lockbox Agent shall apply to (iv) amounts available after applying funds to items (i)–(iii), above, in accordance with the Reimbursement Schedule);
- (iii) Failure to receive a monthly Office Space Lease Payment in full when due in accordance with the schedule attached as Exhibit A-3;
- (iv) Receipt of any notice given under Section 4.2(c);
- (v) Receipt of a notice of Declaration of Default declaring a Museum or Authority default under any of subsections (1) through (5) of Section 6.1(a);
- (vi) Receipt of any insurance proceeds (whether from property or casualty insurance, rental and business interruption insurance, or any other source of insurance proceeds) or any condemnation award); and
- (vii) Receipt of a notice given under Section 6.2(c)(2) of failure to reimburse the City for amounts due relating to insurance payments.

Section 4.2    Reports and Records; Notices by Authority and Museum.

(a) *Records.* The Authority and the Museum each hereby covenants: (1) to permit the City or its duly authorized representatives, access (wherever regularly located) during normal business hours to the books, records, and any and all accounts and data of the Authority and of the Museum, respectively, pertaining to the Bonds, the Project, the MDA Unit, the Museum Expansion Unit, and every Office Space Lease, and (2) to make such books and records available

for audit, copying, and inspection, at reasonable times and under reasonable conditions to the City and its duly authorized representatives.

(b) *Reports.* The Authority and the Museum each further agrees to provide to the City copies of the following:

- (1) Within ten Business Days after receipt, the Authority's audited and unaudited financial statements;
- (2) Within ten Business Days after receipt, the Museum's audited and unaudited financial statements, prepared according to generally accepted accounting practices applicable to nonprofit corporations;
- (3) Within three Business Days after receipt, each report provided to the Authority under Section 4.3(b) by an arbitrage rebate compliance consultant;
- (4) Within three Business Days after receipt, each report received from the Bond Trustee under the Indenture (but only in the event that the transmittal for such report does not show that the Bond Trustee has already provided the City with a copy of such report); and
- (5) At the time provided to the Bond Trustee, any and all certificates required to be given by the Museum or the Authority (as applicable) to the Bond Trustee under the Indenture.

(c) *Additional Notice of Certain Events.* In addition, the Authority and the Museum shall each provide notice to the City, the Bond Trustee and the Lockbox Agent, within two Business Days of its knowledge after the occurrence of:

- (1) Any default under any of the Security Documents, the MDA Lease, any Office Space Lease, the Lockbox Addendum or the Indenture;
- (2) Any event which, with the passage of time or service of notice, or both, would constitute a default under any of the above. Such notice shall specify the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto; or
- (3) The voluntary or involuntary filing of a petition of bankruptcy, receivership or other similar status involving protection from creditors with respect to the Authority, the Museum, or any Office Space Tenant.

Section 4.3 Tax Exempt Status of Bonds; Arbitrage. It is the intention of the Authority and the City that interest on the Bonds shall be and remain excluded from gross income of the owners of the Bonds under federal tax law.

(a) The Authority therefore covenants and agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action that will cause the interest on the Bonds to become included in gross income for federal tax purposes pursuant to the Code or to become "arbitrage bonds" within the meaning of Section 148 of the Code. The Authority covenants that

it will not take any action, fail to take any action or make or allow any use of the Project, or the proceeds of the Bonds, which would cause the interest on any of the Bonds to be or become includable in the gross income of such bond owners for federal income tax purposes. Specifically, and without limitation, the Authority shall actively enforce the provisions of Section 18.1 of the MDA Lease regarding the use of the MDA Unit for purposes that could cause the interest on the Bonds to be or become taxable. Moreover, without limiting the generality of the foregoing, the Authority covenants and agrees that it will take such action or actions as are legally permissible and necessary in the opinion of Bond Counsel (including, without limitation, making or consenting to amendments to the Bond Resolution, the Indenture, the Security Documents or this Agreement), so that the Authority, the Project, and all subsequent owners and tenants of the MDA Unit comply fully and continuously with Sections 145 and 148 of the Code and with all applicable legislative enactments or applicable final decisions of courts of competent jurisdiction so as to maintain the exclusion from gross income of interest on the bonds.

(b) The Authority agrees to obtain, within 45 days after the first, second, fifth and tenth anniversaries of the Bond Closing and at the Authority's expense, a report by an arbitrage rebate compliance consultant and in a form acceptable to the City Finance Director, calculating the Rebate Amount, if any, owing to the United States of America with regard to the Bonds, and further agrees to pay such Rebate Amount, if any.

(c) By virtue of the preceding agreement to comply with future laws or regulations, the Authority and the City do not intend nor shall they be deemed to waive any rights or defenses they may have, individually or collectively, to contest the application of such laws or regulations to the Project on the grounds that such application would constitute a prohibited impairment of contract or on any other applicable grounds. Nevertheless, while contesting the application of any such laws or regulations, the Authority and the City shall take such actions deemed necessary in the opinion of Bond Counsel to maintain the exclusion from gross income of interest on the Bonds.

(d) The Authority's and the City's responsibilities under this section shall be limited to actions within each entity's respective control. None of the covenants and agreements herein contained shall require the City to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds.

#### Section 4.4 Provisions Relating to Office Space Lease.

(a) *Required Provisions.* The Museum shall not enter into, and the Authority shall not permit the execution of, an Office Space Lease that does not meet the Coverage Requirement under Section 5.3. Furthermore, the Museum and the Authority agree that each Office Space Lease shall include provisions regarding the termination of such Office Space Lease substantially similar to those in Section 2.4 of the Office Space Lease in effect as of October 1, 2007 and a Tenant Payment Agreement substantially similar to that attached at Exhibit D-2.

(b) *Lease Defaults.* The Museum agrees that, promptly upon notice of an Event of Default under any Office Space Lease, as defined in that Office Space Lease (and the expiration of any applicable cure period), it shall use all commercially reasonable efforts to evict a nonpaying tenant and relet the Office Premises, consistent with subsection (d) of this section.

(c) *Failure to Replenish Reserve Account.* Upon the receipt of a notice under the third sentence of Section 3.5(c), the Museum, as required by the MDA Lease, agrees to grant and the Authority agrees to accept appointment as the Museum's leasing agent and property manager with respect to the Office Premises. Upon such appointment and acceptance, the Authority shall use its best efforts to collect amounts due under the Office Space Lease and, if necessary, shall use commercially reasonable efforts to evict any non-paying tenant and to relet the Office Premises on the Museum's behalf. As leasing agent and property manager, the Authority shall have the right, in its sole discretion consistent with the remaining obligations of the Museum to the Authority under the MDA Lease, to relet the Office Premises on the Museum's behalf. The Authority agrees that upon the Authority's undertaking to act as leasing agent and property manager for the Museum, the Authority shall use all commercially reasonable efforts to relet the Office Premises. The Museum agrees to cooperate with the Authority in its re-leasing efforts and in connection with the collection of delinquent rent payments and evicting nonpaying tenants. The Museum further agrees to execute any documents requested by the Authority or the City consistent with this Agreement and in furtherance of such re-leasing efforts and to join in any litigation in connection therewith. All net proceeds of such re-leasing shall be deposited to the Lockbox Account and used as set forth in Section 4.1, above. Performance of the obligation to use commercially reasonable efforts to relet the Office Premises shall not relieve any party of any obligation under this Agreement, any Security Document or the Indenture.

(d) *Museum Takedown of Office Space Lease.* The Museum agrees that it will not take action to terminate all or any portion of any Office Space Lease except with the prior written consent of the City Finance Director, or otherwise in accordance with this subsection.

- (1) *Covenant to Redeem or Defeasance Bonds.* The Museum agrees not to terminate any or all of any Office Space Lease (other than for the purpose of ejecting a non-paying tenant and re-letting the Office Premises, as to which termination prior City consent is not required) unless it has prepaid MDA Lease Payments in an amount sufficient to purchase, redeem or defease that portion of the Bonds described in Section 4.6(b).
- (2) *Notice to City Required Prior to Lease Termination.* The Museum shall provide to the Authority and to the City written notice of the Museum's intent to terminate all or any portion of an Office Space Lease simultaneously with any notice of termination to an Office Space Tenant given under section 2.4 of the Office Space Lease in effect as of October 1, 2007 or under provisions of any other Office Space Lease permitting termination by the Museum. The Museum covenants to include in every Office Space Lease the requirement that notice of termination by the Museum is revocable by the Museum, at its sole option and for any reason



without penalty and without right of the Tenant to terminate, for at least 12 months following the giving of the termination notice.

- (3) *Bond Prepayment Plan Required; City Approval Required.* Simultaneously with the notice under subsection (b)(2), the Museum shall also submit a Bond Prepayment Plan, as described in Section 4.6, to the City Finance Director for approval, with a copy to the Authority. Included in the submission shall be information regarding cash flow expectations for the Museum, the Authority and the Lockbox Account and any request to alter the flow of funds into the Lockbox Account, which shall be subject to approval by the City Council. The submission must demonstrate to the satisfaction of the City Finance Director that no later than the date of the proposed lease termination, the Museum and/or the Authority will have set aside or caused to be set aside in a Bond Prepayment Account, amounts of Seasoned Funds sufficient for the Authority to redeem, purchase or defease a principal amount of the Bonds in the proportion described in Section 4.6(a)(2).
- (4) *Timeline for City Approval; Revocation of Termination Notice.* If the City Finance Director's approval has not been obtained within 60 days after the Museum's submission of a proposed Bond Prepayment Plan, such plan shall be deemed rejected, unless the City Finance Director extends such deadline in writing, for 30 days. In the case of such an extension, the plan shall be deemed rejected upon expiration of the extension unless the City Finance Director has approved the plan in writing, or has further extended the deadline. Further extensions shall be in 30-day increments to a maximum of 120 days after the date of the original notice and plan submission. On the 120th day after the Museum's first submission of a Bond Prepayment Plan, all plans submitted shall be deemed rejected unless the City Finance Director has approved a plan in writing. After the 120th day, no further extensions shall be permitted, and the Museum shall within five Business Days revoke its termination notice to the Office Space Tenant, with copies of such revocation to the Authority and the City. The Authority agrees to take such action as may be necessary under the MDA Lease and the Museum Security Documents to enforce this section. No Bond Prepayment Plan or plan of lease termination shall be approved under this subsection so long as any advance made by the City under this Agreement remains unreimbursed. The Authority shall not permit the Museum to terminate all or any portion of an Office Space Lease unless and until the City Finance Director's approval has been obtained under this section and Section 4.6.

#### Section 4.5 Insurance and Condemnation Proceeds.

(a) *Repair and Replacement.* The Museum and the Authority each covenants to take all action within its control to cause any insurance proceeds (other than rental or business interruption insurance) and any condemnation award to be applied as set forth in Section 4.5(b) or to the repair or replacement of the Existing Museum Facility, the MDA Unit and the Museum Expansion Unit, as applicable, or the portion of either or both units that is damaged or subject to

condemnation, in accordance with the Condominium Documents, the Leases and the provisions of this section and Section 4.6 of this Agreement.

(b) *No Repair or Replacement.* To the extent that property insurance proceeds or condemnation awards are not applied to repair or replacement of the facilities, the Authority shall develop a Bond Prepayment Plan to purchase, redeem or defease a principal amount of Bonds in proportion to the portion of the MDA Real Estate Parcels or the Museum Expansion Unit that will not be repaired or replaced. In addition, the Museum and the Authority shall irrevocably direct that:

- (1) All insurance proceeds (other than from rental or business interruption insurance) and condemnation awards to be paid to or on behalf of the Museum or the Authority and which are not applied to repair or replacement with respect to any of the MDA Real Estate Parcels shall be used: (i) to pay to the Bond Trustee amounts necessary to carry out a Bond Prepayment Plan (including the payment or prepayment of principal of and interest on the Bonds and any transaction costs and redemption premium, if any, associated with the purchase, redemption or defeasance of the Bonds), and (ii) for the repayment of any amounts owed to the City under this Agreement; and
- (2) All insurance proceeds (other than from rental or business interruption insurance) and condemnation awards to be paid to or on behalf of the Museum or the Authority and which are not applied to repair or replacement with respect to the Museum Expansion Unit shall be paid to the Lockbox Agent for deposit into the Lockbox Account and used in accordance with the flow of funds in Section 4.1(b).

(c) *Rental & Business Interruption Insurance Proceeds.* All rental or business interruption insurance proceeds with respect to the Museum Expansion Unit shall be paid to the Lockbox Agent for deposit into the Lockbox Account and used in accordance with the flow of funds in Section 4.1(b). All rental or business interruption insurance proceeds with respect to the MDA Real Estate Parcels shall be paid to the Bond Trustee for deposit into the Interest Account and then the Principal Account.

Section 4.6 Bond Prepayment Plans. No Bond Prepayment Plan shall become effective until approval of the City Finance Director has been obtained in writing. The Authority shall not proceed with any plan to redeem, purchase or defease any or all of the Bonds unless and until the City Finance Director's approval has been obtained. The Museum shall provide a copy of any approved Bond Prepayment Plan to the Authority, the Bond Trustee and the Lockbox Agent, within five Business Days of written approval by the City Finance Director.

(a) *Contents; Requirements.* Every Bond Prepayment Plan that includes defeasance shall provide for compliance with the defeasance requirements under Article XII of the Indenture and shall provide that:

- (1) The City will receive (in addition to such other certificates, reports, opinions or other documentation as the City Finance Director may require): (i) in the case of a proposed advance refunding, a verification by a nationally recognized independent certified public accounting firm acceptable to the City confirming that the maturing principal of and interest on the securities held by the Bond Trustee (or other escrow agent appointed with respect to such refunding or defeasance), in the Bond Prepayment Account (or other trust account established in connections with the refunding or defeasance), if paid when due and assuming no reinvestment thereof, together with any other cash then held by that escrow agent, will be sufficient to carry out the Bond Prepayment Plan; and (ii) an opinion of Bond Counsel that the bonds so prepaid have been legally defeased, using Seasoned Funds, funds previously deposited in the Reserve Account (but only if no amounts are due and owing to the City in respect of advances made under this Agreement), or funds available from another source (e.g., insurance proceeds, a condemnation award, grants contributions, borrowing, or a letter of credit) that are, that, in the written opinion (delivered to the City, the Bond Trustee and the refunding escrow agent, if any) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an “avoidable transfer” under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the Authority or the Museum, and are no longer outstanding. The City shall be entitled to rely upon the verification and opinion described in this paragraph, and all of the City’s obligations under this Agreement with respect to the Bonds so defeased shall terminate.
- (2) The proportion of Bonds to be purchased, redeemed or defeased shall be in the same proportion to the amount of Bonds then outstanding as (i) the amount payable during the preceding calendar year under the Office Space Lease(s) and attributable on a per square foot basis to that portion of the Office Premises subject to lease termination, damaged or destroyed, bears to (ii) the total amount payable under the Office Space Lease(s) for that period.

(b) *Seasoned Funds.* The amounts set aside or to be set aside in any Bond Prepayment Account must be deposited in Seasoned Funds, funds previously deposited in the Reserve Account (but only if no amounts are due and owing to the City in respect of advances made under this Agreement), or funds available from another source (e.g., insurance proceeds, a condemnation award, grants contributions, borrowing, or a letter of credit) that are, that, in the written opinion (delivered to the City, the Bond Trustee and the refunding escrow agent, if any) of nationally recognized bankruptcy counsel practicing regularly before Federal Bankruptcy Court, are not subject to treatment as an “avoidable transfer” under any applicable section of the Federal Bankruptcy Code in the event of a Bankruptcy by the Authority or the Museum.

Section 4.7 No Transfer of Property. Neither the Authority nor the Museum shall voluntarily transfer or permit the voluntary transfer of all or any portion of the property or security interests described the Security Documents. Any transfer that is in violation of this

Section shall not relieve the Authority or the Museum of any obligations under this Agreement and shall be an Event of Default hereunder.

Section 4.8 City's Continuing Disclosure Agreement. The City agrees to execute, in connection with the issuance of the Bonds, a written undertaking (the "Undertaking") for the benefit of the holders of those bonds, as required by United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"), in a form acceptable to the City, its Counsel and the purchaser of the Bonds. For purposes of the undertaking, the term "holders of the bonds" shall have the meaning intended for such term under the Rule.

## **ARTICLE 5.**

### **Representations, Warranties, Covenants and Agreements**

Section 5.1 Project Description. A description of the Project is shown in Exhibit F.

(a) *Project Operation.* The Authority and the Museum will furnish any money necessary to operate and maintain the Project and neither the Authority nor the Museum expects or intends to request any such money from the City. The Authority and the Museum each acknowledges that the obligation of the City under this Agreement to provide a guarantee as to the Bonds does not in any way constitute a representation, warranty, guaranty, advice or suggestion by the City as to the feasibility or viability of the Project, and may not be relied on as such by any investor, tenant, lender, or other person, for any reason.

(b) *Public Access to the Project.* The Authority and the Museum shall admit, or cause to be admitted, individuals to the Project without regard to race, sex, marital status, national origin, religious belief, creed, sexual orientation, gender identity, political ideology or the presence of any sensory, mental or physical handicap, and shall respect, permit and not interfere with the religious beliefs of persons using the Project. Except to the extent permitted by the constitution, statutes and laws of the United States and the State, the Authority and the Museum each further agrees that it will not use or permit the use of the Project as a place of religious worship or sectarian instruction. The Authority and the Museum shall provide access to the public spaces of the Project consistent with the Public Benefits set forth in Section 3.4 of the MDA Lease.

Section 5.2 Representations, Warranties and Covenants. It is specifically understood by the Authority and the Museum that all representations and warranties are being relied upon by the City as an inducement to provide the guarantee under this Agreement, and that if any such statements, representations and warranties were materially incorrect at the time they were made or as of the Closing Date, the City may consider any such misrepresentation or breach an Event of Default.

(a) *Representations, Warranties and Covenants of the Authority.* As of the date of this Agreement and as of the Closing Date, the Authority represents and agrees that: (i) each of the representations and warranties of the Authority set forth in Exhibit H-1 is (as of the date of this Agreement) and shall be (as of the Closing Date) true, accurate and complete and by this reference is incorporated herein; (ii) as of the Closing Date, the MDA Security Documents shall

have been duly authorized, executed and delivered by the Authority, shall not have been modified, amended, superseded or rescinded, and shall be in full force and effect; (iii) as of the Closing Date, the Authority shall have complied with all agreements and covenants and satisfied all conditions contemplated by the MDA Security Documents on its part to be performed or satisfied at or prior to the Closing Date; and (iv) the insurance required to be obtained under Section 5.4 of this Agreement shall be in full force and effect as of the Closing Date.

(b) *Representations, Warranties and Covenants of the Museum.* As of the date of this Agreement and as of the Acquisition Date, the Museum represents and agrees that: (i) each of the representations and warranties of the Museum set forth in Exhibit H-2 is (as of the date of this Agreement) and shall be (as of the Closing Date) true, accurate and complete and by this reference is incorporated herein; (ii) as of the Closing Date, the Museum Security Documents: (A) shall have been duly authorized, executed and delivered by the Authority; (B) shall not have been modified, amended, superseded or rescinded; and (C) shall be in full force and effect; (iii) as of the Closing Date, the Museum shall have complied with all agreements and covenants and satisfied all conditions contemplated by this Agreement, the Museum Security Documents, the Office Space Lease and the MDA Lease on its part to be performed or satisfied at or prior to the Closing Date; and (iv) the insurance required to be obtained under Section 5.4 of this Agreement, shall be in full force and effect as of the Closing Date.

Section 5.3 Debt Service Coverage Requirement Covenant. The Authority agrees to establish such terms under the MDA Lease and to take all actions necessary to realize amounts of MDA Lease Revenue at least equal to the Coverage Requirement. The Museum agrees to establish such terms under any Office Space Lease and to take all actions necessary to realize payments into the Lockbox Account of amounts of Office Space Lease Revenue at least equal to the Coverage Requirement.

Section 5.4 Insurance. The Authority and the Museum each agrees to obtain and continuously maintain, or to cause to be obtained and continuously maintained, at the expense of the Authority and the Museum, all policies of insurance with regard to the MDA Real Estate Parcels and the Museum Expansion Unit, respectively, as described in Exhibit I. In addition to the above covenant to obtain and maintain the insurance policies described in Exhibit I, the Authority and the Museum each agrees to be bound by each of the covenants contained in Exhibit I, which exhibit is incorporated herein by reference, and to enforce all provisions of the Condominium Documents relating to such insurance.

Section 5.5 Maintenance and Repair. The Authority and the Museum each agrees to maintain, or cause to be maintained, the MDA Real Estate Parcels and the Museum Expansion Unit, during the term of this Agreement (i) in a reasonably safe condition and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof.

Section 5.6 Additional Indebtedness.

(a) Except for the Museum Bonds, neither the Authority nor the Museum shall issue any additional bonds, notes or other evidences of indebtedness in excess of \$1,000,000 aggregate outstanding at any given time, in the course of ordinary business, without the prior written consent of the City Finance Director, except as follows:

- (1) The Museum may incur indebtedness not to exceed an aggregate maximum of \$28,000,000 outstanding at any given time, and is not required to seek additional City consent for indebtedness issued or incurred under this ceiling. Any borrowing from or secured by endowment funds shall be included in the calculation of indebtedness under this ceiling.
- (2) If at any time, the Museum desires to incur debt in excess of this ceiling, it may do so only upon consent given in writing by the Director of Finance, acting in his sole discretion and without requiring additional authorization from the City Council, but only insofar as the aggregate amount of debt outstanding (including the proposed debt and all outstanding debt) will not exceed \$40,000,000. The consent of the Director of Finance is specific to the particular debt with respect to which the consent is given and does not act to raise the ceiling described in subsection 5.6(a)(1), above, for purposes of any other borrowing. If the aggregate amount of debt outstanding plus the debt proposed to be incurred would exceed \$40,000,000, the Director of Finance may consent only upon additional authorization by a resolution or ordinance of the City Council.
- (3) If the Authority desires to incur any additional debt at any time during which the Museum has any debt outstanding as described in subsection 5.6(a)(1) or (2), the Authority may incur such additional debt only upon consent of the Director of Finance given upon additional authorization by a resolution or ordinance of the City Council.

Nothing in this Agreement obligates the City in any way with regard to any additional bonds or refunding bonds or with respect to any waiver of any required redemption schedule for any Museum Bonds.

*(b) 2005 Commission Bonds.*

- (1) Capitalized terms not defined but used in this subsection shall have the meanings set forth in the 2005 Bank Reimbursement Agreement.
- (2) The 2005 Commission Bonds were originally authorized to be issued in one or more issues and/or series in an aggregate principal amount not to exceed \$85 million, for the purpose of financing the Museum's transformation plan (including the downtown expansion, the Olympic Sculpture Park and the Asian Art Museum), capitalizing interest, funding reserves, and paying costs of issuance of the 2005 Commission Bonds and the 2005 Bonds. The terms of the 2005 Commission Bonds were as follows: variable rate bonds with a maximum term of

30 years, subject to prepayment in accordance with the 2005 Bank Reimbursement Agreement; a tax-exempt issue and a taxable issue; optional redemption; extraordinary redemption; mandatory tender; optional tender; open market purchase; no acceleration (except term-out provisions provided for in the 2005 Bank Reimbursement Agreement) except in accordance with the applicable trust indenture for that issue of 2005 Commission Bonds, notice of which shall be provided to the City at the same time as notice is provided to the parties to those 2005 Commission Bonds; and covenants to set aside the OSP Endowment Pledge to maintain liquidity during construction of the Olympic Sculpture Park and downtown expansion. The 2005 Commission Bonds were enhanced by a direct pay irrevocable letter of credit for the full outstanding principal amount of that issue and a specified number of days of interest. Pursuant to the 2005 Bank Reimbursement Agreement, the Museum was required to prepay the 2005 Commission Bonds pursuant to a redemption schedule.

- (3) The security offered in relation to the 2005 Commission Bonds included: a security interest in the Capital Campaign Pledges and in the Collateral Account (as those terms are defined in the 2005 Bank Reimbursement Agreement), a security interest in collateral provided by certain third party donors to secure their Capital Campaign Pledges, a springing deed of trust on the Olympic Sculpture Park property, and a general contractual obligation of the Museum to pay the 2005 Commission Bonds.

(c) *Future Museum Bonds.* Upon consent of the City by ordinance of the City Council, the Museum may issue Future Museum Bonds for the purpose of providing working capital or for other purposes approved by the City Council by ordinance and paying costs of issuance of such Future Museum Bonds. The terms of any Future Museum Bonds shall be subject to approval by the City Finance Director given upon future authorization by ordinance of the City Council within parameters set forth therein based upon a borrowing proposal presented by the Museum. The terms of the Future Museum Bonds and the security that may be offered in relation to those Future Museum Bonds may not have the effect of diminishing the security held by the City pursuant to this Agreement except upon approval of the Mayor and an ordinance of the City Council.

(d) *Covenants with respect to Additional Indebtedness.* In connection with any Additional Indebtedness under this Section 5.6, except as expressly approved by future action of the City Council and the Mayor in accordance with subsection (c):

- (1) The Authority covenants to create or permit no leasehold or subleasehold interest in the MDA Unit or the Existing Museum Facility other than the Museum's leasehold interest created by the MDA Lease and subleases permitted by the Security Documents;
- (2) The Museum covenants to create no leasehold or subleasehold interest in the Museum Expansion Unit other than the leasehold interest of an Office Space Tenant created by an Office Space Lease that includes the Tenant Payment

Provisions, and subleases permitted by the Museum Expansion Unit Assignment of Rents unless approved by the City Finance Director in connection with a Bond Prepayment Plan;

- (3) The Museum and the Authority each covenant: (a) to grant no deed of trust (springing or otherwise) or other consensual lien or negative pledge, and to permit no nonconsensual lien (other than nonconsensual liens being contested by the Authority or the Museum in good faith so long as adequate provision is made for payment of the same, such that the City's security interests are not jeopardized) with regard to the Museum Expansion Unit or the MDA Unit or the Existing Museum Facility (in each case, other than the deeds of trust and pledges granted to the City or placed in escrow for the City as security for this Agreement); and (b) to create no lien and grant no negative pledge on any other asset of the Museum or the Authority other than: (i) the Olympic Sculpture Park and related assets (e.g., fixtures, improvements, leasehold interests, etc.) for so long as the Olympic Sculpture Park and those related assets are pledged as security under the Bank Reimbursement Agreement, (ii) the Capital Campaign Pledges, and (iii) the Collateral Account.

Section 5.7 Payment of Taxes and Assessments. The Authority represents that it has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the MDA Real Estate Parcels, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest. In addition, the Authority agrees to pay, or cause to be paid, when due, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the MDA Real Estate Parcels, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments. The Authority has reserved the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the MDA Real Estate Parcels.

The Museum represents that it has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Museum Expansion Unit, and has paid or caused to be paid all taxes as shown on said returns or on any assessment received by it, to the extent that such taxes have become due and payable other than those payable without penalty or interest. In addition, the Museum agrees to pay, or cause to be paid, when due, all taxes and assessments, general or special, including, without limitation, all ad valorem taxes, concerning or in any way related to the Museum Expansion Unit, or any part thereof, and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments. The Museum has reserved the right to contest in good faith the legality of any tax or governmental charge concerning or in any way related to the Museum Expansion Unit.

Section 5.8 Additional Instruments. The Authority and the Museum each hereby covenants to execute and deliver such additional instruments and to perform such additional acts



as may be necessary, in the reasonable opinion of the City Finance Director, to carry out the transactions contemplated in the Refunding Resolution, the Authorizing Resolutions and the Indenture, or to perfect or give further assurances of any of the rights granted or provided for in this Agreement or the Security Documents.

Section 5.9 Authority Board. The Authority and the Museum each hereby covenants that for so long as this Agreement remains in effect, no more than one-third of the members of the Authority Council shall also hold positions as board members, officers or employees of the Museum or be family members or employees of Museum board members, officers or employees.

Section 5.10 Museum Covenants and the Standby Security Documents.

(a) On or prior to the Closing Date, the Museum shall have executed and placed in escrow (with an escrow agent agreed upon by the Museum and the City Finance Director) the fully executed Standby Deed of Trust for the Museum's fee interest in the Museum Expansion Unit (subject only to the Office Space Lease and the Museum Security Documents) for the benefit of the City and to secure the Museum's obligations hereunder, together with the other fully executed Standby Security Documents, substantially in the forms attached as Exhibit E. If at any time the City notifies such escrow agent holding the Standby Security Documents that the Museum is not in compliance with or has failed to meet the requirements of any one or more of the covenants set forth in this Section 5.10, then the escrow agent shall record, file or deliver, as applicable, the Standby Security Documents consistent with the escrow instructions. In the event of the Museum's failure to comply with Section 5.10(b) that results solely from an increase in Finance Director Determined Liability, the City shall not give notice to the escrow agent until at least 30 days after the City has provided notice to the Museum according to the last paragraph of Section 5.10(b), below. In all other circumstances, the City need not wait nor must the City provide any notice to the Museum prior to giving notice to the escrow agent that the Museum is not in compliance with or has failed to meet the requirements of any one or more of the covenants set forth in this Section 5.10 (including Section 5.10(b)), or that an event described in Section 5.12 has occurred. The Standby Security Documents shall be deemed to have been granted by the Museum at the time of recordation, filing or delivery, as applicable. Simultaneously with the recording of the Standby Deed of Trust, the Museum shall cause to be delivered one or more lender's extended ALTA policies of title insurance, with respect to the Standby Deed of Trust, for the benefit of the City on forms, in substance and in amounts acceptable to the City Finance Director, with such endorsements as the City Finance Director shall request, in accordance with pro forma policies approved by the City Finance Director in accordance with Section 3.6(b).

(b) *Museum Covenants With Regard to Net Assets.* The Museum covenants that, so long as any obligation under this Agreement remains in effect:

- (1) The Museum shall maintain Museum Net Assets sufficient so that when the amount of Finance Director Determined Liability (if any, and only to the extent that the Museum has not treated such amount as a liability in computing Museum

Net Assets) is subtracted from Museum Net Assets, the remainder is not less than \$90,000,000.

- (2) The Museum shall cooperate with the City and shall perform all actions required of it, as described in the procedure for determining the amount of Finance Director Determined Liability (if any).
- (3) At least annually and any time a certification under subsection (4) of this Section 5.10(b) is required, the Museum shall request the City Finance Director to confirm the amount of Finance Director Determined Liability (if any) and, based upon the amount provided by the City Finance Director, shall deliver to the City a certification signed by the Executive Director and Chair of the Board of the Museum certifying that the amount of the Museum Net Assets, less Finance Director Determined Liability (if any, and only to the extent that the Museum has not treated such amount as a liability in computing Museum Net Assets), is not less than \$90,000,000.
- (4) The Museum shall annually deliver to the City a copy of the Museum's audited financial statements (including all necessary supplemental documentation and the above certification signed by the Executive Director and the Chair of the Museum Board). The audited financial statements and necessary supplemental documentation and certification shall be delivered within ten Business Days after the Museum's receipt of its audited financial statements. In addition, if the City notifies the Museum that the City desires additional assurance that the Museum is in compliance with the covenants set forth in this Section 5.10(b), the Museum either shall immediately provide unaudited financial statements prepared during the previous 30 days or shall provide immediate access to the Museum's books for review by an independent auditor appointed by the City. Such independent auditor shall be provided access in order to provide the City with a report concerning compliance with the Museum covenants set forth in this subsection, and the cost of the auditor's review and preparation of such report shall be shared equally by the City and the Museum. In addition, the Museum shall also immediately request the City Finance Director to confirm the amount of Finance Director Determined Liability (if any) and shall immediately provide a certification signed during the previous 30 days by the Executive Director and the Chair of the Museum Board as described in Section 5.10(b)(3), above.

If, at any time, the City Finance Director determines that Museum Net Assets (as determined based on the most recent audited financial statements) less the Finance Director Determined Liability that is not treated by the Museum as a liability in its most recent audited financial statements is less than \$90,000,000, the City shall notify the Museum in writing that the City intends to cause the escrow agent to record, file and deliver, as applicable, the Standby Security Documents consistent with the escrow instructions. Upon expiration of 30 days following the giving of such notice, the City may proceed to cause the recording, filing and delivery (as applicable) of the Standby Security Documents. The recording, filing and delivery (as applicable) of the Standby Security Documents shall serve to remedy in full the Museum's

breach of its covenants set forth in this Section 5.10(b). If the Standby Security Documents are recorded, filed and delivered (as applicable), the procedure for determining Finance Director Determined Liability shall be discontinued.

(c) *Prepayment of 2005 Commission Bonds.* The capitalized terms used in this Section 5.10(c) but not defined in this Agreement shall have the meanings assigned to them in the 2005 Bank Reimbursement Agreement. The Museum covenants that, so long as any obligation under this Agreement remains in effect, during each year from and after April 1, 2008, if and to the extent that funds are available in the Collateral Account after deducting the Budget Disbursement Amounts set forth below, the Museum shall withdraw from the Collateral Account and deposit with the trustee for the applicable issue of Museum Bonds (or with the Bank), all amounts required in order to redeem 2005 Commission Bonds so that the total aggregate amount of Outstanding 2005 Commission Bonds (as defined in the 2005 Bank Reimbursement Agreement) will be no greater than the Maximum Outstanding 2005 Commission Bond Amount set forth in the table below:

<b>Year ending April 1</b>	<b>Budget Disbursement Amount</b>	<b>Maximum Outstanding 2005 Commission Bond Amount<sup>1</sup></b>
2008	\$2,000,000 <sup>2</sup>	\$65,000,000
2009	\$2,900,000	\$60,000,000
2010	\$5,900,000	\$50,000,000
2011	\$5,000,000	\$40,000,000
2012	\$ 0	\$30,000,000
2013	\$ 0	\$20,000,000
2014 (and all subsequent years)	\$ 0	\$10,000,000

The escrow agent with regard to the Standby Security Documents shall be instructed that upon receipt of notice from the City that the Museum has failed to comply with this covenant, the escrow agent shall take the actions described in Section 5.10(a) to record, file or deliver, as applicable, the Standby Security Documents. Such recording, filing and delivery (as applicable) of the Standby Security Documents shall serve to remedy in full the Museum's breach of its covenants set forth in this Section 5.10(c).

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<sup>1</sup> In determining the amount of Museum Bonds that the Museum is required to optionally redeem, the Museum shall be permitted to take into account all Museum Bonds previously redeemed, whether pursuant to this table, the redemption schedule set forth in Schedule II to the Bank Reimbursement Agreement, or from any funds received by the Museum from any donation, gift, contribution or bequest made subject to donor restrictions or instructions that require the use of such funds to redeem, cause the redemption of, or otherwise prepay Museum Bonds.

<sup>2</sup> All listed Budget Disbursement Amounts, including the \$0 amounts listed in years 2012 through 2014 and all subsequent years, shall be automatically deemed increased by an amount equal to the cumulative amount of authorized, but unused, Capital Campaign Budget funds from prior years.

Section 5.11 Authority Covenant With Regard to Maintenance of Powers and Bankruptcy. As long as any obligation under this Agreement remains in effect, the MDA shall preserve its existence under the Act, and will not be dissolved or lose its right to exist as such or lose any rights necessary to enable it to function and to maintain the MDA Lease Revenues. The MDA shall at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, or assure the assumption of its obligations under the Lease, this Agreement and this Indenture by any corporation or political subdivision succeeding to its powers, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or the observance of any of the covenants herein contained, specifically including, but not limited to, any voluntary filing in bankruptcy, insolvency or similar proceedings.

Section 5.12 Termination of MDA Lease or Condemnation of MDA Unit. If the MDA Lease terminates due to condemnation or if the Museum withholds rent or asserts for any reason that it is not obligated to pay any amount under the MDA Lease, the City shall have the remedy described in this section in addition to any other remedies available to it. The escrow agent with regard to the Standby Security Documents shall be instructed that upon receipt of notice from the City that an event described in this section has occurred, the escrow agent shall take the actions described in Section 5.10(a) to record, file or deliver, as applicable, the Standby Security Documents. The Standby Security Documents shall be deemed to have been granted by the Museum at the time of recordation, filing or delivery, as applicable. Simultaneously with the recording of the Standby Deed of Trust, the Museum shall cause to be delivered one or more lender's extended ALTA policies of title insurance, with respect to the Standby Deed of Trust, for the benefit of the City on forms, in substance and in amounts acceptable to the City Finance Director, with such endorsements as the City Finance Director shall request, in accordance with pro forma policies approved by the City Finance Director in accordance with Section 3.6(b) of the First Amended and Restated Guarantee Agreement.

## **ARTICLE 6. Events of Default and Remedies**

### Section 6.1 Authority and Museum Defaults; Notice and Opportunity to Cure.

(a) *Events of Default.* Each of the following shall be an Event of Default and, except as provided in subsections (b) and (c), notice of such event shall constitute a Declaration of Default:

- (1) The City has made any advance to the Bond Trustee pursuant to its receipt of a Reserve Deficiency Notice and has not, within 20 days after the date that such advance was made, either: (1) been reimbursed in full, or (2) received a Reimbursement Schedule that is acceptable to the City; or
- (2) The Authority and the Museum both fail to pay or cause to be paid amounts required to reimburse the City under a Reimbursement Schedule accepted by the City; or

- (3) Either the Authority or the Museum fails to perform or observe any of its other obligations, covenants or agreements contained in this Agreement, including but not limited to: the failure to give any notice required under Section 4.2(c)(3) of this Agreement, and the failure to repay any amounts that have been previously paid to the City but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings; or
- (4) The MDA or the Museum fails to perform one or more of its obligations under any Security Document, the MDA Lease, the Office Space Lease, the Lockbox Addendum, the Indenture or the Bond Resolution; or
- (5) Any representation or warranty of the Authority or the Museum is determined by the City Finance Director to have been materially false when made or as of the Acquisition Date.
- (6) Five business days prior to the expiration or termination date of any property or liability insurance policy, the City has not received Evidence of Insurance and/or Binders (as required by Exhibit I) and the broker opinion letter required by Exhibit I all demonstrating to the City Finance Director's reasonable satisfaction that the renewal/replacement policy complies with all requirements of Exhibit I.
- (7) Issuance of (i) notice of cancellation of any insurance required by Exhibit I, or (ii) notice of any change to an insurance policy submitted under the insurance covenant in Section 5.4, that: (A) reduces coverage limits below those required under Exhibit I; (B) reduces or eliminates the earthquake insurance or the terrorism insurance below what is required by Exhibit I; or (C) removes any of the following statuses with respect to any of the City, the Bond Trustee, or the Lockbox Agent: (1) additional insured, (2) loss payee, or (3) mortgagee, including provision(s) providing for waivers of subrogation benefiting the City, the Bond Trustee, and the Lockbox Agent.
- (8) Any other breach of any insurance covenant in Section 5.4 or in Exhibit I.

(b) *Notice of Default; Opportunity to Cure; Declaration of Default.* Notice of an Event of Default under paragraphs (1) through (4) of subsection (a) shall not constitute a Declaration of Default until the City Finance Director has issued a notice stating that such notice is a "Declaration of Default." The City Finance Director shall issue a Declaration of Default under this subsection (b) only after:

- (1) The City Finance Director shall give notice to the Authority, the Museum, the Lockbox Agent and the Bond Trustee of such default specifying the same and stating that such notice is a "Notice of Default"; and
- (2) Thirty days have elapsed since the giving of such notice to correct the default and the event, condition or circumstance giving rise to the default has not been corrected. However, if the default stated in the notice is of such a nature that it cannot be completely remedied within the 30 days, the City Finance Director shall not issue a Declaration of Default hereunder so long as: (i) the applicable party

institutes corrective action within 30 days and diligently pursues such action until the default is corrected (which shall extend to no more than 120 days after the date of the Notice of Default, unless an extension is obtained from the City Finance Director); and (ii) in the opinion of Bond Counsel, the failure to cure said default within 30 days will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(c) *Insurance Defaults; Opportunity to Cure.* Each event described under paragraphs (6) through (8) of subsection (a) shall be an Event of Default from the time of its occurrence, and upon expiration of the applicable cure period as described in this section, shall constitute a Declaration of Default without the necessity of any notice of default or Declaration of Default being sent by the City. If any notice by the City is required under subsection (d), this requirement shall not affect the timing of an Event of Default or Declaration of Default under this section. The following cure periods shall apply from the occurrence of the default:

- (1) An insurance default under Section 6.1(a)(6) shall have a cure period that expires on the last business day prior to the expiration or termination date of the applicable property or liability insurance policy, but if the default does not relate to coverage types and levels, and instead relates only to the form of the policy or the manner in which the parties' insured interests are identified, then the parties agree that the cure period will be extended (not to exceed 30 calendar days) to allow for completion of arbitration before an independent arbitrator as described in Exhibit K.
- (2) An insurance default under Section 6.1(a)(7) shall have a cure period that expires at the effective date and time of the reduction, cancellation or change identified in the notice.
- (3) An insurance default under Section 6.1(a)(8) shall have a 30 calendar day cure period.

All cure periods described in this subsection (c) shall run from the date of the occurrence of the Event of Default, and the cure periods (and extensions thereof) under Section 6.1(b) shall be inapplicable.

(d) If the City Finance Director determines that an insurance default under Section 6.1(a)(6), (7), or (8) has occurred, and the City Finance Director intends to pay an unpaid premium or obtain replacement insurance, the City Finance Director shall provide to the Authority, the Museum, the Lockbox Agent and the Bond Trustee notice of his intent at least one business day prior to taking such action. This notice shall not extend or otherwise affect the cure periods set forth in Section 6.1(c), which shall run from the occurrence of the Event of Default and not from the date of the notice. Failure or deficiency in the giving or receiving of notice under this paragraph shall not in any way affect the City's rights and available remedies under this Guarantee Agreement and the Security Documents, and shall not affect the City's right to exercise those remedies at the expiration of the cure periods described in Section 6.1(c).

## Section 6.2 Rights and Remedies of City on Authority or Museum Default.

(a) *Remedies Available.* Upon a Declaration of Default (including at the expiration of a cure period described in Section 6.1(c)), the City at its sole option may take any one or more of the following steps:

- (1) The City may take whatever action at law or in equity may appear necessary or desirable to collect the payments required to be made by the Authority and the Museum under this Agreement and the Security Documents, or to enforce performance and observance of any obligation or agreement of the Authority under the Security Documents.
- (2) The City may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein (including without limitation the enforcement of the requirement that notice of extraordinary redemption be sent), or for the enforcement of any other appropriate legal or equitable remedy, as the City may deem most effectual to protect and enforce any of its rights or interests under this Agreement and the Security Documents.
- (3) If, and only if, the Bonds are no longer outstanding, then in the case of an Event of Default resulting from the failure of both the Authority and the Museum to fulfill their reimbursement obligations under this Agreement, the City may declare the entire principal balance of the advance (if not then due and payable) to be due and payable immediately, and upon any such declaration the principal of the advance shall become and be immediately due and payable, together with all interest accrued thereon to the date of such acceleration, anything in this Agreement to the contrary notwithstanding.

(b) *Additional Insurance Default Remedies.* In the event of a default described in Section 6.1(a)(6), (7), or (8), on the last business day of the applicable cure period under Section 6.1(c), the City, in the City Finance Director's sole discretion and without waiving any other remedies, may:

- (1) (i) pay any unpaid premium; or (ii) procure or provide such insurance as the City Finance Director in his sole discretion deems necessary to protect the City's interest (including insurance protecting the interests of the Bond Trustee and Lockbox Agent under this Agreement), not to exceed the requirements of Exhibit I. In so doing, the City may act at the City Finance Director's absolute sole discretion as to the insurance carrier(s) selected, the cost paid, the terms of the policy(ies) chosen, and coverages (not to exceed the requirements of Exhibit I), and shall be under no obligation to act in a commercially reasonable manner.
- (2) During the period beginning on the fifth business day prior to the end of the applicable cure period, if the City Finance Director has a reasonable basis to conclude, based on the information available to him, that the default will not be cured, the City may proceed to arrange for replacement insurance to be placed effective no earlier than the final day of the cure period, and the Authority and the

Museum shall be jointly and severally obligated to reimburse the City for any costs incurred, including interest computed in accordance with Section 3.2(b).

- (3) Any policy placed by the City under this Section 6.2(b) shall remain in effect until the City Finance Director has been satisfied that the Authority or the Museum has caused other insurance to be obtained that meets the requirements of Exhibit I, and shall be subject to cancellation (and refund of unearned premium) to permit the Authority or the Museum to place (or cause placement of) replacement insurance. To carry out the foregoing, within 5 business days after the City Finance Director's receipt of binders and/or evidence of insurance (as applicable) submitted by the Authority or the Museum in order to demonstrate that such replacement insurance is in compliance with Exhibit I: (i) if the City Finance Director is satisfied that the Exhibit I requirements have been met, the City shall give any required notice of cancellation of the City-placed insurance; or (ii) if the City Finance Director is not satisfied that the Exhibit I requirements have been met, the City shall invoke the arbitration procedure described in Section 6.1(c)(1). If and to the extent that any reimbursement of premium to the City (from its insurance company) causes the City to have recovered in total more than the costs it incurred arising from an Event of Default under Section 6.1(a)(6), (7), or (8), the excess shall be returned to the Authority or the Museum (or credited against any amount due from the Authority or the Museum) after the City has been made whole.

(c) *Reimbursement of Insurance Payments.* The following provisions shall govern reimbursement of the City's costs incurred in connection with the placement or procurement of replacement insurance by the City pursuant to Section 6.1(d):

- (1) The Authority and the Museum each jointly and severally agree to reimburse the City, within 5 business days after demand, for any insurance premium paid by the City hereunder (whether force-placed or otherwise) and all costs, including without limitation, any insurance premium(s), interest on such premium payment(s) and any other costs or fees the City may incur in obtaining the insurance. City costs incurred during the period described in Section 6.2(b)(2) are recoverable even if the Authority or the Museum cures the default. The obligations of the Authority and the Museum to reimburse the City under paragraph (1) of this subsection is secured by the Security Documents. This reimbursement obligation is not governed by the provisions under Section 3.2 for reimbursement of advances made to the Bond Trustee (except as reference may be made to Section 3.2(b) for calculation of appropriate interest rates on reimbursement obligations). Notice of the demand shall be sent by the City to the Authority, the Museum, the Lockbox Agent and the Bond Trustee.
- (2) If the Museum and the Authority fail to reimburse the City in full within 5 business days after demand, the City Finance Director may deliver notice to the Lockbox Agent (with copies to the Bond Trustee, the Authority and the Museum) that the Authority and the Museum have failed to reimburse City for such



insurance payments, and the Lockbox Agent shall act in accordance with Section 4.1(b).

In addition to receiving the excess funds from the Bond Trustee and Lockbox Agent, the City may also pursue any and all other remedies available to it to recover reimbursement for any and all costs, including without limitation, any insurance premium(s), interest on such premium payment(s) and any other costs or fees the City may incur in obtaining replacement insurance.

(d) *Effect of Waiver in Accordance with City Ordinance.* The City (through the City Finance Director or by Council ordinance, as applicable, in accordance with the City Ordinance) may waive any Authority or Museum default and may rescind a Declaration of Default and its consequences; but no such waiver, rescission or annulment shall extend to or affect any subsequent Authority or Museum default or impair any right incident thereto.

Section 6.3    City Default; Bond Trustee Default.

(a) *City Default.* Upon the occurrence of a City Default, the Authority or the Bond Trustee may proceed to protect and enforce its rights in equity or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, as the Authority or the Bond Trustee, as applicable, may deem most effectual to protect and enforce any of its rights or interests hereunder.

(b) *Default by Trustee or Lockbox Agent.* It shall constitute a default of this Agreement by the Bond Trustee or the Lockbox Agent if either, as applicable, fails to perform one or more of its obligations required under this Agreement. In the event of a default by the Bond Trustee or the Lockbox Agent, the Authority or the City may take such action to compel the Bond Trustee to perform its defaulted obligation, including but not limited to the commencement and prosecution of appropriate legal or equitable proceedings, as the Authority or the City, as applicable, may deem most effectual to protect and enforce any of its rights or interests hereunder. Nothing in this section shall limit the City's right to recover damages in an appropriate case.

Section 6.4    No Remedy Exclusive. No remedy conferred upon or reserved to any party by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or the Indenture or now or hereafter existing at law or in equity or by statute, and either party hereto shall be free to pursue, at the same time, each and every remedy, at law or in equity, which it may have under this Agreement, under the Indenture or otherwise.

Section 6.5    No Implied Waiver. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. For the exercise of any remedy, it shall not be necessary to give any notice, other than such notice as may be expressly required herein.

**ARTICLE 7.  
Miscellaneous**

Section 7.1 Governing Law; Venue. This Agreement is governed by and shall be construed in accordance with the substantive laws of the State of Washington and shall be liberally construed so as to carry out the purposes hereof. Except as otherwise required by applicable law, any action under this Agreement shall be brought in the Superior Court of the State of Washington in and for King County.

Section 7.2 Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed given (except for notices to the Bond Trustee or the Lockbox Agent, which shall be deemed given only when actually received) using the notice addresses in this section: (a) on the Business Day on which the same have been transmitted by electronic mail with a telephone call by sender immediately to follow confirming receipt and verbal confirmation by recipient, with a hard copy to follow via a commercial messenger or courier service that guarantees next day delivery, or (b) on the Business Day following the day on which the same have been sent using same day or overnight delivery via a commercial messenger or courier service that guarantees next day delivery.

If to the City:

The City of Seattle  
Office of City Finance, Debt Management  
M/S-42-80  
PO Box 94669  
Seattle, Washington 98104  
Attn: Director of Debt Management  
Phone: (206) 233-0026  
Email: Kristi.beattie@seattle.gov

If to the Authority:

Museum Development Authority of Seattle  
1300 First Avenue  
Seattle, WA 98101  
Attn: Chair  
Telephone: (206) 344-5260  
Email:

If to the Museum:

Seattle Art Museum  
1300 First Avenue  
Seattle, WA 98101  
Attn: Chief Financial Officer  
Telephone: (206) 654-3150  
Email:

If to the Lockbox Agent:

U.S. Bank Trust Company, National Association  
1420 Fifth Avenue, 10th Floor  
Seattle, WA 98101  
Attn: Corporate Trust Services

Telephone: (206) 344-4682

Email:

If to the Bond Trustee:

U.S. Bank Trust Company, National Association

1420 Fifth Avenue, 10th Floor

Seattle, WA 98101

Attn: Corporate Trust Services

Telephone: (206) 344-4682

Email:

Any party may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

Section 7.3 Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the City, the Authority, the Museum, the Bond Trustee, the Lockbox Agent and their successors. This Agreement may not be assigned, except that the Authority, acting alone, shall have the right to assign to the Bond Trustee the right to obtain performance by the City of its obligation under this Agreement for the benefit of the owners of the Bonds.

Section 7.4 Indemnification. The Authority and the Museum, jointly and severally, shall indemnify, hold harmless and defend the City, and its officers, agents and employees from and against: (i) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with this Agreement, any of the Security Documents, the financing of the Project or the making of any advance under this Agreement, other than claims established to be caused by the sole negligence or willful misconduct of the City or its officers, agents or employees; (ii) any and all claims arising from any act or omission of the Authority, the Museum, the Bond Trustee, the Lockbox Agent, the escrow agent for the Standby Security Documents, or any other agents, servants, employees or licensees of the Authority or the Museum, in connection with any advance under this Agreement, the Project or the Museum Expansion Unit; and (iii) all reasonable costs, counsel fees, or liabilities incurred in connection with any such claim or proceeding brought thereon. In the event that any action or proceeding is brought against the City, its officers, agents or employees, with respect to which indemnity may be sought hereunder, the Authority and the Museum, each upon written notice from the City, shall assume the investigation and defense thereof, including the employment of counsel selected by the City and the payment of all expenses related thereto, provided, that no settlement of a claim or proceeding against the City shall occur without the consent of the City. The rights of the City under this section shall survive final payment or defeasance of the Bonds. Notwithstanding any other provision to the contrary, the indemnification in this section does not apply to matters covered by the Hazardous Substances Certifications.

Section 7.5 Payment of City's Costs and Attorneys' Fees.

(a) *City Costs.* The Authority and the Museum jointly and severally agree to pay, or cause to be paid, as and when the same become due:

- (1) All amounts due to the City under the Cost Reimbursement Agreement;

- (2) Upon written notice from the City, all costs and expenses reasonably incurred by the City in connection with: (i) the making of any advance made by the City under this Agreement, and (ii) the enforcement of this Agreement or the security interests represented by the Security Documents; and
- (3) All costs incurred in connection with any federal or state tax audit or any audit or investigation or enforcement action by the Securities and Exchange Commission or other agency with respect to the Bonds.

(b) *Agreement to Pay Attorneys' Fees and Expenses.* If a default arises under any of the provisions of this Agreement and any party hereto should employ attorneys or incur other expenses for the collection of amounts due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of the other party contained in this Agreement, on demand therefor, the nonprevailing party or parties shall pay or reimburse the prevailing party or parties for the reasonable fees of such attorneys and such other expenses so incurred.

Section 7.6 Compliance with Usury Laws. Notwithstanding any other provision of this Agreement, it is agreed and understood that in no event shall this Agreement or any Reimbursement Schedule relating to this Agreement be construed as requiring the Authority or any other person to pay interest and other costs or considerations that constitute interest under any applicable law which are contracted for, charged or received pursuant to this Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

In the event of any acceleration of the payment of any amount advanced under this Agreement, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Agreement or related documents shall be cancelled automatically as of the date of such acceleration, or if theretofore paid, credited against the Authority's and the Museum's obligations, as applicable, under the Cost Reimbursement Agreement.

The provisions of this Section shall prevail over any other provision of this Agreement.

Section 7.7 Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.8 Amendments. This Agreement may not be effectively amended, changed, modified or altered, except by an instrument in writing duly executed by the City, the Authority and the Museum (or their successors in title) and unless, in the opinion of Bond Counsel to the Authority, such amendment will not adversely affect the owners of the Bonds, the consent of the affected owners of the Bonds is obtained. For illustrative purposes, the parties agree that any amendment to Sections 3.1, 3.5, 4.1, 4.2, 4.6, 4.8 (except for amendments pursuant to the procedures set forth in such section), 5.11 and 6.3 shall be deemed to adversely affect the owners of the Bonds and any such amendment shall require that the consent of the affected owners of the Bonds is obtained.

Section 7.9 Termination of Agreement. This Agreement and all obligations hereunder, except for those obligations that expressly survive termination of the Agreement (including, without limitation: (i) the obligation of the City to make advances in the case of a Bankruptcy Recovery, (ii) the obligations of the Authority and the Museum to reimburse the City for all amounts advanced under this Agreement, and (iii) all instruments and agreements securing the Authority's and Museum's reimbursement obligations), shall terminate upon the full payment, purchase and retirement, redemption or defeasance of all of the Bonds.

Section 7.10 Waivers and Consents. No waiver of any breach of any covenant or agreement contained herein shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the nondefaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults that were in existence at the time such payment or payments or performance were accepted by it.

City waivers and consents under this Agreement are effective only if given in the manner described in, and in all other respects consistent with, the City Ordinance.

Section 7.11 Rights Created in Third Parties. The terms of this Agreement are not intended to establish nor to create any rights in any persons or entities other than the City, the Authority, the Museum, the Bond Trustee, the Lockbox Agent and the respective successors and assigns of each.

Section 7.12 Time of Essence. Time and all terms and conditions shall be of the essence of this Agreement.

Section 7.13 Oral Agreements Not Enforceable. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Section 7.14 Counterparts. This Agreement may be executed in counterparts.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above mentioned.

**THE CITY OF SEATTLE**, a municipal corporation

By \_\_\_\_\_

**THE MUSEUM DEVELOPMENT AUTHORITY**, a public corporation

By \_\_\_\_\_

Robert Strong  
Chair

**THE SEATTLE ART MUSEUM**, a nonprofit corporation

By \_\_\_\_\_

Dr. Constance W. Rice  
Chair

Acknowledged and Accepted by:

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION**, as Bond  
Trustee

By \_\_\_\_\_

Acknowledged and Accepted by:

**U.S. BANK TRUST COMPANY,  
NATIONAL ASSOCIATION**, as Lockbox  
Agent

By \_\_\_\_\_

## APPENDIX K

### FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS OF THE AUTHORITY, THE MUSEUM AND THE CITY

#### Form of Undertaking of the Authority

Pursuant to Resolution No. 2024-1, the Authority will enter into a written undertaking (the “Undertaking”) for the benefit of the holders of the 2024 Bonds as required by the Rule. The Authority will undertake for the benefit of holders of the 2024 Bonds, in the form as follows.

This undertaking constitutes the Museum Development Authority of Seattle’s (the “Authority”) written undertaking (the “Undertaking”) for the benefit of the holders of the Special Obligation Refunding Bonds, 2024 (the “Bonds”) as required by United States Securities and Exchange Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”). The Authority will undertake for the benefit of holders of the Bonds, as follows.

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

- (a) Annual financial information and operating data of the Authority of the type included in the Official Statement for the 2024 Bonds as generally described below.
- (b) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the 2024 Bonds:
  1. Principal and interest payment delinquencies;
  2. Non-payment related defaults, if material;
  3. Unscheduled draws on debt service reserves reflecting financial difficulties;
  4. Unscheduled draws on credit enhancements reflecting financial difficulties;
  5. Substitution of credit or liquidity providers, or their failure to perform;
  6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the 2024 Bonds;
  7. Modifications to rights of holders of the 2024 Bonds, if material;
  8. 2024 Bond calls (other than scheduled mandatory redemptions of Term 2024 Bonds), if material, and tender offers;
  9. Defeasances;
  10. Release, substitution, or sale of property securing repayment of the 2024 Bonds, if material;
  11. Rating changes;
  12. Bankruptcy, insolvency, receivership, or similar event of the Authority, the Museum or the City as such “Bankruptcy Events” are defined in the Rule;
  13. The consummation of a merger, consolidation, or acquisition involving the Authority, the Museum or the City or the sale of all or substantially all of the assets of the Authority, the Museum or the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  14. Appointment of a successor or additional Bond Trustee or the change of name of a trustee, if material;
  15. Incurrence of a Financial Obligation of the Authority, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Bond holders, if material; and
  16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

For the purposes of notices (15) and (16), “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned

debt obligation, or (iii) guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Notice of Failure to Provide Required Information. The Authority also will provide or cause to be provided to the MSRB timely notice of a failure by the Authority 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 Authority undertakes to provide will consist of: annual financial statements of the Authority, prepared in accordance with generally accepted accounting principles applicable to government entities (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 Authority they will be provided.

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 Authority (currently, a fiscal year ending June 30), as such fiscal year may be changed, commencing with the Authority’s fiscal year ended June 30, 2024. The annual financial information may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the 2024 Bonds without the consent of any holder of any 2024 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 Authority 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 Authority’s obligations under the Undertaking will terminate upon the legal defeasance, prior repayment, or payment in full of all of the then outstanding 2024 Bonds. In addition, the Authority’s obligations under the Undertaking will terminate if those provisions of the Rule that require the Authority to comply with the Undertaking become legally inapplicable in respect of the 2024 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 Authority, and the Authority provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking. The Authority 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 Authority learns of that failure. No failure by the Authority or any other obligated person to comply with the Undertaking will constitute a default in respect of the 2024 Bonds. The sole remedy of any holder of a 2024 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 Authority or other obligated person to comply with the Undertaking.

Responsible Officer; Dissemination Agent. The Chair (or their designee) is designated to carry out this undertaking in accordance with Rule 15c2-12. The Authority may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The Authority will appoint U.S. Bank Trust Company, National Association as its initial dissemination agent.

### **Form of Undertaking of the Museum**

Under Section 18.3 of the Lease, the Museum will enter into a written undertaking (the “Undertaking”) for the benefit of the holders of the 2024 Bonds as required by the Rule. The Museum will undertake for the benefit of holders of the 2024 Bonds, as follows.

18.3 Continuing Disclosure Undertaking of Museum. This section constitutes the Museum’s written undertaking (the “Undertaking”) for the benefit of the holders of the Bonds as required by United States Securities and Exchange



Commission (“SEC”) Rule 15c2-12 (“Rule 15c2-12”). The Museum will undertake for the benefit of holders of the Bonds, as follows.

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

(a) Annual financial information and operating data of the Museum of the type included in the Official Statement for the Bonds as generally described below under 18.3.3.

(b) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds;
- Modifications to rights of holders of the Bonds, if material;
- Bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership, or similar event of the Museum, as such "Bankruptcy Events" are defined in Rule 15c2-12;
- The consummation of a merger, consolidation, or acquisition involving the Museum or the sale of all or substantially all of the assets of the Museum, 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;
- Appointment of a successor or additional Bond Trustee or the change of name of a trustee, if material;
- Incurrence of a Financial Obligation of the Museum, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Museum, any of which affect Bond holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Museum, any of which reflect financial difficulties.

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

18.3.2 Notice of Failure to Provide Required Information. The Museum also will provide or cause to be provided to the MSRB timely notice of a failure by the Museum to provide required annual financial information on or before the date specified in Section 18.3.3.

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

- (a) annual financial statements of the Museum, prepared in accordance with generally accepted accounting principles applicable to nonprofit corporations (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by state law; and

(b) the following financial and operating data: Number of Museum visitors and members; number of Museum employees and volunteers; amount of outstanding indebtedness; and any noncompliance with the Coverage Requirement in the Guarantee Agreement.

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 Museum (currently, a fiscal year ending June 30), as such fiscal year may be changed, commencing with the Museum's fiscal year ended June 30, 2024. If the annual financial statements are unaudited when submitted, then the Museum will provide to the MSRB audited financial statements if and when such audited financial statements are otherwise prepared and available to the Museum. The annual financial information may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

18.2.4 **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 Museum 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.

18.2.5 **Termination of Undertaking.** The Museum'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 Museum's obligations under the Undertaking will terminate if those provisions of Rule 15c2-12 that require the Museum 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 Museum, and the Museum provides timely notice of such termination to the MSRB.

18.2.6 **Remedy for Failure to Comply with Undertaking.** The Museum 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 Museum learns of that failure. No failure by the Museum or any other obligated person to comply with the Undertaking will constitute a default in respect of the Bonds or a default hereunder. The sole remedy of the Authority or any holder of a Bond will be to take such actions as the Authority or that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the Museum or other obligated person to comply with the Undertaking.

18.2.7. **Responsible Officer; Dissemination Agent.** The Treasurer (or their designee) is designated to carry out this undertaking in accordance with Rule 15c2-12. The Museum may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent. The Museum will appoint U.S. Bank Trust Company, National Association as its initial dissemination agent.

### **Form of Undertaking of the City**

The City of Seattle, Washington (the "City") as an "obligated person" under Rule 15c2 12 makes the following written Undertaking for the benefit of the owners of the Special Obligation Refunding Bonds, 2024 (the "Bonds") of the Museum Development Authority of Seattle (the "Authority"), for the sole purpose of assisting the underwriter in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used by not defined below shall have the meanings given in the Third Amended and Restated Guarantee and Reimbursement Agreement, dated as of July 31, 2024, by and among the City, the Authority and other parties.

(a) *Undertaking to Provide Annual Financial Information.* The City undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB, annual financial information

described in subsection (b) of this section (“annual financial information”), and timely notice of a failure by the City to provide such annual financial information on or before the date specified in subsection (b)(ii).

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

(i) Shall consist of (1) annual financial statements of the City prepared in accordance with applicable generally accepted accounting principles applicable to governmental units (except as otherwise noted therein), as such principles may be changed from time to time and as permitted by state law, which financial 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; (2) a statement of authorized, issued and outstanding general obligation debt of the City; (3) the assessed value of the property within the City subject to ad valorem taxation; and (4) ad valorem tax levy rates and amounts and percentages of taxes collected;

(ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the City (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by state law, commencing with the City’s fiscal year ending December 31, 2024; and

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

(c) *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 of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. 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 financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

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

(e) *Termination of Undertaking.* The City’s obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the City’s obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the City to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the City, and the City provides timely notice of such termination to the MSRB.

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

(g) *Designation of Official Responsible to Administer Undertaking.* The Director of Finance of the City (or such other officer of the City who may in the future perform the duties of that office) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

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

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

(iii) Effecting any necessary amendment of the Undertaking.

Dated July [31], 2024.



**MUSEUM DEVELOPMENT AUTHORITY OF SEATTLE • SPECIAL OBLIGATION REFUNDING BONDS, 2024**



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