



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Seattle

For the period January 1, 2022 through December 31, 2022

Published September 25, 2023

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

September 25, 2023

Mayor and City Council
City of Seattle
Seattle, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Seattle's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Seattle January 1, 2022 through December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Seattle are summarized below in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We identified deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
14.218	CDBG – Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.218	CDBG – Entitlement Grants Cluster – COVID-19 Community Development Block Grants/Entitlement Grants
14.231	COVID-19 Emergency Solutions Grant Program
20.205	Highway Planning and Construction Cluster – Highway Planning and Construction
20.500	Federal Transit Cluster – Federal Transit Capital Investment Grants
20.507	Federal Transit Cluster – Federal Transit Formula Grants
20.507	Federal Transit Cluster – COVID-19 Federal Transit Formula Grants
20.525	Federal Transit Cluster – State of Good Repair Grants Program
21.023	COVID-19 Emergency Rental Assistance Program
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds
59.075	COVID-19 Shuttered Venue Operators Grant Program
93.044	Aging Cluster – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers
93.044	Aging Cluster – COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers
93.045	Aging Cluster – Special Programs for the Aging, Title III, Part C, Nutrition Services
93.053	Aging Cluster – Nutrition Services Incentive Program
93.778	Medicaid Cluster – Medical Assistance Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$3,000,000.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2022-001, 2022-002 and 2022-003.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Seattle January 1, 2022 through December 31, 2022

2022-001 **The City charged payroll-related expenditures that lacked support to the Community Development Block Grants/Entitlement Grants program.**

Assistance Listing Number and Title:	14.218 Community Development Block Grants/Entitlement Grants 14.218 – COVID-19 Community Development Block Grants/Entitlement Grants
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	B17MC530005, B18MC530005, B20MC530005, B21MC530005, B22MC530005, COVID-19 1153014
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$6,883
Prior Year Audit Finding:	Yes, Finding 2021-001

Background

The City spent \$5,605,767 in Community Development Block Grants/Entitlement Grants (CDBG) funds in 2022. The purpose of CDBG is to help provide decent and affordable housing, particularly for people with moderate, low, and very low incomes. Funds also help recipients implement strategies for achieving an adequate supply of decent housing and providing a suitable living environment and expanded economic opportunities for people with low incomes.

The City may use these grant funds for its program administrative costs. Federal regulations state that personnel expenditures must be supported and recipients must provide reasonable assurance that the charges are accurate, allowable, and properly

allocated. Further, records must support the distribution of an employee's salary and wages among specific activities or cost objectives if the employee works on more than one federal award. The City must base charges to federal awards for salaries and wages on records that accurately reflect the work employees have performed.

Description of Condition

During the audit period, the City charged salary and wage expenditures to the CDBG program based on records that did not accurately reflect the work employees had performed.

Supervisors in the Office of Housing and employees in the Parks and Recreation Department preapproved timesheets. Because the timesheets were preapproved or lacked evidence of employee approval, the City could not provide evidence that the timesheets accurately reflected each employee's actual time worked in the program.

Cause of Condition

Office of Housing:

Department staff and management said that timesheets were approved early so that payroll staff had time to validate timesheet coding before the City closed the system for processing.

Parks and Recreation Department:

Department staff and management said that sometimes an employee will preapprove their timesheet to give the supervisor more time for review.

Effect of Condition and Questioned Costs

Federal regulations require the State Auditor's Office to report known questioned costs when likely questioned costs are greater than \$25,000 for each type of compliance requirement. We question costs when we find the City has not complied with grant regulations and/or when it does not have adequate documentation to support expenditures.

We identified the following transactions that were not properly supported:

- Using a statistical sampling method, we selected 28 payroll transactions in the Office of Housing, Human Services Department, and Parks and Recreation Department. We identified four payroll charges totaling \$1,919 in known questioned costs in the Office of Housing and Parks and

Recreation Department. Based on the projection of our statistical sample, we identified an additional \$55,501 in estimated overpayments.

- Using a statistical sampling method, we selected 28 payroll transactions paid with program income expenditures. We identified five payroll charges totaling \$1,151 in known questioned costs. Based on the projection of our statistical sample, we identified an additional \$30,916 in estimated overpayments.
- Using a non-statistical sample, we found 11 of 22 timesheets paid with program income were pre-approved resulting in known questioned costs of \$3,813. Based on the projection of our sample, we identified an additional \$36,916 in estimated overpayments.

Recommendation

We recommend the City strengthen internal controls to ensure all the payroll-related expenditures it charges to the CDBG program are only for allowable activities, are accurate, properly allocated, and comply with the cost principles set forth in 2 CFR 200 Subpart E. We further recommend the City consult with the grantor to determine whether it needs to repay the questioned costs.

City's Response

HSD Response:

HSD as the CDBG administrator, in collaboration with its contracted consultant support TDA consulting, will complete the following steps to support the resolution of this finding associated with the pre-approval of timesheets within the Office of Housing, and the Department of Parks and Recreation.

HSD will conduct a thorough review of all existing MOAs with our recipients to ensure that the language pertaining to pre-approved timesheets is clear, consistent, and aligned with federal and state regulations. HSD will also assure staff responsible for administering CDBG funds and other federal funds are oriented to federal requirements regarding the pre-approval of timesheets and will emphasize the importance of adhering to the requirements outlined in the MOAs. HSD will encourage its city partners receiving these funds to work with the City-Wide Accounting team to adopt standardized procedures for the approval, documentation, and tracking of timesheets.

Office of Housing Response:

The Office of Housing will change its timesheet review procedures in order to ensure manager sign-off happens no sooner than the close of business on the final day of the pay period. Current procedure is for the Office Housing Accountant to send an email reminding all managers to sign-off on timesheets; effective 10/1/23 this message will add the specific reminder that all employees funded by federal grant revenues should not have their timesheets approved until after all hours have been worked.

Parks and Recreation Response:

Moving forward, Seattle Parks and Recreation (SPR) will follow the City-Wide Accounting guidance provided on June 6th, 2023 which requires employees to not submit timesheets earlier than the federally grant-funded work is performed.

SPR department leadership have immediately notified the CDBG management team to re-emphasize the requirement. In addition, the SPR payroll team will also provide a reminder of the requirement for all SPR staff for each payroll cycle. The SPR executive team will continue to monitor compliance relating to this recommendation.

Auditor's Remarks

We thank the City for its response and consideration in this matter and the steps it is taking to address this issue. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, Subpart E, Cost Principles, establishes requirements for determining allowable costs and supporting costs allocated to federal programs.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Seattle January 1, 2022 through December 31, 2022

2022-002 The City's internal controls were inadequate for ensuring compliance with federal reporting requirements.

Assistance Listing Number and Title:	14.218 Community Development Block Grants /Entitlement Grants 14.218 – COVID-19 Community Development Block Grants /Entitlement Grants
Federal Grantor Name:	U.S Department of Housing and Urban Development
Federal Award/Contract Number:	B17MC530005, B18MC530005, B20MC530005, B21MC530005, B22MC530005, B20MW530005 COVID-19 1153014
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	Yes, Finding 2021-002

Description of Condition

The City spent \$5,605,767 in Community Development Block Grants/Entitlement Grants (CDBG) funds in 2022. Of that amount, the City passed through \$1,101,720 to nine subrecipients. The purpose of the CDBG program is to help provide decent and affordable housing, particularly for people with moderate, low, and very low incomes. Funds also help recipients implement strategies for achieving an adequate supply of decent housing and providing a suitable living environment and expanded economic opportunities for people with low incomes.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

To comply with federal reporting requirements, the City must submit certain financial and special reports to the U.S. Department of Housing and Urban Development (HUD). Financial reporting requirements require CDBG funding recipients to submit the Financial Summary Report (PR26), Cash on Hand Quarterly Report (PR29) and special reporting requirements require Federal Funding Accountability and Transparency Act (FFATA) reports.

Financial Summary Report

The City must accurately prepare and submit the Financial Summary Reports (PR26 and PR26-CV) to include information on overall low-to-moderate income benefit compliance, percent of funds obligated to the public services, and percent of funds obligated to the planning and administrative activities during the program year. We found the City's internal controls were ineffective for ensuring it accurately prepared these reports based on supporting records.

The City did not submit accurate information on the PR26 and PR26-CV reports in 2022.

Cash on Hand Quarterly Report

The City must accurately prepare and submit the Cash on Hand Quarterly Reports (PR29 and PR29-CV) to include information such as cash on hand, program income and revolving funds. We found the City's internal controls were ineffective for ensuring it accurately prepared these reports based on supporting records.

The City did not submit accurate information in one of the required quarterly PR29 reports and the four required quarterly PR29-CV reports submitted in 2022. Specifically, the PR29-CV reports did not report any activity even though the City had CDBG-CV funds.

FFATA Reporting

The FFATA requires direct recipients that make first-tier subawards of \$30,000 or more to report them in the FFATA Subaward Reporting System (FSRS). The City must report subawards by the end of the month following the month in which it made the subaward or subaward amendment. We found the City's internal controls were ineffective for ensuring it reported nine subawards obligated in 2022 in the FSRS, as federal regulations require.

We consider these internal control deficiencies to be material weaknesses, which led to material noncompliance.

Cause of Condition

Financial Summary Report and Cash on Hand Quarterly Report

The person responsible for these reporting activities retired at the end of 2022. The current employee performing this duty was not able to identify the cause of the variances and was unable to locate documentation demonstrating the amounts reported were correct.

FFATA

The Department was facing staffing challenges and did not have an individual with time to complete the requirement in addition to their regular duties. Also, due to turnover, none of the Department employees had access to the FSRS.

Effect of Condition

Financial Summary Report

The PR26 and PR26-CV reports document that the City is in compliance with the primary objective of the Housing and Community Development Act of 1974 (HCDA) which is to ensure that CDBG funds are primarily used for the benefit of low and moderate income persons. Just as importantly, the report is also used to determine if the entitlement grantee has remained in compliance with the limitations placed on planning and administrative costs and public service costs. The reports include funding data that HUD then reports to Congress and is used to monitor grantees. Failing to submit accurate information to HUD diminishes the federal government's ability to ensure proper monitoring of grantees and impairs the accuracy of information reported to Congress.

Cash on Hand Quarterly Report

The PR29 and PR29-CV reports document a grantee's compliance with the low to moderate income benefit requirement, the amount obligated and expended for public services, and the amount obligated for planning and administration for the selected program year. The reports include funding data that HUD then reports to Congress and is used to monitor grantees. Failing to submit accurate information to HUD diminishes the federal government's ability to ensure proper monitoring of grantees and impairs the accuracy of information reported to Congress.

FFATA

Failing to submit the required reports on time with accurate information diminishes the federal government’s ability to ensure accountability and transparency of federal spending.

Below is a summary of the missing reports we identified.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
9	9	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$1,101,720	\$1,101,720	\$0	\$0	\$0

Recommendation

We recommend the City strengthen its internal controls over federal reporting requirements to ensure its Financial Summary Report, Cash on Hand Quarterly Reports and FFATA reports are accurate.

City’s Response

HSD hired a consultant service (TDA) in response to prior SAO feedback, which will strengthen our internal controls over federal reporting requirements to ensure our Cash on Hand Quarterly Reports and FFATA reports are accurate and submitted timely moving forward. HSD will continue to clarify roles and responsibilities for reporting and central reporting and archiving of confirmation reports to increase internal control of this function.

TDA consulting will add capacity to HSD’s Federal Grants Management Unit to clear its 2022 FFATA reporting backlog while HSD addresses current staffing shortages. In addition to clearing the reporting backlog, HSD’s contractor is assisting with the development of policies and procedures to better facilitate the conducting of data quality reviews to address accuracy issues identified with Cash on Hand Quarterly Reports (PR29 and PR29-CV) to better report information such as cash on hand, program income and revolving fund funding levels.

As part of its scope of work, TDA has developed a workplan focusing on the establishment of a staffing plan recommendation, the associated role assignments for the future staffing structure and documenting reporting procedures to assure reporting compliance moving forward.

Auditor's Remarks

We thank the City for its response and consideration in this matter and the steps it is taking to address this issue. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 328, Financial reporting, establishes requirements for recipients' financial information.

Title 2 CFR Part 170, *Reporting Subaward and Executive Compensation Information*, establishes the Federal Funding Accountability and Transparency Act (FFATA) requirements of reporting the subaward information through the FFATA Subaward Reporting System (FSRS).

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Seattle January 1, 2022 through December 31, 2022

2022-003 The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.

Assistance Listing Number and Title:	14.231 – COVID-19 Emergency Solutions Grant Program
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	E20MW530005
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0
Prior Year Audit Finding:	N/A

Background

The Emergency Solutions Grant Program (ESG) provides grants to states, metropolitan cities, urban counties, and territories for the rehabilitation or conversion of buildings for use as emergency shelter for the homeless, the payment of certain expenses related to operating emergency shelters, essential services related to emergency shelters and street outreach for the homeless, and homelessness prevention and rapid re-housing assistance. The City spent \$6,384,986 in Emergency Solutions Grant Program (ESG) award funds in 2022.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit grant recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, and for all subawards, irrespective of

award amount, paid all or in part with federal funds, it must verify the contractors or subrecipients have not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor or subrecipient, adding a clause or condition into the contract that states the contractor or subrecipient is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must perform this verification before entering into the contract or making the subaward, and it must maintain documentation demonstrating compliance with this federal requirement.

Description of Condition

Our audit found the City's internal controls were inadequate for ensuring staff verified the suspension and debarment status of subrecipients, paid all or in part with federal funds. Specifically, the City did not verify one subrecipient was not suspended or debarred from participating in federal programs before entering into a contract. The City paid this subrecipient \$662,249 in 2022.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

Cause of Condition

The Office of Housing received a grant that was new to the Office of Housing and staff were not aware of the requirement to verify suspension and debarment for contractors and subrecipients.

Effect of Condition

The City did not obtain a written certification, insert a clause into the contract, or check SAM.gov to verify the subrecipient was not suspended or debarred before entering into the subaward agreement. Without this verification, the City increases its risk of awarding federal funds to parties that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

The City subsequently verified the contractor was not suspended or debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the City strengthen internal controls to ensure all subrecipients and contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

City's Response

HSD Response:

HSD as the CDBG administrator, in collaboration with its contracted consultant support TDA consulting, will complete the following steps to support the resolution of this finding noting internal controls were inadequate for ensuring staff verified the suspension and debarment status of sub-recipients within the Office of Housing.

HSD will conduct a thorough review of all existing MOAs with our recipients to ensure that the language pertaining to the verification and the documenting of the suspension and debarment status of sub-recipients is clear, consistent, and aligned with federal and state regulations. HSD will also assure staff responsible for administering CDBG funds and other federal funds are oriented to the importance of adhering to the debarment verification requirements outlined in the MOAs. HSD will encourage its city partners receiving these funds to work with other city partners to adopt standardized procedures for the verification and documentation of sub-recipient suspension and debarment status.

Office of Housing Response:

The Office of Housing will implement and communicate the following procedures: For all contracts expected to receive \$25,000 or more in federal funds, the program staff person initiating the contract will first search the SAM website to verify that: the agency is registered, the agency's registration status is active, and the agency does not have any active exclusions such as debarment or suspension. This status will be double-checked by the future Senior Contracts Specialist position before any contract is finalized.

Auditor's Remarks

We thank the City for its response and consideration in this matter and the steps it is taking to address this issue. We will review the status of the City's corrective action during our next audit.

Applicable Laws and Regulations

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Seattle January 1, 2022 through December 31, 2022

This schedule presents the status of findings reported in prior audit periods.

Audit Period: January 1, 2021 through December 31, 2021	Report Reference No.: 1031261	Finding Ref. No.: 2021-001	ALN(s): 14.218
Federal Program Name and Granting Agency: Community Development Block Grant/Entitlement Grants, Department of Housing and Urban Development		Pass-Through Agency Name: N/A	
Finding Caption: The City charged payroll-related expenditures that lacked support to the Community Development Block Grants/Entitlement Grants program.			
Background: During the audit period, the City charged salary, wage and benefit expenditures to the CDBG program based on records that did not accurately reflect the work employees had performed. <u>Pooled Time Off and Benefits:</u> Fringe benefits include, but are not limited to, the costs of leave (vacation, family-related, sick or military), employee insurance, pensions and unemployment benefit plans. The City may allocate fringe benefits based on entity-wide salaries and wages of the employees receiving the benefits. The City’s Human Services Department and the Office of Housing use a rate calculation based on department-wide salaries and wages to determine their pooled benefits and paid time off expenditures. In 2021, the Human Services Department and the Office of Housing used 2020 rates, which were higher than 2021 rates, leading to the City overcharging the CDBG program. <u>Preapproved Timesheets:</u> Supervisors in the Human Services Department preapproved timesheets for employees. Because the timesheets were preapproved, the City could not provide evidence that the timesheets accurately reflected employees’ time worked in the program.			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

Pooled Time Off and Benefits:

HSD has established procedures to ensure the rates have been updated in the accounting system, and this corrective action was made in February 2022.

The overallocation for 2021 was incorporated into a correction of the 2022 rates, with the 2022 rates addressing the overcharged amounts via the incorporation of a credit for the overage.

The corrective action plan for this item has been completed, the rates for benefits and PTO are now established at the beginning of the year with monitoring and any required updates to the rates occurring on a quarterly basis.

Preapproved Timesheets:

HSD coordinated with City of Seattle central accounting to ensure City procedures over timesheets comply with federal and other regulations.

HSD payroll staff send reminders for every pay period for the next timesheet submission deadline. Within that reminder, payroll staff highlight that Managers and Supervisors are not allowed to pre-approve timesheets for actual hours worked prior to the end of a pay period and approvals must be based on actual hours. See Email Timesheet Reminder - PPE 06_06_23

Additionally, the City of Seattle is implementing its new HR/Payroll system (Workday) for HR and payroll by January 2024. Due to this rollout, all city HR and payroll processes will be updated. In place of formalizing a policy or procedure at this time, City of Seattle finance is drafted a memo to departments clarifying the rules around timesheet approval when grants are involved. See attachment MEMO - Timesheet Approval for Grants.

Audit Period: January 1, 2021 through December 31, 2021	Report Reference No.: 1031261	Finding Ref. No.: 2021-002	ALN(s): 14.218
Federal Program Name and Granting Agency: Community Development Block Grant/Entitlement Grants, Department of Housing and Urban Development		Pass-Through Agency Name: N/A	
Finding Caption: The City's internal controls were inadequate for ensuring compliance with federal reporting requirements.			
Background: Starting in July of federal fiscal year 2021, the City was required to complete the C04PR29 – CDBG-CV Cash on Hand Quarterly Report within 30 days after the end of each quarter. The City did not submit accurate information in the two required quarterly C04PR29 – CDBG-CV reports submitted in 2021. Specifically, the reports did not report any activity even though the City had CDBG-CV funds. The FFATA requires direct recipients that make first-tier subawards of \$30,000 or more to report them in the FFATA Subaward Reporting System (FSRS). The City has until the end of the month, plus one additional month after the subaward is obligated, to fulfill this reporting requirement. We found the City could not demonstrate it reported information for one FFATA subawards and submitted incorrect information for six FFATA subawards.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The city has clarified roles and responsibilities for reporting and central reporting and archiving of confirmation reports to increase internal control of this function. HSD hired a consultant service (TDA) in response to the prior reporting finding. TDA consulting will add capacity to HSD's Federal Grants Management Unit to clear its 2022 reporting backlog due to continued staff shortages. In addition to clearing the reporting backlog and conducting data quality reviews on all reports submitted, TDA has developed a workplan focusing on establishing policies, staffing plan recommendations, the associated role assignments for the future staffing structure and reporting procedures to assure reporting compliance moving forward. See Memo on FGMU Stabilization. HSD considers this finding partially corrected as TDA is in the preliminary process of clearing the reporting backlog and anticipates completing this work by year end 2023.</i>			

Audit Period: January 1, 2021 through December 31, 2021	Report Reference No.: 1031261	Finding Ref. No.: 2021-003	ALN(s): 14.231
Federal Program Name and Granting Agency: Emergency Solutions Grant Program		Pass-Through Agency Name: N/A	
Finding Caption: The City did not have adequate controls in place for ensuring compliance with federal requirements for obligating and spending grant funds and reimbursing subrecipients within established timeframes.			
Background: Our audit found the following control deficiencies related to obligating and spending grant funds and reimbursing subrecipients within required timeframes. <u>Obligation</u> After the U.S. Department of Housing and Urban Development signs the grant agreement, the City has a certain number of days to obligate or commit the funds. For annual ESG Program funds, the City must obligate or commit them to the entity that will ultimately carry out eligible program activities within 180 days of HUD signing the agreement. For ESG Program funds received through the Coronavirus, Aid, Relief and Economic Security (CARES) Act (ESG-CV), the City has 240 days to obligate or commit them after HUD signs the agreement. The City’s Human Services Department was unable to provide documentation to demonstrate that it had effective controls for ensuring it obligated grant funds within the required timeframes. <u>Expenditures</u> After HUD signs the agreement with the City, it must spend all grant funds for eligible activity costs within 24 months. For the purpose of this requirement, expenditure means either an actual cash disbursement for or an accrual of direct or indirect costs. The City’s Human Services Department did not have effective controls for ensuring it spent grant funds within 24 months. The City was required to spend the entire 2019 award by September 11, 2021, but the Department was unable to provide accounting records to demonstrate that it had spent the full award by this deadline. <u>Reimbursement payments</u> The City must pay ESG Program subrecipients for allowable costs within 30 days after receiving their complete payment requests. The City did not follow its established controls, and did not reimburse all subrecipients’ payment requests within 30 days as required.			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			

Corrective Action Taken:

Obligation

In 2022 HSD was unable to fully meet its obligation requirements relating this finding. However, HSD is actively working to implement the staffing recommendations and policy/procedure updates from the recently engaged TDA consulting services to fully respond to this recommendation in the coming year.

Expenditures

In 2022 HSD was unable to fully meet the expenditure requirements. However, HSD is actively working to implement the staffing recommendations and policy/procedure updates from the recently engaged TDA consulting services to fully respond to this recommendation in the coming year.

Reimbursement payments

In 2022, HSD staff have worked to support the contracts they now administer. HSD is monitoring contract invoices to ensure that they are processed in a timely manner. HSD processed invoices against ESG within 30 days of submission by HSD’s partner agencies.

HSD has implemented since this finding the AP procedure that invoices are to be paid within 30 days of receipt. Any delays outside of the 30-day procedure would be linked to issues with the submitted invoice itself resulting in an incomplete submission and would restart the 30-day turnaround timeline.

Audit Period: January 1, 2020 through December 31, 2020	Report Reference No.: 1030244	Finding Ref. No.: 2020-004	CFDA Number(s): 14.231
Federal Program Name and Granting Agency: Emergency Solutions Grant Program, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: N/A	
Finding Caption: The City did not have adequate internal controls in place for ensuring compliance with federal period of performance requirements.			
Background: In fiscal year 2020, The U.S. Department of Housing and Urban Development (HUD) awarded the City an ESG program contract. This contract was not one the ESG awards funded by COVID-19 relief funds, and it had a performance period of July 8, 2020, through July 8, 2022. Generally, federal awarding agencies must provide prior written approval of any pre-award costs recipients want to charge to the award. However, HUD only allows recipients to use ESG funds			

for costs incurred before the performance period if they are otherwise allowable and incurred on or after the later of the following dates: the start date of the recipient’s program year (January 1, 2020), the date HUD received the recipient’s consolidated plan submission (May 27, 2020), or 90 calendar days before the performance period start date of July 8, 2020. As July 8, 2020, was the latest date, the City cannot charge costs incurred 90 days before this (April 9, 2020), to the award without HUD’s written approval.

The City charged pre-award costs to the contract but did not have prior written approval from HUD.

Status of Corrective Action: (check one)

- Fully Corrected
 Partially Corrected
 Not Corrected
 Finding is considered no longer valid

Corrective Action Taken:

In 2020, HUD did not provide grantees with the usual CPD Notice of Pre-award cost waiver that gives the City authority to enter into contracts beginning January 1, the normal program year. Due to this, HSD experienced a gap in the time between the performance period specified in the ESG grant agreement and the January start date of contracts. In the years following, HUD provided the CPD Notice of Pre-award costs waiver as was routine.

HSD hired a consultant service (TDA) responding to critical staffing gaps in the Federal Grants Management Unit (FGMU) and prior finding of charging pre-award costs to its ESG award. TDA’s work will focus on establishing policies and internal control procedures to assure stricter compliance with pre-award cost requirements moving forward. See Memo on FGMU Stabilization.

Additionally, FGMU also collects the notice to proceed from the awarding agency which outlines the permission for pre-award expenditures. See attached example of 2021-02cpdn Notice to Proceed

HSD considers this finding fully corrected as the TDA is in process of formalizing the policies/procedures, producing staffing recommendations and the internal controls structures.

Audit Period: January 1, 2020 through December 31, 2020	Report Reference No.: 1030244	Finding Ref. No.: 2020-005	CFDA Number(s): 14.231
Federal Program Name and Granting Agency: Emergency Solutions Grant Program, U.S. Department of Housing and Urban Development		Pass-Through Agency Name: N/A	
Finding Caption: The City had inadequate internal controls for ensuring compliance with matching, level of effort and earmarking requirements.			

Background:

The City must comply with the following ESG Program requirements for matching, level of effort and earmarking:

- The City must match the ESG funding provided by the U.S. Department of Housing and Urban Development (HUD) with an equal amount from sources other than those provided under the ESG Program. The City uses Community Development Block Grant (CDBG) Program funds as a source for matching the ESG funding it receives. The City did not perform ongoing monitoring throughout the year to ensure it was matching the funds.
- The City cannot use its ESG Program funds to replace funds it provided for street outreach and emergency shelter services during the immediately preceding 12-month period. City management said it monitors this requirement through the budgeting process, but the City did not keep documentation showing that staff reviewed the budget to ensure compliance with level of effort requirements.
- The City is limited in the proportion of ESG Program funds it may expend for emergency shelter, street outreach and administrative costs. City management said it reviews the budget annually for compliance. However, the City did not perform ongoing monitoring to ensure it met the requirement and corrected any issues identified.

Status of Corrective Action: (check one)

Fully Corrected Partially Corrected Not Corrected Finding is considered no longer valid

Corrective Action Taken:

HSD hired a consultant service (TDA) responding to critical staffing gaps in the Federal Grants Management Unit (FGMU). TDA consulting’s work will focus establishing protocols conduct data quality reviews, establishing policies, and internal control procedures to assure stricter compliance moving forward. See Memo on FGMU Stabilization.

HSD implements the following practices when managing the compliance requirements of matching, level of effort and earmarking. Upon confirmation of an annual allocation from HUD, FGMU works with providers to create annual contract budgets which reflect the restrictions on type of service earmarks set out by ESG regulations. This information is used to create sub-award budgets with the applicable matching, level of effort and earmarking restrictions and is transmitted to the Finance Team.

Budget managers within the finance team in coordination with the FGMU program specialist, review line items to assure that all sub-award budgets are obligated within ESG’s regulations for matching, level of effort and earmarking. These budgets are used to establish contract budgets in the City’s contract management system which produces all of HSD’s service agreements and establish purchase orders for vendor payments.

In turn the program specialist charged with contract management and quality control over agency submitted invoices uses the approved budget line items to assure all the requirements are being

monitored and enforced as invoices are received from the agency in the course of the program year.

HSD considers this finding partially corrected as the TDA is in process of formalizing the policies/procedures, producing staffing structure recommendations and the internal controls structures to assure this finding will be fully corrected.

INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

City of Seattle January 1, 2022 through December 31, 2022

Mayor and City Council
City of Seattle
Seattle, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Seattle, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 28, 2023.

Our report includes a reference to other auditors who audited the financial statements of the Light, Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

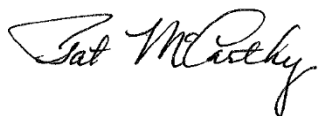
REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

June 28, 2023

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Seattle
January 1, 2022 through December 31, 2022

Mayor and City Council
City of Seattle
Seattle, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the City of Seattle, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination on the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2022-001, 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies. In the accompanying Schedule of Federal Award Findings and Questioned Costs, we consider the deficiencies described in Finding 2022-002 to be a material weakness and the deficiencies described in Finding 2022-003 to be a significant deficiency.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

September 15, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Seattle January 1, 2022 through December 31, 2022

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, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Seattle, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the financial section of our report.

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, the aggregate discretely presented component units and remaining fund information and each major fund of the City of Seattle, as of December 31, 2022, 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 represent 99 percent, 99 percent and 95 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 represent 65 percent, 74 percent and 38 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 opinion, insofar as it relates to the amounts included for the Light, Water, Drainage and Wastewater, and Solid Waste funds, and the Seattle City Employees' Retirement System, is 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 2022, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 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 listed in the financial section of our report 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 accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

June 28, 2023

City of Seattle
January 1, 2022 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

Management’s Discussion and Analysis – 2022

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2022

Statement of Activities – 2022

Governmental Funds Balance Sheet – 2022

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2022

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2022

Statement of Net Position – Proprietary Funds – 2022

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds
– 2022

Statement of Cash Flows – Proprietary Funds – 2022

Statement of Fiduciary Net Position – Fiduciary Funds – 2022

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2022

Notes to Financial Statements – 2022

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information – Schedules of Revenues, Expenditures
and Changes in Fund Balance – Budget to Actual – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– General Fund – 2022

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
– Transportation Fund – 2022

Notes to Required Supplementary Information – Pension and OPEB Plan Information –
2022

Pension Plan Information – Schedule of Changes in Total Pension Liability and Related
Ratios – Police Relief and Pension Fund, Firefighters’ Pension Fund – 2022

Pension Plan Information – Schedule of Proportionate Share of Net Pension Liability –
Seattle City Employees’ Retirement System, Law Enforcement Officers’ and Fire

Fighters' Retirement System Plan 1, Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 – 2022
Pension Plan Information – Schedule of Employer Contributions – Seattle City Employees' Retirement System, Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1, Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 – 2022
OPEB Information – Schedule of Changes in Total OPEB Liability and Related Ratios City of Seattle Health Care Blended Premium Subsidy Plan, City of Seattle Retiree Medical and Long-Term Care Benefits for LEOFF 1 Fire Employees, City of Seattle Retiree Medical and Long-Term Care Benefits for LEOFF 1 and Escalator Employees – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

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, 2022. 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,

Management's Discussion and Analysis

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 155.

The basic governmental funds financial statements can be found beginning on page 31 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 190.

The basic proprietary fund financial statements begin on page 36 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 43 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 46 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 129 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 203 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table A-1

CONDENSED STATEMENT OF NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current and Other Assets	\$ 2,851,654	\$ 1,954,102	\$ 2,607,584	\$ 2,406,555	\$ 5,459,238	\$4,360,657
Capital Assets and Construction in Progress, Net of Accumulated	5,205,819	4,571,097	7,769,807	7,393,519	12,975,626	11,964,616
Total Assets	8,057,473	6,525,199	10,377,391	9,800,074	18,434,864	16,325,273
DEFERRED OUTFLOWS OF	320,005	207,381	153,205	122,546	473,210	329,927
LIABILITIES						
Current Liabilities	543,942	489,352	591,113	522,315	1,135,055	1,011,667
Noncurrent Liabilities	2,781,870	2,707,262	5,381,772	5,424,215	8,163,642	8,131,477
Total Liabilities	3,325,812	3,196,614	5,972,885	5,946,530	9,298,697	9,143,144
DEFERRED INFLOWS OF RESOURCES	644,282	210,984	466,153	364,140	1,110,435	575,124
NET POSITION						
Net Investment in Capital Assets	4,047,172	3,587,667	3,400,264	3,206,317	7,447,436	6,793,984
Restricted	1,203,318	983,820	68,345	67,060	1,271,663	1,050,880
Unrestricted	(843,106)	(1,246,505)	622,949	338,573	(220,157)	(907,932)
Total Net Position	\$ 4,407,384	\$ 3,324,982	\$ 4,091,558	\$ 3,611,950	\$ 8,498,942	\$6,936,932

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 \$8.5 billion at December 31, 2022, an increase of \$1.6 billion, or 23%, over fiscal year 2021. Total net position for governmental activities increased \$1.1 billion while total net position for business-type activities increased \$479.6 million. The increase in net position for business-type activities was due to results of operations in 2022. See the analysis of changes in net position below.

Government-wide total current and other assets increased by \$1 billion in 2022, which primarily consisted of an increase in operating cash of \$323.1 million and right to use lease assets of \$323.1 million. These changes were primarily due to results of the operations in 2022.

The governmental activities net investment in capital assets increased by \$459.5 million and business-type activities increased by \$193.9 million in 2022. This increase was due to the new capital assets additions, less any related debt used to acquire those assets. Compared to 2021, the capital assets net of accumulated depreciation went up by \$492 million and \$359.3 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 by \$129.2 million in 2022. For business-type activities, the total liabilities increased by \$26.4 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 15.2%, represents resources that are subject to external restrictions on how they may be used. Compared to 2021, the restricted net position increased by \$245.2 million in 2022, which was primarily due to various capital and continuing programs funds, which included a new LTGO multipurpose bond fund in 2022. The new fund, 2022 LTGO multipurpose bond fund, reported a net position/fund balance of \$57 million respectively. The increase in restricted net position for business-type activities was \$1.3 million and the increase in unrestricted net position for business-type activities was \$284.4 million. For further explanation on these increases please refer to the Analysis of Changes in Net Position section after Table A-2.

Management's Discussion and Analysis

Table A-2

CONDENSED STATEMENT OF ACTIVITIES (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for Services	\$ 463,947	\$ 426,763	\$ 2,392,069	\$ 2,228,585	\$ 2,856,016	\$ 2,655,348
Operating Grants and Contributions	404,561	341,747	11,602	13,434	416,163	355,181
Capital Grants and Contributions	3,370	3,042	88,419	75,199	91,789	78,241
General Revenues						
Property Taxes	713,959	707,660	—	—	713,959	707,660
Sales Taxes	389,892	343,318	—	—	389,892	343,318
Business Taxes	918,872	816,861	—	—	918,872	816,861
Excise Taxes	130,697	143,425	—	—	130,697	143,425
Other Revenues	141,606	56,489	(39,458)	(2,508)	102,148	53,981
Total Revenues	3,166,904	2,839,305	2,452,632	2,314,710	5,619,536	5,154,015
Expenses						
Governmental Activities						
General Government	185,628	251,900	—	—	185,628	251,900
Judicial	40,680	32,570	—	—	40,680	32,570
Public Safety	663,808	536,517	—	—	663,808	536,517
Physical Environment	(55,663)	24,830	—	—	(55,663)	24,830
Transportation	577,573	457,129	—	—	577,573	457,129
Economic Environment	584,249	518,602	—	—	584,249	518,602
Health and Human Services	161,435	182,952	—	—	161,435	182,952
Culture and Recreation	443,726	307,997	—	—	443,726	307,997
Interest on Long-Term Debt	(32,657)	45,353	—	—	(32,657)	45,353
Business-Type Activities						
Light	—	—	1,005,426	970,061	1,005,426	970,061
Water	—	—	242,292	237,644	242,292	237,644
Drainage and Wastewater	—	—	434,016	399,179	434,016	399,179
Solid Waste	—	—	209,977	201,043	209,977	201,043
Construction & Inspection	—	—	81,451	75,711	81,451	75,711
Total Expenses	2,568,779	2,357,850	1,973,162	1,883,638	4,541,941	4,241,488
Excess Before Special Item and Transfers	598,125	481,455	479,470	431,072	1,077,595	912,527
Special Item - Environmental Remediation	—	—	—	(6,802)	—	(6,802)
Transfers	—	2,594	—	—	—	2,594
Changes in Net Position	598,125	484,049	479,470	424,270	1,077,595	908,319
Net Position - Beginning of Year	3,809,149	3,324,982	3,611,950	3,187,680	7,421,099	6,512,662
Restatements/Prior-Year Adjustments	110	229	138	—	248	229
Net Position - Beginning of Year as Restated	3,809,259	3,325,211	3,612,088	3,187,680	7,421,347	6,512,891
Net Position - End of Year	<u>\$ 4,407,384</u>	<u>\$ 3,809,260</u>	<u>\$ 4,091,558</u>	<u>\$ 3,611,950</u>	<u>\$ 8,498,942</u>	<u>\$ 7,421,210</u>

The City of Seattle

Analysis of Changes in Net Position

In 2022, the changes in net position increased by \$169.3 million, or 15.7%. 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 11.5%, an increase of \$327.6 million in 2022. The increase in revenues was due to the increase in non-general revenues of \$100.3 million and general revenues of \$227.3 million. The City's business taxes were the significant driver of the increase in revenues, contributing \$102.0 million increase over prior year or 12.5%; another significant driver included operating grants and contributions with an increase of \$62.8 million, or 18.4%, in 2022.

The following table lists the tax revenues ranked by the amount reported in 2022 and the change in each tax revenue from 2021.

2022 Rank	General Tax Revenues	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Business Taxes	\$918.9	12.5%	\$102.0
2	Property Taxes	\$714.0	0.9%	\$6.3
3	Sales Taxes	\$389.9	13.6%	\$46.6
4	Excise Taxes	\$130.7	(8.9)%	\$(12.7)

The increase in property taxes was due to the increase in the assessed value of property. Based on statistical information provided by King County, total assessed value for real property and personal property was \$276.3 billion in 2022 compared to \$262.1 billion in 2021.

The City's business taxes include general business taxes and utilities related business taxes. The change in business taxes in 2022 was due to the economic impact of the Coronavirus pandemic affecting the Seattle region in 2021 and the continued recovery observed in 2022. The business taxes from utilities make up 25.1% of total business tax revenues.

Program revenues supporting the City's governmental activities were \$871.9 million, or 28.3% of the City's revenues for governmental activities. The City's charges for services are the largest component of reported program revenues and comprise 53.2% of program revenue generated by governmental activities and 15.0% of total revenues. The total charges for services reported in 2022 was \$463.9 million, an increase of \$37.2 million compared to 2021.

Total expenses for governmental activities were up 9.1%, totaling a \$210.9 million increase in 2022. The following table lists the top 5 functions and programs ranked by the size of their 2022 expenses, and highlights the change in costs between the 2021 and 2022 financial statements.

2022 Rank	Citywide Function/Program	Amount (In Millions)	Percent of Change	Amount of Change (In Millions)
1	Public Safety	\$663.8	23.7%	\$127.3
2	Economic Environment	\$584.2	12.7%	\$65.6
3	Transportation	\$577.6	26.3%	\$120.4
4	Culture and Recreation	\$443.7	44.1%	\$135.7
5	General Government	\$185.6	(26.3)%	\$(66.3)

The City's largest governmental expense continues to be the public safety function, totaling \$663.8 million for 2022, contributing 14.6% of all citywide expenses, and 25.8% 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 decrease in general government was mostly attributed to the Covid-19 Pandemic expenditures of CRF to pandemic responders in 2021.

The changes in net position for governmental activities increased by \$114.1 million, or 23.6%, year over year. In 2021 there was an increase of \$484.0 million compared to a increase of \$598.1 million for 2022.

Management's Discussion and Analysis

Business-Type Activities. The change in net position for business-type activities was \$479.5 million, an increase of 11.7% in 2022. This included the consolidation from internal service funds of (\$8.3) million. Key factors for the change are described below.

City Light realized a change in net position of \$267.3 million in 2022, an increase of 11.7% from 2021. The major reasons for the higher net position are higher retail electric sales due to increased consumption, transfers from the Revenue Stabilization Account, Capital contributions combined with lower Administrative and general, Bad debt, Conservation and Amortization expenses. Offsetting the higher revenues were lower net short-term wholesale power revenues, higher other power expenses, transmission and distribution, and lower investment income. Total operating revenues were \$1,238.7 million, an increase of \$129.7 million or 10.5% from 2021. Retail power revenues at \$1,021.5 million increased \$57.2 million, Short-term wholesale power revenues at \$97.7 million increased \$31.4 million, Other power-related revenues at \$76.6 million increased \$17.3 million, Transfers from/(to) RSA at \$24.4 million increased by \$27.0 million, and Other operating revenues at \$18.6 million decreased by \$3.0 million. Operating expenses totaled \$924.0 million, an increase of \$32.3 million or 3.6% over 2021. The increase in operating expenses were primarily due to power-related operating expenses at \$409.7 million which were higher by \$12.8 million and short-term wholesale power purchases of \$86.2 million, which increased \$47.7 million from 2021, this was due to the lower hydro generation, colder than normal temperatures that drove up retail demand and significantly higher market prices in December.

The Water Utility realized a \$57.3 million change in net position for 2022, an increase of 7.4% from 2021. Operating revenues decreased approximately \$12.6 million (4.2%) over 2021. The change was mainly driven by decreases in utility services revenue of \$10.9 million and wholesale and commercial services of \$1.1 million. Operating expenses increased \$2.9 million (1.3%) from 2021. Notable factors affecting this change include increases of \$1.5 million in intergovernmental payments, \$0.8 million in services, \$0.3 million in supplies and \$0.7 million in depreciation. These increases are offset by decreases of \$1.1 million in amortization. Other expenses, net of other revenues increased by \$8.5 million (45.8%) over 2021. The change was primarily due to a decrease in other non-operating revenue of \$6.5 million, investment losses realized and unrealized of \$5.0 million and interest and debt service expenses of \$3.0 million. Capital fees, contributions and grants increased by \$9.1 million (95.4%) over 2021. The main factors for the increase are \$7.4 million increase in donations.

The Drainage and Wastewater Utility realized a \$93.2 million change in net position for 2022, an increase of 12.7% over 2021. The current year operating revenues increased \$16.5 million (3.3%) from 2021. This is due to an average rate increase of 2.0% for wastewater and 6.0% for drainage, resulting in additional revenues of \$7.2 million and \$10.4 million, respectively. Other operating revenues decreased \$1.1 million. The current year operating expenses increased \$5.0 million (1.3%) from 2021. The increase can be attributed to a \$10.2 million increase in intergovernmental payments, and a \$1.4 million increase in depreciation and amortization. These increases were offset by a \$5.5 million decrease in services expenses and a \$1.2 million decrease in other operating expenses. The \$10.2 million increase in intergovernmental payments mainly is due to King County wastewater treatment fee increases and an increase in taxes. Nonoperating revenues net of expenses in 2022 decreased \$8.1 million compared to 2021. There was a \$9.5 million decrease in investment income, a \$2.7 million decrease in other, net. The decreases were offset by a \$3.9 million decrease in interest expense and a \$0.2 million increase in contributions and grants. The Fund had environmental remediation expense of \$32.9 million in 2022 compared to \$6.8 million in 2021, mostly from a change in the percentage share between City entities for the Lower Duwamish Waterway superfund site.

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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.

In 2022, the City's governmental funds generated \$3.2 billion in revenues and recorded \$3.1 billion in expenditures. Revenues grew by 4.4%, driven by a \$151.8 million increase in tax collections, a \$21.3 million increase in parking fees and space rent, and a \$15.5 million increase in charges for services. Along with the growth in revenue, expenditures also grew \$172.4 million, rising 5.8%. There was a 21.2% increase in the City's governmental fund balance which totals \$1.9 billion at year-end. Table A-3 provides a summary of activities for the governmental fund types at year-end 2022.

The General Fund accounts for 63.0% of revenues and 58.4% of total governmental expenditures. The General Fund is the chief operating fund of the City.

The General Fund reported \$2.0 billion total revenue, of which, 84.8% were from tax collections. Tax revenues include property, business, sales and excises taxes. Total tax revenues in the General Fund increased by 7.1%, or \$114.5 million in 2022. See more discussions and analysis of tax revenue in the governmental activities above. Grants, shared revenues, and contributions decreased \$47.0 million compared to 2021. Total revenue increased 2.5% in 2022.

The General Fund reported \$1.8 billion total expenditures in 2022, an increase of 5.9% from 2021. The increase in total expenditures was primarily due to an increase in spending for economic environment of \$38.6 million, culture and recreation of \$34.6 million, and public safety of \$32.0 million.

The General Fund reported an excess of \$204.2 million in 2022 compared to the excess of \$255.7 million in 2020. Fund balance of the General Fund increased by \$288.8 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 \$108.7 million, 96.8% more than what was reported for 2021. The \$398.8 million of revenues collected include the excess property tax levy, a commercial parking tax, grants and contributions, and charges for services.

The \$38.8 million increase in revenue was primarily due to the increase in grants, shared revenues, and contributions. The Transportation Fund reported a total revenue of grants, shared revenues, and contributions in 2022 of \$93.3 million, an increase of \$40.8 million from \$52.5 million in 2021. The Transportation Fund's expenditures account for 11.6% of all governmental fund expenditures, totaling \$363.1 million for 2022, an increase of \$29.0 million from 2021. The Transportation Fund reported total expenditures for capital outlay of \$142.2 million, an increase of \$1.6 million from 2021 and current transportation expenditures of \$219.2 million, an increase of \$27.1 million from 2021.

As a result of increases in total revenue and total expenditures, the Transportation Fund had a excess of revenues over expenditures of \$35.7 million in 2022.

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 \$4.6 billion in 2022, an increase of \$178.2 million over 2021. The new additions of utility plant were \$416.6 million in 2022, including the largest addition of \$306.6 million of distribution plant. The 2022 new additions were partially offset by a \$131.4 million net increase in accumulated depreciation and amortization. Another significant component of capital assets is construction work-in-progress, which decreased by \$107.9 million in 2022.

Total liabilities increased from 2021 to \$3.5 billion in 2022 compared to \$3.4 billion in 2021, the majority being revenue bonds payables. The noncurrent portion of the revenue bonds payable increased from \$2.8 billion in 2022 compared to \$2.7 billion in 2021.

City Light's total net position was \$2.3 billion in 2022 and \$2.0 billion in 2021, an increase of \$267.3 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, transfers from the RSA, Capital contributions combined with lower Administrative and general, Bad debt, Conservation and Amortization expenses. Offsetting the higher revenues were lower net short-term wholesale power revenues, higher other power expenses, transmission and distribution, and lower investment income.

Water Utility. Current assets decreased \$8.9 million (-5.8%) from 2021. This is primarily due to decreases in operating cash of \$14.0 million offset by increase in accounts receivable of \$2.5 million, unbilled revenue of \$0.6 million and materials and supplies inventory of \$1.7 million. The change in operating cash is primarily due to bond refunding and increased spending for capital assets, of which a certain portion of those costs are reimbursed to operating cash from the bond proceeds. The increase in accounts receivable is mostly due to slower than expected payments from customers due to the COVID-19 pandemic.

Capital assets increased \$26.7 million (1.9%) from 2021 mainly due to closed projects transferred from construction in progress.

Other assets increased \$28.1 million (18.5%) from 2021. The largest portion of the change was due to an increase in restricted cash and equity in pooled investments of \$26.8 million from proceeds of bonds.

Deferred outflows of resources increased by \$1.9 million (6.9%) from 2021. This change resulted mainly from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits.

Current liabilities increased \$5.1 million (5.9%) from 2021. This change mostly resulted from increases of \$1.5 million in accounts payable and \$3.4 million in revenue bonds due in one year.

Noncurrent liabilities decreased \$26.6 million (-3.3%) over 2021. This is mainly to decrease of \$15.2 million in revenue bonds due to refunding, defeasance and making regular payments, \$8.3 of net pension liability and \$2.0 of loans due to scheduled payments.

Deferred inflows of resources increased by \$12.0 million (17.9%) from 2021. This decrease is mainly due to an increase of \$6.6 million increase in pension and OPEB and of \$4.7 of unamortized gain on advanced refunding on bond issuance.

Net investment in capital assets was the largest portion of the Fund's net position (\$720.2 million or 93.4%). 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 2022, net investment in capital assets increased \$57.7 million from 2021 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt and debt related accounts, offset by an increase in construction cash of \$26.8 million as a result of bond issuance.

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The Fund's restricted net position (\$18.3 million or 2.4%) represents resources that are subject to restrictions on how they may be used. Restricted net position increased slightly by \$1.9 million.

The Fund's unrestricted net position (\$32.8 million or 4.3%) represents resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion decreased \$2.3 million in 2022 as compared to 2021 primarily as a result of a decrease in operating cash due to the defeasance of 2015 Bonds.

Drainage and Wastewater Utility. Current assets increased \$62.6 million (21%) over the prior year primarily due to increases of \$51.2 million in operating cash and equity in pooled investments, and \$12.8 million in due from other governments. These increases were offset by a decrease of \$1.3 million in accounts receivable, net of allowance for doubtful accounts. The increase in operating cash and equity in pooled investments is primarily due to the lower percentage of capital projects funded with operating cash as compared to the prior year.

Capital assets increased \$112.4 million (7.7%) from 2021. Construction in progress and plant assets increased \$137.7 million and other property increased \$0.5 million; the increase is mostly due to investments in infrastructure, rehabilitation, and improvements. The capital asset increase was offset by a \$25.8 million increase in accumulated depreciation.

Other assets decreased \$41.8 million (-24.6%) from 2021. This is mostly attributable to a \$38.4 million decrease in restricted cash and equity in pooled investment, and a \$3.9 million decrease in other charges. The decrease was offset by a \$0.6 million increase in environmental costs and recoveries. The decrease of restricted cash and equity in pooled investments mainly resulted from spending of bond proceeds on construction projects.

Deferred outflows of resources increased \$5.1 million (27.2%) from 2021. This increase is attributable to a \$6.7 million in pension contributions and changes in assumptions related to pension and other post-employment benefits (OPEB). The increase was offset by a \$1.6 million reduction in unamortized loss on refunded debt.

Current liabilities increased \$11.6 million (13.4%) from 2021. This is mostly attributable to a \$5.9 million increase in accounts payable, a \$4.9 million increase in other current liability, a \$0.8 million increase in due to other governments, and a \$0.5 million increase in due to other funds. This increase was offset by a decrease of \$0.6 million in salaries, benefits, and payroll taxes payable.

Noncurrent liabilities increased \$11.8 million (1.0%) from 2021. This increase is mostly attributable to a \$40.4 million increase in loans, a \$30.6 million increase in environmental liabilities, and a \$0.8 million increase in claims payable. These increases were offset by a \$48.4 million decrease in revenue bonds and related liabilities, a \$9.8 million decrease in net pension liability (Note 9), a \$0.9 million decrease in other noncurrent liabilities, and a \$0.8 million decrease in unfunded other post-employment benefits. The environmental liability increase is mainly due to the Fund's increased percentage of shared cleanup cost.

Deferred inflow of resources increased \$21.7 million (87.8%) from 2021. This increase is mostly due to a \$14.0 million increase in unamortized gain advanced refunding related to bonds refunding and a \$7.7 million increase in assumptions related to pension accounting and the difference between expected and actual expense in other post-employment benefits (OPEB).

The largest portion of the Fund's net position (\$694.7 million or 94.4%) 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 2022, net investment in capital assets increased \$64.5 million from 2021 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position (\$21.3 million or 2.9%) represents resources that are subject to restrictions on how they may be used. This portion of net position decreased \$0.8 million from 2021.

The remaining portion of the Fund's net position (\$20.0 million or 2.7%) represents resources that are unrestricted. The unrestricted portion of net position increased \$29.5 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

Management's Discussion and Analysis

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 2022 is 3.62 billion; SCERS represents 99.86% 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, 2022. The fund uses the services of both active and index fund professional money managers. SCERS net position decreased in value by \$517.1 million, or -12.51%, during 2022. For year ending 2022 the member and employer contributions totaled \$228.3 million; net loss from investment activity totaled \$(474.1) million. Total benefit payment for 2022 increased by \$11.2 million to \$234.4 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 \$381 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, public safety function, economic environment function, and culture and recreation function, which together account for roughly 91% of the increase. Budget expenditure allowances were made throughout the year: general government by \$72.7million; public safety by \$96.1 million; economic environment by \$74.5 million; health and human services by \$24.4 and culture and recreation by \$103.5 million.

Final Budget Compared to Actual Results. Actual revenue was higher than the final budget by \$195.4 million. The higher amount of actual revenue was driven mainly by taxes, by far the largest revenue source, accounting for 84.8% 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 4.9% 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 \$476 million less than the final budget. General government accounts for only 7.5% of the under expenditures and all other expenditures contributed to the overall under expenditure. In other financing sources, actual sales of capital assets were \$61.2 million higher than the final budget; transfers in was \$87.7 million lower than the final budget; and transfer out was \$231.6 million higher than the final budget.

The City of Seattle

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	
	2022	2021	2022	2021	2022	2021
Land	\$ 623,083	621,834	\$ 283,949	282,469	\$ 907,032	\$ 904,303
Plant in Service,	—	—	6,273,386	6,001,112	6,273,386	6,001,112
Buildings and	1,538,313	1,557,954	—	—	1,538,313	1,557,954
Machinery and	163,106	171,513	—	—	163,106	171,513
Infrastructure	1,663,970	1,657,041	—	—	1,663,970	1,657,041
Construction in Progress	679,557	537,917	1,096,751	1,056,952	1,776,308	1,594,869
Other Capital Assets	73,286	74,226	34,966	35,708	108,252	109,934
Right to Use Assets	321,765	—	1,360	—	323,125	—
Total Capital Assets	<u>\$ 5,063,080</u>	<u>4,620,485</u>	<u>\$ 7,690,412</u>	<u>7,376,241</u>	<u>\$ 12,753,492</u>	<u>\$ 11,996,726</u>

Capital assets, net of depreciation for governmental activities increased by \$442.6 million in 2022. The increase was primarily driven by increases in Right to Use Assets (\$321.8 million) and in Construction in Progress (\$141.6 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 \$314.2 million in 2022, largely as the result of the following:

City Light's capital assets, net of accumulated depreciation and amortization, increased by \$178.2 million in 2022. Utility plant assets such as the hydroelectric production plant increased by \$8.9 million, transmission plant increased by \$33.8 million, distribution plant increased by \$306.6 million, general plant increased by \$14.7 million, and other intangible assets increased by \$52.6 million. The net increase in utility plant assets was offset by a \$131.4 million net increase in accumulated depreciation and amortization. Other Asset categories such as Land and Construction In Progress decreased by \$106.6 million.

The Drainage and Wastewater Fund's net capital assets increased by \$112.4 million in 2022. The increase is primarily due to capital asset additions and enhancements such as pipeline rehabilitations and improvements (\$13.4 million), Oracle utilities applications upgrade (\$5.4 million), and stations and force main upgrades in East Montlake (\$3.4 million).

The Water Fund's net capital assets increased by \$26.7 million in 2022 compared to prior year. Major capital assets placed into service during the year included water infrastructure improvements and rehabilitations (\$16.1 million), technology projects (\$8.3 million), heavy equipment (\$2.6 million), Cedar Falls power service upgrade (\$2.5 million), and reservoir covering (\$1.3 million). These additions were offset by current year depreciation and disposals.

The Solid Waste Fund's net capital assets decreased by \$3.5 million in 2022 compared to the prior year. This change is mostly due to a decrease in accumulated depreciation (\$9 million) and decrease in Construction in Progress (\$1.2 million). This decrease is offset by increases in Plant In Service (\$8.1 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 2022, the City had \$5.5 billion in outstanding bonded debt, net of premiums and discounts, which included general obligation and revenue bonds, comparable to \$5.5 billion in 2021. The special assessments bonds the City has issued included 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 a largely diminished outstanding balance of only \$0.2 million. And another in 2021 for the Waterfront Improvement Project which had an outstanding balance of \$94 million. In 2022, the City issued limited tax general obligation (LTGO) bonds to carry out a current refunding of certain obligations of the City and to finance various capital improvement projects, such as repair of the West Seattle Bridge, implementation upgrade of the Human Capital Management System, Criminal Justice Information System, Aquarium Expansion, and repairs of the Alaskan Way Main Corridor. The City also issued \$257.7 million in revenue bonds for City Light to finance capital improvements and conservation programs.

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 2021 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 2022 assessed value based on the latest report for the City was \$308.9 billion, providing the City a legal debt capacity of \$23.2 billion. At the end of 2022 the net outstanding general obligation debt of the City which includes bonds, compensated absences net of sick leave, and guarantees of indebtedness amounted to \$1.1 billion, well below the legal debt capacity, rendering the City's legal debt margin at \$22.1 billion. Within the 7.5% limitation, state law restricts outstanding LTGO bonds to 1.5% of assessed value, which for 2022 was a capacity of \$4.6 billion. At year end 2022 the LTGO net outstanding debt was \$727.2 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 2022 Adopted Budget for the city, the following priorities were funded due to their RSJI impacts:

Individual Artist Relief – The Office of Arts and Culture, in coordination with the Office of Economic Development provided up to \$1.5 million in financial support to individual artists and creative workers, who have been disproportionately impacted by COVID-19.

Equity and Cultural Education – The Office of Arts and Culture provided up to \$500,000 to provide culturally relevant youth and family programming alongside BIPOC-centered cultural institutions, museums, and other informal learning spaces during the school day and awards for BIPOC youth who wish to engage in arts and culture.

Parks Funding Realignment to Departmental Equity and Workforce Realignment –The Department of Parks and Recreation reallocated up to \$1,000,000 to support an ongoing investment in the department's Human Resources and Equity Teams Team. This change supports a revised service model that advances SPR's vision of becoming an anti-racist organization and is aligned to meet the growing demand for services from a department with over 1,000 regular positions and an additional 800-1,000 temporary staff throughout the year.

Parks Funding Realignment to Equitable Parks Development Fund - The Department of Parks and Recreation reallocated up to \$300,000 to begin to transition the Major Projects Challenge Fund to a new Equitable Park Development Fund as recommended by the Park District Oversight Committee (PDOC) in 2020. The investment will focus on partnering with communities and community groups to make improvements to parks and park facilities in neighborhoods that have a history of racial disparities in access to green space and in safety from environmental harms. This change also adds two FTE per PDOC's recommendation to lead this work within the department.

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Staff Language Premium Stipend – The City allocated \$440,000 for language services stipends. Per the Coalition of City Unions collective bargaining agreement, City employees who are multilingual and provide language services, such as interpretation and translation, to communicate with clients and/or other employees in business-related situations are now eligible for a monthly language premium stipend.

After-School Program for Resettled Children living at or near Magnuson Park – The City allocated \$171,000 to contract with an organization, such as Kids and Paper, that helps resettled children who are predominately low-income and living in or near Magnuson Park, to acclimate through creative arts and other programs.

Community Involvement in the Garfield Super Block Project – The City allocated \$188,000 to contract with a community organization to support community involvement in the Garfield Super Block Project. Funding will support staffing, artist stipends, and events.

Programming for Black Girls/Young Women and Queer/Transgender Youth – The City allocated \$375,000 from the General Fund for culturally responsive and identity affirming programming for Black girls and young women as well as Black queer and transgender youth.

Culturally Responsive After-School Programming – The City allocated \$500,000 for a Strategic Advisor for culturally responsive after-school programming for middle and high school students, with a priority for programs that support immigrant and refugee youth and provide in-language support.

Maintain Keiro Enhanced Shelter Units (125 units) – The City allocated \$6,587,625 for The Keiro building in the Central District, which intended to create a 125-unit, 24/7 non-congregate enhanced shelter starting in the fall of 2021. The shelter will be operated by Africatown Community Land Trust whose goal is to acquire, steward and develop land assets that are necessary for the Black/African diaspora community to grow and thrive in place in the Central District. The shelter will serve adults with culturally responsive services, case management, housing navigation services, and behavioral health support.

Gender-Based Violence Victims Services – The city allocated \$875,000 for community-based victim services and addresses a 2022 funding gap due to a reduction of fines and fees from offenders due to changes in State law and increased diversion programs. Victims of gender-based violence are disproportionately BIPOC young women and children. These programs give victims of sexual violence the support they need to move forward in their lives with the physical, emotional and debilitating pain and trauma they experience. These programs provide a support system to those survivors who may otherwise live in isolation.

Investments to Address Hate Crimes – The City allocated \$400,000 as part of Ordinance 126308 to address the increase in hate crimes and bias that disproportionately affect the Asian American and Pacific Islander Community in Seattle. Two programs will be continued:

- Community Based Organization Intervention Funding, including advocacy, counseling, mental health support, trauma response, and care.
- Innovation Funds to Community Based Organizations.

Visiting Nurse Project – The City allocated \$150,000 to hire a Registered Nurse (RN) to provide home based nursing care to approximately 200 individuals within communities that have higher rates of serious health conditions or deaths which are disproportionately communities of color. This funding will integrate a nursing component into African American Elders Program (AAEP) care coordination and family caregiver support services. This position is essential to supporting the most vulnerable elders especially in emergency situations by providing culturally appropriate and trusted social and health resources.

Reentry Programs for Formerly Incarcerated individuals – The City allocated \$375,000 to fund contracted organizations to provide reentry programs for formerly incarcerated individuals. The goals of the programs are to decrease the likelihood that individuals will reoffend and increase the likelihood of attaining meaningful employment.

Culturally Responsive & Inclusive Access to Healthcare – The City allocated \$250,000 to fund community-based organizations, including local community health boards, to provide access and entry to appropriate, desired, and impactful health care, including the provision of technical assistance to health care providers around the specific needs of specific communities.

Management's Discussion and Analysis

Culturally Responsive & Inclusive Direct Healthcare – The City allocated \$375,000 to fund programs for Community Health Centers and community-based organizations. Contracted organizations will provide innovative and alternative ways to achieve health and healing for communities that have historically had a higher rate of negative health disparities.

Farm to Table – The City allocated \$50,000 for Farm to Table, which works with local farmers to provide locally grown and produced foods to preschool and after school programs and offers nutrition education. Participants in the program are children and families who disproportionately identify as BIPOC.

CORONAVIRUS PANDEMIC

The COVID-19 pandemic has had significant impact on the United States, and the City of Seattle has been no exception. In 2020, the City received \$131.5 million in federal funding received under the CARES Act, which provided the Coronavirus Relief Fund (CRF) for payments to State, Local, and Tribal governments. All these funds were spent, in 2020 and 2021. In 2022 the grant was officially closed as no more spending was available.

The City also received an additional distribution in the amount of \$232 million via the Coronavirus State and Local Fiscal Recovery Funds authorized by the American Rescue Plan Act. The U.S. Treasury released the Final Rule for the program that describes eligible uses spending. As of December 31, 2022, the following amounts have been obligated and spent, respectively.

Category	Obligations (In Thousands)	Expenses (In Thousands)
Administrative	\$536	\$536
Negative Economic Impacts Public Sector Capacity	4,264	4,264
Negative Economic Impacts	86,228	48,595
Premium Pay	2,952	2,952
Provision of Government Services	88,701	88,701
Public Health	14,514	14,436
Total as of December 31, 2021	\$197,195	\$159,484

ECONOMIC FACTORS

U.S. Economy. Last year (2022) brought considerable economic instability and uncertainty at the national level. Just as the caseloads associated with the COVID-19 Omicron variant had begun to stabilize early in the year, Russia began its invasion of Ukraine. Inflationary pressures that had already emerged because of supply chain disruptions, tightening labor markets and increased consumer demand, associated at least in part with the federal COVID relief spending, were quickly exacerbated by a spike in commodity prices. The war in Ukraine disrupted, and continues to disrupt, the global markets for fuel, food, and other basic commodities.

The net result was a sharp rise in inflation, reaching a post-pandemic peak of 9.1% in the 12 months ending in July of 2022. Price escalation has begun to cool since then, but the actions taken to control inflation now threaten overall economic growth. Responding to rates of inflation not experienced in more than 40 years, the Federal Reserve Bank (Fed) responded to the inflationary pressures seen late in 2021 and early 2022 with a commitment to aggressively increase interest rates in an effort to cool overall demand. This commitment has since been reflected in both words and action. Since the beginning of 2022, the Fed has been steadily increasing rates, including four successive 0.75% increases in June, July, September, and November, an additional 0.5% in December, and most recently a further 0.25% increase at their January meeting. This all represents a dramatic shift from the Fed's stance in 2021, when rates were reduced as part of the overall effort to stimulate economic recovery in the wake of COVID-19.

This shift, in part, reflects the fact that the overall economic recovery from the COVID-19 disruption has been quite strong. The strength of the recovery is perhaps most evident in the resiliency of the labor market. As of August, employment levels in the US matched those seen before the pandemic. While overall consumer sentiment about the economy has weakened over the course of this year, actual consumer spending has remained strong and actually grown. Spending patterns have shifted away from goods,

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which were in high demand during the pandemic, and back towards services such as restaurant dining and travel as social distancing requirements have eased. This shift is causing some pain for those who benefited from the short-term increased demand for goods, but is also finally bringing recovery to the hospitality sector and more generally to service-oriented businesses.

Looking forward, the question that remains is whether the overall pattern of strong job growth will continue even as the Fed takes purposeful steps to cool demand and reduce inflation. The consensus among national forecasters is that inflation can be brought under control and back to more recent trends by the latter part of this year (2023), but that a short, mild recession, as measured by at least two consecutive quarters of GDP decline, is likely to be a consequence. Growth is expected to return by 2024 and the forecasts indicate that the impacts to employment will be modest.

Seattle metropolitan area economy. Prior to the pandemic, the Seattle area regional economy had tracked well ahead of the nation, in terms of employment expansion and income growth. Over the 10 years from 2010 to 2019, regional employment had grown by nearly 30%, and per capita income had increased by nearly 65%. Moreover, much of the regional growth had been concentrated in the city of Seattle. Although virtually all sectors in Seattle have seen employment increase in the decade after the Great Recession, the high-technology sector led the way, producing a large number of high-paying jobs. Strong growth in the technology sector supported growth across the regional economy, including in professional and business services, as well as leisure and hospitality services and health care.

The impacts of the pandemic were felt early in the Seattle region as some of the first U.S. cases occurred within the immediate area. An aggressive social-distancing approach was instituted quickly, and then maintained for longer than in many other major U.S. metropolitan areas. The intensity and duration of these interventions may have initially delayed the local economy recovery, but over the course of 2022, the dynamics of the regional economy generally tracked those seen at the national level. The regional labor market has proven to be very resilient, although some sectors have shown considerably more strength than others. For example, employment growth in the technology sector was particularly strong throughout the pandemic, while employment in the hospitality and manufacturing sectors was hit particularly hard, and has been slow to recover. The region has also experienced the same elevated rates of inflation as seen at the national level. In fact, local inflation has somewhat out-paced national levels over the past two years. Increasing housing costs, reflected both in residential rental rates and home prices, have been a key driver of the overall escalation in the regional cost of living.

Labor Market. The recovery of the regional labor market had trailed the national pace when the recovery began in mid-2020, but has been closing the gap in recent months. Consistent with the national economy, regional employment has now surpassed the levels seen before the onset of the pandemic.

The region's dependence on tourism and aerospace manufacturing (Boeing), together with its more cautious public health approach and sustained commitment to social distancing, likely led to a slower employment recovery. A sector-level analysis generally confirms this assessment. While local employment in the Leisure & Hospitality and Manufacturing sectors remains well below pre-pandemic levels, there has been significant job growth in several other sectors since, led by both Information and Professional & Business Services.

Another dynamic that distinguishes the local and regional employment recovery is the trend toward "work from home". Relative to other parts of the nation, a larger share of the region's employees continues to work from home. There is no evidence that this has had a negative impact on the region's overall economic recovery, but it has affected municipal revenues somewhat by reducing the overall level of taxable activity that is occurring in the city. In inflation adjusted terms, 2022 sales tax revenue remained approximately 2% below 2019 levels and B&O taxes about 5% below, even as overall regional employment recovered to pre-pandemic levels.

Inflation. Regional inflation tends to track national inflation because commodity prices and national economic conditions are key drivers of regional prices. Seattle inflation has, however, been running on average about 0.5% higher in recent years due to the region's higher population and income growth and high housing price inflation compared to the nation. However, overall inflation rates had been quite low. For example, from 2011 to 2019, regional prices grew an average of just 2.2% per year.

In the initial phases of the pandemic, depressed consumer demand put downward pressure on prices, but that trend reversed in the second half of 2021. As noted previously, inflation has become a dominant factor in the economy, both its direct impacts on the cost-of-living and the potential indirect impacts created by the Fed's aggressive approach to bringing it under control. On the regional level, recent cost-of-living impacts have outpaced the national figures. For 2022, the regional consumer price index reflected an increase of 9%, compared to the national level of 8%. Fortunately, current forecasts indicate that inflation will continue the declining trend seen late in 2022, with a return to more moderate levels anticipated by mid to late 2023. Locally, escalation in

Management's Discussion and Analysis

local residential real estate prices, which had been a key driver for the increased rates of regional inflation, has reversed in recent months and home prices are now in decline, which supports this expectation.

Regional Economic Outlook. Overall, the region appears to have weathered the economic shocks created by the COVID-19 pandemic relatively well. Total regional employment has now fully recovered, and the sectors most negatively affected by the pandemic are actively hiring. While the local hospitality sector has lagged to date in terms of a recovery in employment, the 2022 summer tourist season saw the return of the Seattle-based Alaskan cruise industry and overall tourism traffic increased significantly from last year. For example, overall traffic at SeaTac Airport totaled 46 million passengers in 2022, down by 11% from 2019, but up 27% from 2021. Much of this increased traffic has been associated with leisure travel, but with the recent opening of a major expansion of Seattle's downtown convention center, the city anticipates the opportunity to host major national commercial gatherings, and to reap the economic benefits of these events. Moreover, the rebound in airline traffic was not unique to Seattle and increasing overall demand for air travel also represents good news for Boeing and the region's aerospace manufacturing sector. After reducing regional employment by more than 20,000, the company has now returned to hiring. In 2022, the company added 4,400 jobs in Washington State, a roughly 8% increase in its work force.

Throughout the pandemic recovery employment growth in the technology sector continued at a strong pace, and served as a driving force behind the continued growth of the regional economy. On average, the jobs offered in this sector pay well and help drive demand in other sectors such as hospitality, entertainment, and construction. However, as post-pandemic consumption patterns have shifted back towards services, there are early indications that the robust employment growth seen at firms such as Amazon, Microsoft, Facebook (Meta), Apple, and Google (Alphabet Inc.) will not be sustained in the immediate future. Hiring has slowed and layoffs have been announced by some firms.

Nonetheless, the outlook for the regional economy remains strong. Although growth in the technology sector appears to be slowing, the region's underlying economic strengths remain. The region's workforce is among the nation's most educated, with more than 65% of the adult population holding at least a bachelor's degree. The University of Washington is among the nation's top research institutions, attracting more than \$1 billion in NIH research grants each year, and supporting a culture of innovation in both the public and private sectors throughout the region. International trade remains a cornerstone of the region's economy. Operating in close coordination as the Northwest Seaport Alliance, the joint operation of the Ports of Seattle and Tacoma ranks in the top five, in terms of U.S. container traffic capacity. Furthermore, Boeing's current hiring push and the resurgence of the local hospitality sector highlight that the regional economy maintains a degree of diversity that helps minimize the impacts of the changing fortunes of any given economic sector.

FINANCIAL CONTACT

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the City of Seattle, Department of Finance and Administrative Services, Citywide Accounting and Payroll Division, P.O. Box 94669, Seattle, WA 98124-4669; Telephone 206-233-7825; ACFRContact@seattle.gov.

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STATEMENT OF NET POSITION
December 31, 2022
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	2022	
ASSETS				
Current Assets				
Operating Cash and Equity in Pooled Investments	\$ 1,882,210	\$ 976,691	\$ 2,858,901	\$ 4,297
Restricted Cash and Equity in Pooled Investments	36,930	—	36,930	—
Investments	—	—	—	93,026
Receivables, Net of Allowances	397,966	441,773	839,739	—
Internal Balances	(90,906)	90,906	—	—
Due from Other Governments	191,732	59,113	250,845	—
Inventories	11,521	59,262	70,783	—
Prepaid and Other Current Assets	32,696	1,195	33,891	—
Short Term Lease Receivable	—	4,687	4,687	—
Total Current Assets	2,462,149	1,633,627	4,095,776	97,323
Noncurrent Assets				
Restricted Cash and Equity in Pooled Investments	49,504	475,602	525,106	—
Contracts and Notes	15,595	2,287	17,882	—
Conservation Costs, Net	—	277,272	277,272	—
Landfill Closure and Postclosure Costs, Net	—	19,939	19,939	—
Environmental Costs and Recoveries	—	96,274	96,274	—
Net Pension Asset	324,406	—	324,406	—
Regulatory Asset	—	12,112	12,112	—
Other Charges and Noncurrent Assets	—	90,471	90,471	—
Capital Assets, Net of Accumulated Depreciation				
Land and Land Rights	623,083	283,949	907,032	—
Plant in Service, Excluding Land	—	6,273,386	6,273,386	—
Buildings and Improvements	1,538,313	—	1,538,313	—
Machinery and Equipment	163,106	—	163,106	—
Infrastructure	1,663,970	16,985	1,680,955	—
Construction in Progress	679,556	1,096,751	1,776,307	—
Right to Use Lease	321,774	1,356	323,130	—
Other Capital Assets	73,286	34,970	108,256	8
Long Term Lease Receivable	142,731	62,410	205,141	—
Total Noncurrent Assets	5,595,324	8,743,764	14,339,088	8
Total Assets	8,057,473	10,377,391	18,434,864	97,331
DEFERRED OUTFLOWS OF RESOURCES	320,005	153,205	473,210	—
Total Assets and Deferred Outflows of Resources	\$ 8,377,478	\$ 10,530,596	\$ 18,908,074	\$ 97,331

The accompanying notes are an integral part of these financial statements

STATEMENT OF NET POSITION
December 31, 2022
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	2022	
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 193,592	\$ 150,275	\$ 343,867	\$ 1,916
Salaries, Benefits, and Taxes Payable	37,338	15,652	52,990	—
Contracts Payable	2,333	—	2,333	—
Due to Other Governments	3,753	14,403	18,156	—
Interest Payable	7,679	65,947	73,626	—
Taxes Payable	33	19,688	19,721	—
Unearned Revenues	114,870	35,834	150,704	—
Current Portion of Long-Term Debt				
Bonds Payable	80,905	215,420	296,325	—
Compensated Absences Payable	5,040	2,052	7,092	—
Notes and Contracts Payable	1,562	6,393	7,955	—
Claims Payable	16,792	17,637	34,429	—
Habitat Conservation Program Liability	—	556	556	—
Landfill Closure and Postclosure Liability	—	1,881	1,881	—
Accrued Lease Interest	(3,814)	—	(3,814)	—
Short Term Lease Liability	13,334	221	13,555	—
Other Current Liabilities	70,525	45,154	115,679	—
Total Current Liabilities	543,942	591,113	1,135,055	1,916
Noncurrent Liabilities				
Bonds Payable, Net of Unamortized Premiums, Discounts, and Other	978,795	4,441,531	5,420,326	—
Special Assessment Bonds with Governmental Commitment	94,256	—	94,256	—
Compensated Absences Payable	95,769	39,001	134,770	—
Claims Payable	91,140	327,293	418,433	—
Notes and Contracts Payable	11,295	156,295	167,590	—
Landfill Closure and Postclosure Liability	—	14,705	14,705	—
Vendor Deposits Payable	261	83	344	—
Habitat Conservation Program Liability	—	6,243	6,243	—
Unearned Revenues	212	42,332	42,544	—
Unfunded Other Post Employment Benefits	521,108	16,405	537,513	—
Net Pension Liability	662,931	333,395	996,326	—
Long Term Lease Liability	325,670	1,156	326,826	—
Other Noncurrent Liabilities	433	3,333	3,766	—
Total Noncurrent Liabilities	2,781,870	5,381,772	8,163,642	—
Total Liabilities	3,325,812	5,972,885	9,298,697	1,916
DEFERRED INFLOWS OF RESOURCES	644,282	466,153	1,110,435	—

The accompanying notes are an integral part of these financial statements

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STATEMENT OF NET POSITION
December 31, 2022
(In Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	2022	
NET POSITION				
Net Investment in Capital Assets	\$ 4,047,172	\$ 3,400,264	\$ 7,447,436	\$ 8
Restricted for				
Debt Service	17,955	—	17,955	—
Capital Projects	421,586	—	421,586	—
Revenue Stabilization Account	—	25,000	25,000	—
Education and Development Services	132,637	—	132,637	—
Conservation and Environmental Costs	—	9,047	9,047	—
External Infrastructure Costs	—	8,259	8,259	—
Other Charges	—	26,039	26,039	—
Health Care Reserve	126,054	—	126,054	—
Transportation Programs	162,838	—	162,838	—
Low-Income Housing Programs	169,671	—	169,671	—
Other Purposes	172,527	—	172,527	65,539
Nonexpendable	50	—	50	—
Unrestricted	(843,106)	622,949	(220,157)	29,868
Total Net Position	4,407,384	4,091,558	8,498,942	95,415
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 \$ 8,377,478	 \$ 10,530,596	 \$ 18,908,074	 \$ 97,331

The accompanying notes are an integral part of these financial statements

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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022
(In Thousands)

Functions/Programs	Program Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General Government	\$ 185,628	\$ 21,127	\$ 73,695	\$ 3,270
Judicial	40,680	12,570	151	—
Public Safety	663,808	48,001	30,810	—
Physical Environment	(55,663)	4,868	1,603	—
Transportation	577,573	203,430	117,305	—
Economic Environment	584,249	105,406	96,640	—
Health and Human Services	161,435	3,028	61,797	—
Culture and Recreation	443,726	65,517	22,560	100
Interest on Long-Term Debt	(32,657)	—	—	—
Total Governmental Activities	2,568,779	463,947	404,561	3,370
BUSINESS-TYPE ACTIVITIES				
Light	1,005,426	1,238,722	10,362	48,646
Water	242,292	290,869	—	18,625
Drainage and Wastewater	434,016	519,029	—	21,148
Solid Waste	209,977	256,809	1,240	—
Construction & Inspection	81,451	86,640	—	—
Total Business-Type Activities	1,973,162	2,392,069	11,602	88,419
Total Government-Wide Activities	\$ 4,541,941	\$ 2,856,016	\$ 416,163	\$ 91,789
COMPONENT UNITS	\$ 6,226	\$ 188	\$ 5,784	\$ —

The accompanying notes are an integral part of these financial statements

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STATEMENT OF ACTIVITIES For the Year Ended December 31, 2022 (In Thousands)

	Net Revenue (Expense) and Changes in Net Position			Component Units
	Primary Government			
	Governmental Activities	Business-Type Activities	2022	
GOVERNMENTAL ACTIVITIES				
General Government	\$ (87,536)	\$ —	\$ (87,536)	
Judicial	(27,959)	—	(27,959)	
Public Safety	(584,997)	—	(584,997)	
Physical Environment	62,134	—	62,134	
Transportation	(256,838)	—	(256,838)	
Economic Environment	(382,203)	—	(382,203)	
Health and Human Services	(96,610)	—	(96,610)	
Culture and Recreation	(355,549)	—	(355,549)	
Interest on Long-Term Debt	32,657	—	32,657	
Total Governmental Activities	(1,696,901)	—	(1,696,901)	
BUSINESS-TYPE ACTIVITIES				
Light	—	292,304	292,304	
Water	—	67,202	67,202	
Drainage and Wastewater	—	106,161	106,161	
Solid Waste	—	48,072	48,072	
Construction & Inspection	—	5,189	5,189	
Total Business-Type Activities	—	518,928	518,928	
Total Government-Wide Activities	(1,696,901)	518,928	(1,177,973)	
				\$ (254)
COMPONENT UNITS				
General Revenues				
Property Taxes	713,959	—	713,959	—
Sales Taxes	389,892	—	389,892	—
Business Taxes	918,872	—	918,872	—
Excise Taxes	130,697	—	130,697	—
Other Taxes	59,773	—	59,773	—
Unrestricted Investment Earnings (Loss)	(51,898)	(39,458)	(91,356)	8,960
Gain on Sale of Capital Assets	133,731	—	133,731	—
Special Item - Environmental Remediation	—	—	—	—
Transfers	—	—	—	—
Total General Revenues (Loss), Special Item, and Transfers	2,295,026	(39,458)	2,255,568	8,960
Changes in Net Position	598,125	479,470	1,077,595	8,706
Net Position - Beginning of Year	3,809,149	3,611,950	7,421,099	86,709
Restatements/Prior-Year Adjustments	110	138	248	—
Net Position - Beginning of Year as Restated	3,809,259	3,612,088	7,421,347	86,709
Net Position - End of Year	\$ 4,407,384	\$ 4,091,558	\$ 8,498,942	\$ 95,415

The accompanying notes are an integral part of these financial statements

MAJOR GOVERNMENTAL FUNDS

The **General Fund** is the primary operating fund of the City. It accounts for all financial resources except those required to be accounted for in another fund. It derives the majority of its revenues from property, sales, business, and utility taxes. 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, 2022
(In Thousands)**

	General Fund	Transportation	Other Governmental	2022
ASSETS				
Cash and Equity in Pooled Investments	\$ 795,453	\$ 133,626	\$ 919,016	\$ 1,848,095
Receivables, Net of Allowances	223,441	27,337	140,191	390,969
Due from Other Funds	6,320	280	3,794	10,394
Due from Other Governments	74,204	40,186	43,979	158,369
Interfund Loans and Advances	28,431	—	—	28,431
Other Current Assets	21,789	—	746	22,535
Total Assets	1,149,638	201,429	1,107,726	2,458,793
DEFERRED OUTFLOWS OF RESOURCES				
	—	—	—	—
Total Assets and Deferred Outflows of Resources	<u>\$ 1,149,638</u>	<u>\$ 201,429</u>	<u>\$ 1,107,726</u>	<u>\$ 2,458,793</u>
LIABILITIES				
Accounts Payable	\$ 87,617	\$ 32,899	\$ 57,323	\$ 177,839
Contracts Payable	81	1,810	442	2,333
Salaries, Benefits, and Taxes Payable	22,542	4,705	4,961	32,208
Due to Other Funds	16	3	1,969	1,988
Due to Other Governments	3,753	—	—	3,753
Revenues Collected in Advance	17,581	26,982	70,307	114,870
Interfund Loans and Advances	—	24,000	28,431	52,431
Other Current Liabilities	6,240	518	28,455	35,213
Total Liabilities	137,830	90,917	191,888	420,635
DEFERRED INFLOWS OF RESOURCES				
	5,606	1,824	101,538	108,968
FUND BALANCES				
Nonspendable	\$ 236	\$ —	576	\$ 812
Restricted	337,318	84,289	781,660	1,203,267
Committed	236,991	24,399	18,075	279,465
Assigned	15,123	—	35,477	50,600
Unassigned	416,534	—	(21,488)	395,046
Total Fund Balances	1,006,202	108,688	814,300	1,929,190
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,149,638</u>	<u>\$ 201,429</u>	<u>\$ 1,107,726</u>	<u>\$ 2,458,793</u>

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

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**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2022
(In Thousands)**

	2022
Governmental Fund Balance	\$ 1,929,190
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	\$ 4,144,250
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(46,148)
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.	500,441
Net Pension Asset	324,406
Deferred outflows of resources	278,200
Deferred inflows of resources	(459,674)
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	(16,248)
Accrued Interest Payable	(1,406)
Current Portion of Long-Term Debt	(52,187)
Compensated Absences Payable	(4,277)
General Obligation Bonds Payable	(794,968)
Less Bond Discount and Premium	
Special Assessment Bonds	(94,256)
Net Pension Liability	(543,865)
Notes and Other Long-Term Liabilities	(11,295)
Compensated Absences - Long-Term	(81,259)
Claims Payable - Long-Term	(90,359)
Unfunded Other Post Employment Benefits	(515,487)
Other Liabilities	(57,674)
Net Adjustments	2,478,194
Net Position of Governmental Activities	\$ 4,407,384

The accompanying notes are an integral part of these financial statements

The City of Seattle

**B-4 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022
(In Thousands)**

REVENUES	General Fund	Transportation	Other Governmental	2022
Taxes				
Property Taxes	\$ 371,765	\$ 107,208	\$ 235,669	\$ 714,642
Sales Taxes	333,101	252	56,539	389,892
Business Taxes	881,211	37,661	—	918,872
Excise Taxes	104,397	—	26,300	130,697
Other Taxes	28,208	—	31,565	59,773
Licenses and Permits	34,685	10,172	1,203	46,060
Grants, Shared Revenues, and Contributions	45,325	93,310	273,209	411,844
Charges for Services	90,639	151,526	142,526	384,691
Fines and Forfeits	17,318	2,011	8,540	27,869
Concessions, Parking Fees, and Space Rent	19,913	157	27,944	48,014
Program Income, Interest, and Miscellaneous Revenues	99,144	(3,510)	(14,328)	81,306
Total Revenues	2,025,706	398,787	789,167	3,213,660
EXPENDITURES				
Current				
General Government	283,639	—	35,634	319,273
Judicial	42,263	—	—	42,263
Public Safety	806,544	—	3,978	810,522
Physical Environment	20,406	—	1,476	21,882
Transportation	100,631	219,196	85,589	405,416
Economic Environment	251,049	—	330,229	581,278
Health and Human Services	62,295	—	141,135	203,430
Culture and Recreation	232,236	34	137,272	369,542
Capital Outlay				
General Government	31	—	1,941	1,972
Public Safety	1,669	—	97	1,766
Physical Environment	8	—	—	8
Transportation	2,467	142,216	30,489	175,172
Health and Human Services	—	—	3	3
Culture and Recreation	17,871	—	54,172	72,043
Debt Service				
Principal	5	1,569	72,930	74,504
Interest	412	118	39,979	40,509
Bond Issuance Cost	—	—	888	888
Other	—	—	—	—
Total Expenditures	1,821,526	363,133	935,812	3,120,471
Excess (Deficiency) of Revenues over Expenditures	204,180	35,654	(146,645)	93,189
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	—	—	127,585	127,585
Premium on Bonds Issued	—	—	11,690	11,690
Payment to Refunded Bond Escrow Agent	—	—	(41,976)	(41,976)
Sales of Capital Assets	61,240	49,320	23,770	134,330
Capital Leases & Installments	—	—	—	—
Transfers In	66,022	—	102,246	168,268
Transfers Out	(42,659)	(31,516)	(80,928)	(155,103)
Total Other Financing Sources (Uses)	84,603	17,804	142,387	244,794
Net Change in Fund Balance	288,783	53,458	(4,258)	337,983
Fund Balances - Beginning of Year	717,384	55,230	818,483	1,591,097
Restatements/Prior-Year Adjustments	35	—	75	110
Fund Balances - Beginning of Year as Restated	717,419	55,230	818,558	1,591,207
Fund Balances - End of Year	\$ 1,006,202	\$ 108,688	\$ 814,300	\$ 1,929,190

The accompanying notes are an integral part of these financial statements

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**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, 2022
(In Thousands)**

	2022
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - total governmental funds	\$ 337,983
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	(161,163)
Capital outlay reported as expenditures	295,586
Retirement and sale of capital assets	(598)
Capital assets received as donations	—
Capital lease expense for the year	(4,916)
Capital lease income for the year	8,483
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	—
Reduction of long-term receivable	(5,085)
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	(15,564)
Premium on general obligation bonds	—
Proceeds from loans	—
Principal payments bonds/notes	—
Amortization of bond premium	6,658
Amortization of loss on refunding	422
Bond interest payable	(671)
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	(423)
Injury and damage claims	(11,571)
Workers' compensation	(1,408)
Unfunded OPEB liabilities	114,753
Environmental liability	620
Debt guarantee of SISC 2004 bonds	425
Pension Expense - GASB68	67,011
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	232
Net revenue of internal service funds activities reported with governmental activities	(32,649)
Change in Net Position of Governmental Activities	\$ 598,125

The accompanying notes are an integral part of these financial statements

MAJOR PROPRIETARY FUNDS

The **Light Fund** (City Light) accounts for the operations of the City-owned electric utility. City Light owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 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.

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(In Thousands)**

	Business-Type Activities Enterprise Funds				Governmental Activities	
	L i g h t	W a t e r	Drainage and Wastewater	Nonmajor	2022	Internal Service
ASSETS						
Current Assets						
Operating Cash and Equity in Pooled Investments	\$ 348,612	\$ 88,984	\$ 270,396	\$ 268,699	\$ 976,691	\$ 34,115
Restricted Cash and Equity in Pooled Investments	—	—	—	—	—	36,930
Receivables, Net of Allowances						
Accounts	169,449	26,846	35,154	25,729	257,178	712
Interest and Dividends	—	809	266	24	1,099	11
Unbilled	110,508	17,351	29,957	17,736	175,552	102
Due from Other Funds	1,439	575	1,158	1,020	4,192	289
Due from Other Governments	33,608	1,714	21,991	1,800	59,113	1,741
Materials and Supplies Inventory	47,243	9,571	2,291	157	59,262	11,256
Interfund Loan & Advances	—	—	—	—	—	24,000
Prepayments and Other Current Assets	1,057	72	35	31	1,195	9,854
Short Term Lease Receivable	4,687	—	—	—	4,687	508
Total Current Assets	716,603	145,922	361,248	315,196	1,538,969	119,518
Noncurrent Assets						
Restricted Cash and Equity in Pooled Investments	210,317	139,954	77,953	47,378	475,602	49,504
Notes and Contracts Receivable	—	—	2,287	—	2,287	—
Conservation Costs, Net	253,701	23,571	—	—	277,272	—
Landfill Closure and Postclosure Costs, Net	—	—	—	19,939	19,939	—
Environmental Costs and Recoveries	93,056	—	3,218	—	96,274	—
External Infrastructure Costs	—	—	16,985	—	16,985	—
Regulatory Asset	—	5,120	5,348	1,644	12,112	—
Other Charges	55,845	11,532	21,970	1,124	90,471	—
Capital Assets						
Land and Land Rights	155,893	54,511	46,662	26,883	283,949	106,233
Plant in Service, Excluding Land	6,168,714	2,203,820	1,548,133	248,514	10,169,181	—
Less Accumulated Depreciation	(2,327,049)	(983,702)	(497,405)	(87,639)	(3,895,795)	—
Buildings and Improvements	—	—	—	—	—	769,013
Less Accumulated Depreciation	—	—	—	—	—	(351,495)
Machinery and Equipment	—	—	—	852	852	318,337
Less Accumulated Depreciation	—	—	—	(852)	(852)	(209,152)
Construction in Progress	531,889	91,176	468,355	5,331	1,096,751	81,262
Other Property, Net	21,458	2,441	4,946	6,125	34,970	39,840
Long Term Lease Receivable	62,410	—	—	—	62,410	1,064
Right to Use Lease	—	1,011	362	28	1,401	340,263
Less Right to Use Lease Accumulated Amortization	—	—	—	(45)	(45)	(33,796)
Total Noncurrent Assets	5,226,234	1,549,434	1,698,814	269,282	8,743,764	1,111,073
Total Assets	5,942,837	1,695,356	2,060,062	584,478	10,282,733	1,230,591
DEFERRED OUTFLOWS OF RESOURCES	72,825	30,200	24,412	25,768	153,205	41,805
Total Assets and Deferred Outflows of Resources	\$ 6,015,662	\$ 1,725,556	\$ 2,084,474	\$ 610,246	\$10,435,938	\$ 1,272,396

The accompanying notes are an integral part of these financial statements

The City of Seattle

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STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(In Thousands)

	Business-Type Activities Enterprise Funds				2022	Governmental Activities
	Light	Water	Drainage and Wastewater	Nonmajor Funds		Internal Service
LIABILITIES						
<i>Current Liabilities</i>						
Accounts Payable	\$ 98,890	\$ 10,739	\$ 22,379	\$ 14,484	\$ 146,492	\$ 15,226
Payable	8,383	2,211	2,412	2,646	15,652	5,130
Compensated Absences Payable	1,088	292	343	329	2,052	763
Due to Other Funds	—	3,221	550	12	3,783	—
Due to Other Governments	—	—	14,388	15	14,403	—
Interest Payable	42,690	10,182	11,397	1,678	65,947	2,122
Taxes Payable	14,549	884	621	3,634	19,688	33
Year	—	—	—	—	—	28,718
Revenue Bonds Due Within One Year	127,675	50,760	29,225	7,760	215,420	—
Claims Payable	12,788	1,327	2,844	678	17,637	544
Notes and Contracts Payable	—	2,050	4,343	—	6,393	—
Habitat Conservation Program Liability	—	556	—	—	556	—
Landfill Closure and Postclosure Liability	—	—	—	1,881	1,881	—
Unearned Revenues and Other Credits	26,818	9,016	—	—	35,834	—
Accrued Lease Interest	—	—	—	—	—	337
Short Term Lease Liability	—	150	60	11	221	10,925
Other Current Liabilities	35,334	251	9,441	128	45,154	186
Total Current Liabilities	368,215	91,639	98,003	33,256	591,113	63,984
<i>Noncurrent Liabilities</i>						
Advances from Other Funds/Interfund Notes Payable	—	—	—	—	—	—
Compensated Absences Payable	20,679	5,550	6,521	6,251	39,001	14,510
Claims Payable	83,932	3,758	221,009	18,594	327,293	781
Public Works Trust Loan	—	18,627	137,668	—	156,295	—
Landfill Closure and Postclosure Liability	—	—	—	14,705	14,705	—
Vendor and Other Deposits Payable	—	—	—	83	83	261
Habitat Conservation Program Liability	—	6,243	—	—	6,243	—
Unearned Revenues and Other Credits	9,424	—	—	32,908	42,332	212
Benefits	7,893	2,728	2,765	3,019	16,405	5,621
Net Pension Liability	171,701	57,103	44,885	59,706	333,395	119,066
Other Noncurrent Liabilities	214	789	2,271	59	3,333	—
General Obligation Bonds Payable, Net of Amortized Premium, Discount and Other	—	—	—	—	—	183,827
Revenue Bonds Payable, Net of Amortized Premium, Discount and Other	2,795,310	688,052	788,032	170,137	4,441,531	—
Bond Interest Payable	—	—	—	—	—	—
Long Term Lease Liability	—	888	311	(43)	1,156	308,053
Total Noncurrent Liabilities	3,089,153	783,738	1,203,462	305,419	5,381,772	632,331
Total Liabilities	3,457,368	875,377	1,301,465	338,675	5,972,885	696,315
DEFERRED INFLOWS OF RESOURCES	267,961	78,868	46,955	72,369	466,153	75,640

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

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**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2022
(In Thousands)**

	Business-Type Activities Enterprise Funds				2022	Governmental Activities
	L i g h t	W a t e r	Drainage and Wastewater	Nonmajor Funds		Internal Service
NET POSITION						
Net Investment in Capital Assets	1,953,719	720,228	694,682	31,635	3,400,264	846,761
Restricted for						
Revenue Stabilization Account	25,000	—	—	—	25,000	—
Special Deposits and Other	—	—	—	—	—	—
Conservation and Environmental Costs	—	9,047	—	—	9,047	—
Projects	—	—	—	—	—	—
External Infrastructure Costs	—	—	8,259	—	8,259	—
Muckleshoot Settlement	—	—	—	—	—	—
Other Charges	—	9,243	13,082	3,714	26,039	—
Unrestricted	311,614	32,793	20,031	163,853	528,291	(346,320)
Total Net Position	<u>2,290,333</u>	<u>771,311</u>	<u>736,054</u>	<u>199,202</u>	<u>3,996,900</u>	<u>500,441</u>
and						
Net Position	<u>\$ 6,015,662</u>	<u>\$ 1,725,556</u>	<u>\$ 2,084,474</u>	<u>\$ 610,246</u>	<u>\$10,435,938</u>	<u>\$ 1,272,396</u>
Total Net Position as above					\$ 3,996,900	
Internal						
Service Fund Activities to Enterprise Funds					<u>94,658</u>	
Net Position of Business-type Activities					<u>\$ 4,091,558</u>	

The accompanying notes are an integral part of these financial statements

The City of Seattle

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**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(In Thousands)**

	Business-Type Activities Enterprise Funds				Governmental Activities	
	L i g h t	W a t e r	Drainage and Wastewater	Nonmajor Funds	2022	Internal Service
OPERATING REVENUES						
Charges for Services and Other Revenues	\$ 1,238,722	\$ 290,869	\$ 519,029	\$ 343,449	\$ 2,392,069	\$ 433,212
OPERATING EXPENSES						
Salaries, wages and personnel benefits	—	57,921	51,582	89,045	198,548	183,786
Supplies	—	6,225	3,214	1,739	11,178	39,856
Services	—	47,729	47,324	159,415	254,468	152,291
Intergovernmental Payments	—	49,264	241,853	34,492	325,609	464
Operations and Maintenance	648,198	—	—	—	648,198	—
Taxes	119,028	—	—	—	119,028	7
Depreciation and Amortization	156,773	55,521	42,741	12,877	267,912	48,114
Other Operating Expenses	—	8,335	5,469	(8,226)	5,578	(69,373)
Total Operating Expenses	923,999	224,995	392,183	289,342	1,830,519	355,145
Operating Income (Loss)	314,723	65,874	126,846	54,107	561,550	78,067
NONOPERATING REVENUES (EXPENSES)						
Investment and Interest Income	(12,909)	(5,857)	(8,803)	(11,889)	(39,458)	(3,602)
Interest Expense	(88,856)	(24,909)	(14,754)	(5,671)	(134,190)	(13,820)
Amortization of Bonds Premiums and Discounts, Net	—	—	—	—	—	4,467
Amortization of Refunding Loss	—	—	—	—	—	461
Bond Issuance Costs	—	—	—	—	—	—
Gain (Loss) on Sale of Capital Assets	—	—	—	(68)	(68)	(1,869)
Lease Interest Revenue	—	—	—	—	—	169
Lease Revenue	—	—	—	—	—	(60)
Lease Interest Expense	—	—	—	—	—	(9,125)
Lease Expense	—	—	—	—	—	28,800
Right to Use Lease Amortization	—	—	—	(43)	(43)	(33,796)
Contributions and Grants	10,362	—	—	1,240	11,602	232
Others, Net	(4,636)	3,564	(31,223)	(144)	(32,439)	(45,077)
Total Nonoperating Revenues (Expenses)	(96,039)	(27,202)	(54,780)	(16,575)	(194,596)	(73,220)
Income (Loss) Before Capital Contributions and Grants, Transfers, and Special Items	218,684	38,672	72,066	37,532	366,954	4,847
Capital Contributions and Grants	48,646	18,625	21,148	—	88,419	—
Transfers In	—	—	—	—	—	14,006
Transfers Out	—	—	—	—	—	(27,173)
Environmental Remediation	—	—	—	—	—	—
Change in Net Position	267,330	57,297	93,214	37,532	455,373	(8,320)
Net Position - Beginning of Year	2,022,842	714,031	642,846	161,670	3,541,389	508,761
Prior-Year Adjustment	161	(17)	(6)	—	138	—
Net Position - Beginning of Year as Restated	2,023,003	714,014	642,840	161,670	3,541,527	508,761
Net Position - End of Year	<u>\$ 2,290,333</u>	<u>\$ 771,311</u>	<u>\$ 736,054</u>	<u>\$ 199,202</u>	<u>\$ 3,996,900</u>	<u>\$ 500,441</u>
Internal Service Fund Activities Related to Enterprise Funds					94,658	
Net Position of Business-Type Activities					<u>\$ 4,091,558</u>	
Change in Net Position as above					\$ 455,373	
Internal Service Fund Activities Related to Enterprise Funds					24,097	
Adjusted Change in Net Position of Business-Type Activities					<u>\$ 479,470</u>	

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

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**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(In Thousands)**

	Business-Type Activities Enterprise Funds				Governmental Activities	
	L i g h t	W a t e r	Drainage and Wastewater	Nonmajor Funds	2022	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Customers	\$ 1,106,773	\$ 295,306	\$ 509,150	\$ 334,284	\$ 2,245,513	\$ 414,332
Cash Paid to Suppliers	(325,078)	(68,558)	(216,139)	(158,477)	(768,252)	(142,787)
Cash Paid to Employees	(189,961)	(67,224)	(63,082)	(94,572)	(414,839)	(175,617)
Cash Paid for Taxes	(117,168)	(47,267)	(68,918)	(31,488)	(264,841)	(2,865)
Net Cash from Operating Activities	474,566	112,257	161,011	49,747	797,581	93,063
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Principal Payments on Long-Term Debt and Interfund Loans	(8,970)	—	—	—	(8,970)	—
Interest Paid on Long-Term Debt	(7,781)	—	—	—	(7,781)	—
Operating Grants Received	10,362	10,777	3,032	1,240	25,411	7,807
Transfers In	904	—	—	—	904	13,803
Transfers Out	(48,939)	—	—	—	(48,939)	(27,173)
Bonneville Receipts for Conservation	3,134	—	—	—	3,134	—
Payments to Vendors on Behalf of Customers for Conservation	(20,750)	—	—	—	(20,750)	—
Loans Provided to Other Funds	—	—	—	40,000	40,000	—
Payments for Environmental Liabilities	—	—	(2,845)	—	(2,845)	—
Net Cash from Noncapital Financing Activities	(72,040)	10,777	187	41,240	(19,836)	(5,563)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from Sale of Bonds and Other Long-Term Debt	238,541	—	—	—	238,541	—
Principal Payments on Long-Term Debt and Refunding	(114,320)	(209)	11,773	(7,183)	(109,939)	(15,747)
Capital Expenses and Other Charges Paid	(302,412)	(80,806)	(151,421)	(6,909)	(541,548)	(60,383)
Interest Paid on Long-Term Debt	(99,170)	(29,577)	(34,128)	(7,345)	(170,220)	(8,603)
Capital Fees and Grants Received	512	7,848	35,662	—	44,022	—
Payment to Trustee for Defeased Bonds	(26,458)	—	—	—	(26,458)	—
Interest Received for Suburban Infrastructure Improvements	2,409	—	—	—	2,409	—
Debt Issuance Costs	(315)	—	—	—	(315)	—
Proceeds from Sale of Capital Assets	—	157	3	76	236	1,188
Net Cash from Capital and Related Financing Activities	(301,213)	(102,587)	(138,111)	(21,361)	(563,272)	(83,545)
CASH FLOWS FROM INVESTING ACTIVITIES^a						
Interest and Investment Income (Loss)	(16,369)	(7,712)	(10,334)	(11,893)	(46,308)	(136)
Net Cash from Investing Activities	(16,369)	(7,712)	(10,334)	(11,893)	(46,308)	(136)
Net Increase (Decrease) in Cash and Equity in Pooled Investments	84,944	12,735	12,753	57,733	168,165	3,819
CASH AND EQUITY IN POOLED INVESTMENTS						
Beginning of Year	473,985	216,203	335,596	258,344	1,284,128	100,321
End of Year	<u>\$ 558,929</u>	<u>\$ 228,938</u>	<u>\$ 348,349</u>	<u>\$ 316,077</u>	<u>\$ 1,452,293</u>	<u>\$ 104,140</u>
CASH AT THE END OF THE YEAR CONSISTS OF						
Operating Cash and Equity in Pooled Investments	\$ 348,612	\$ 88,984	\$ 270,396	\$ 268,699	\$ 976,691	\$ 34,115
Current Restricted Cash and Equity in Pooled Investments	—	—	—	—	—	82,136
Noncurrent Restricted Cash and Equity in Pooled Investments	210,317	139,954	77,953	47,378	475,602	4,298
Total Cash at the End of the Year	<u>\$ 558,929</u>	<u>\$ 228,938</u>	<u>\$ 348,349</u>	<u>\$ 316,077</u>	<u>\$ 1,452,293</u>	<u>\$ 120,549</u>

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

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2022
(In Thousands)

	Business-Type Activities Enterprise Funds				Governmental Activities	
	L i g h t	W a t e r	Drainage and Wastewater	Nonmajor Funds	2022	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 314,616	\$ 65,874	\$ 126,848	\$ 54,107	\$ 561,445	\$ 78,067
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash from Operating Activities						
Depreciation and Amortization	156,773	55,520	42,741	12,877	267,911	48,114
Amortization of Other Liabilities and Other Operating Expenses	36,899	(7,470)	(8,778)	—	20,651	(44,796)
Nonoperating Revenues and Expenses	(23,668)	1,923	365	(72)	(21,452)	1,202
Changes in Operating Assets and Liabilities						
Accounts Receivable	17,753	(2,546)	1,329	(2,126)	14,410	284
Unbilled Receivables	(11,402)	(575)	935	559	(10,483)	—
Other Receivables	70	—	—	—	70	—
Due from Other Funds	—	(352)	(541)	(487)	(1,380)	(202)
Due from Other Governments	—	146	(12,808)	(187)	(12,849)	(494)
Materials and Supplies Inventory	(5,254)	(1,738)	(379)	—	(7,371)	(5,503)
Accounts Payable	29,708	1,472	5,901	(427)	36,654	6,168
Salaries, Benefits, and Payroll Taxes Payable	—	(866)	(625)	(220)	(1,711)	234
Compensated Absences Payable	(18)	26	30	510	548	59
Due to Other Funds	—	22	499	12	533	—
Due to Other Governments	—	—	834	15	849	—
Claims Payable	(54,718)	(354)	857	(170)	(54,385)	10
Taxes Payable	—	(4)	67	2,795	2,858	(16)
Unearned Revenues and Other Credits	—	—	—	(7,385)	(7,385)	—
Other Assets and Liabilities	38,214	928	3,736	(10,054)	32,824	9,936
Rate Stabilization	(24,407)	251	—	—	(24,156)	—
Total Adjustments	159,950	46,383	34,163	(4,360)	236,136	14,996
Net Cash from Operating Activities	<u>\$ 474,566</u>	<u>\$ 112,257</u>	<u>\$ 161,011</u>	<u>\$ 49,747</u>	<u>\$ 797,581</u>	<u>\$ 93,063</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES						
In-Kind Capital Contributions	\$ 1,554	\$ 10,650	\$ —	\$ —	\$ 12,204	\$ —
Amortization of Debt Related Costs, Net	23,996	—	—	—	23,996	—
Power Exchange Revenues	44,975	—	—	—	44,975	—
Power Exchange Expenses	(44,975)	—	—	—	(44,975)	—
Power Revenue Netted against Power Expenses	9,380	—	—	—	9,380	—
Power Expense Netted against Power Revenues	(12,799)	—	—	—	(12,799)	—
Bond Proceeds Deposited into an Escrow Account for Purposes of Refunding	50,372	—	—	—	50,372	—
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 72,503</u>	<u>\$ 10,650</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 83,153</u>	<u>\$ —</u>

The accompanying notes are an integral part of these financial statements

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 Funds are 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, 2022
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ASSETS			
Cash and Equity in Pooled Investments	338,839	235	4,699
Short-Term Investments	—	—	—
Receivables			
Members	3,010	—	—
Employers	4,589	—	—
Interest and Dividends	6,791	—	—
Sales Proceeds	276,596	—	—
Other	—	1	—
Total Receivables	290,986	1	—
Investments at Fair Value			
Fixed Income	861,907	—	—
Equity	2,054,097	—	—
Real Estate	478,170	—	—
Alternative Investments	88,312	—	—
Total Investments at Fair Value	3,482,486	—	—
Securities Lending Collateral	8,488	—	—
Prepaid Expenses	495	—	—
Total Assets	4,121,294	236	4,699
LIABILITIES			
Accounts Payable and Other Liabilities	5,022	—	—
Salaries, Benefits, and Payroll Taxes Payable	—	—	—
Securities Lending Collateral	8,462	—	—
Investment Commitments Payable	468,873	—	—
Total Liabilities	482,357	—	—
Net Position Restricted:			
Pensions	3,638,937	—	—
Individuals and Organizations	—	236	4,699
Total Net Position	<u>\$ 3,638,937</u>	<u>\$ 236</u>	<u>\$ 4,699</u>

The accompanying notes are an integral part of these financial statements

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended December 31, 2022
(In Thousands)

	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS			
Contributions			
Employer	\$ 145,367	\$ —	\$ —
Plan Member	82,947	—	—
Total Contributions	228,314	—	—
Investment Income			
From Investment Activities			
Net Appreciation (Depreciation) in Fair Value of Investments	(494,874)		—
Interest	28,954	(7)	
Dividends	19,032	—	—
Other Investment Income	8,919	—	—
Total Investment Activities Income	(437,969)	(7)	—
From Securities Lending Activities			
Securities Lending Income	131	—	—
Borrower Rebates	(7)	—	—
Total Securities Lending Income	124	—	—
Securities Lending Expenses			
Management Fees	(31)	—	—
Total Securities Lending Expenses	(31)	—	—
Net Income from Securities Lending Activities	93	—	—
Investment Activity Expenses	(14,977)	—	—
Net Income/(Loss) from Investment Activities	(452,853)	(7)	—
Other Income	—	—	(769)
Total Additions	(224,539)	(7)	(769)
DEDUCTIONS			
Benefits	234,362	—	—
Refund of Contributions	29,213	—	—
Administrative Expense	7,731	—	—
Other	—	—	—
Total Deductions	271,306	—	—
Change in Net Position	(495,845)	(7)	(769)
Net Position - Beginning of Year	4,134,782	243	5,468
Net Position - End of Year	\$ 3,638,937	\$ 236	\$ 4,699

The accompanying notes are an integral part of these financial statements

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.

The City of Seattle

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 regarding the King County Regional Homelessness Authority and Puget Sound Emergency Radio Network Operator. Please see note 13 for more information.

ACCOUNTING STANDARDS

In 2022, the City fully implemented GASB Statement No. 87, Leases. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

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

The City of Seattle

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

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.

Notes to Financial Statements

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.

The City of Seattle

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.

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

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:

The City of Seattle

- 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) 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. At the end of fiscal year 2022, the RSA reported an ending fund balance of \$70.4 million.

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. At the end of fiscal year 2022, the Emergency Fund reported an ending fund balance of \$43.7 million.

A summary of governmental fund balances at December 31, 2022, is as follows:

Notes to Financial Statements

Table 1-1 **GOVERNMENTAL FUND BALANCES ^a**
(In Thousands)

Fund Balances	General	Transportation	Other Governmental	Total
Nonspendable				
Not in spendable form ^a	\$ 236	\$ —	\$ 526	\$ 762
Legally or contractually required to be maintained intact	—	—	50	50
Nonspendable Subtotal	\$ 236	\$ —	\$ 576	\$ 812
Restricted				
General	3,229	—	18	\$ 3,247
Transportation	(51)	84,289	78,549	\$ 162,787
Animal Services	—	—	906	\$ 906
Arts & Culture	—	—	13,649	\$ 13,649
Capital & Continuing Programs	184,208	—	236,290	\$ 420,498
Community & Economic Development	103	—	12,531	\$ 12,634
Community Outreach	—	—	34	\$ 34
Educational & Development Services	—	—	132,638	\$ 132,638
Emergency Preparedness	—	—	117	\$ 117
Employee Benefits	125,581	—	—	\$ 125,581
Fire	474	—	343	\$ 817
General Bond Interest & Redemption	—	—	9,272	\$ 9,272
Health & Human Services	7,439	—	11,691	\$ 19,130
Housing Services	—	—	176,253	\$ 176,253
Library Purposes	16,335	—	27,463	\$ 43,798
Local Improvement District	—	—	8,683	\$ 8,683
Parks & Recreation	—	—	70,039	\$ 70,039
Police	—	—	3,078	\$ 3,078
Endowment	—	—	106	\$ 106
Restricted Subtotal	\$ 337,318	\$ 84,289	\$ 781,660	\$ 1,203,267
Committed				
General	6,191	—	—	\$ 6,191
Transportation	—	24,399	—	\$ 24,399
Arts & Culture	12,318	—	—	\$ 12,318
Capital & Continuing Programs	9,194	—	—	\$ 9,194
Community & Economic Development	122,746	—	—	\$ 122,746
Community Outreach	2,699	—	7,690	\$ 10,389
Employee Benefits	12,616	—	—	\$ 12,616
Fire	29,812	—	—	\$ 29,812
Health & Human Services	—	—	10,385	\$ 10,385
Litigation	9,099	—	—	\$ 9,099
Police	23,613	—	—	\$ 23,613
Revenue Stabilization & Reserve	8,703	—	—	\$ 8,703
Committed Subtotal	\$ 236,991	\$ 24,399	\$ 18,075	\$ 279,465
Assigned				
General	12,436	—	—	\$ 12,436
Transportation	—	—	3,469	\$ 3,469
Community & Economic Development	2,687	—	—	\$ 2,687
Housing Services	—	—	16,832	\$ 16,832
Parks & Recreation	—	—	15,176	\$ 15,176
Assigned Subtotal	\$ 15,123	\$ —	\$ 35,477	\$ 50,600
Unassigned				
General	311,239	—	—	\$ 311,239
Transportation	(104)	—	—	\$ (104)
Capital & Continuing Programs	—	—	(12,672)	\$ (12,672)
Emergency Preparedness	43,660	—	—	\$ 43,660
Revenue Stabilization & Reserve	61,739	—	—	\$ 61,739
Seattle Center	—	—	(8,816)	\$ (8,816)
Unassigned Subtotal	\$ 416,534	\$ —	\$ (21,488)	\$ 395,046
Total	\$ 1,006,202	\$ 108,688	\$ 814,300	\$ 1,929,190

^a 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.

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 2022. 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 \$8.8 million as of December 31, 2022. 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 are essential to the Seattle Center's operations and finances for the majority of 2020. The future revenue from activity of the Seattle Center and newly built arena after the pandemic is over is how the funds are expected to be repaid before 2033.

The 2023 Multipurpose LTGO bond Fund reported a negative balance of \$12.7 million as of December 31, 2022. Ordinance 126653 created this fund to finance the Aquarium Expansion project from depositing bond proceeds of tax-exempt limited tax general obligation bonds. \$20 million was authorized to be transferred from the REET I fund to the 2023 LTGO Multipurpose Bond fund to cover the approved 2022 Aquarium Expansion project expenses. \$13.1 million was spent in 2022 for the Aquarium Expansion Project provided from the REET I fund loan and repaid once the bond proceeds are received in 2023.

(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, 2022, 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, 2022, the City held \$95,000 in its cash vault. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

The City of Seattle

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, 2022, 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, 2022	Fair Value Measurements Using			Measured at Amortize d Cost	Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs		
Corporate Bonds	\$ 72,116	\$ —	\$ 72,116	\$ —	\$ —	810
Commercial Paper Total	78,983	—	78,983	—	—	16
International Bank for Reconstruction & Development	47,993	—	47,993	—	—	1,165
Local Government Investment Pool	415,588	415,588	—	—	—	—
Municipal Bonds	164,470	—	164,470	—	—	840
Repurchase Agreements	46,391	46,391	—	—	—	—
U.S. Government Agency Mortgage-Backed Securities	274,968	—	274,968	—	—	2,126
U.S. Government Agency Securities	1,204,123	—	1,204,123	—	—	662
U.S. Treasury and U.S. Government-Backed Securities	1,182,412	1,182,412	—	—	—	765
Total	\$ 3,487,044	\$1,644,391	\$1,842,653	\$ —	\$ —	
Weighted Average Maturity of the City's Pooled Investments						729

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

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

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

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- 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	\$ 14,719	0.4 %
APPLE INC	13,841	0.4
CDP FINANCIAL INC	29,913	0.9
DCAT LLC	27,987	0.8
FEDERAL AGRICULTURE MORTGAGE CORPORATION	263,760	7.6
FEDERAL FARM CREDIT BANK	299,433	8.6
FEDERAL HOME LOAN BANK	355,558	10.2
FEDERAL HOME LOAN MORTGAGE CORPORATION	191,788	5.5
FEDERAL HOME MORTGAGE SECURITIES	36,629	1.1
FEDERAL NATIONAL MORTGAGE ASSOCIATION	331,923	9.5
INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT	47,993	1.4
JOHN DEERE CANADA ULC	21,083	0.6
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION	21,364	0.6
MUNICIPAL BONDS	164,470	4.7
PITTSBURGH NATIONAL CORPORATION BANK	22,192	0.6
REPURCHASE AGREEMENTS, SWEEP	46,391	1.3
U.S. TREASURY AND GOVERNMENT-BACKED SECURITIES	1,182,412	33.9
WASHINGTON STATE TREASURER'S INVESTMENT POOL	415,588	11.9
Total Investments	<u>\$3,487,044</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

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The following schedule presents investments categorized according to the fair value hierarchy, and is proceeded with additional information regarding investments measured at the net asset value as of December 31, 2022:

Table 3-3

SCERS' INVESTMENTS

(In Thousands)

INVESTMENTS BY FAIR VALUE LEVEL	Fair Value Measurements Using			
	Value as of December 31, 2022	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Public Equity Securities	\$ 789,787	\$ 789,770	\$ 1	\$ 16
Fixed Income Securities	730,821	122,686	551,729	56,407
Total Investments by fair value level	\$ 1,520,608	\$ 912,456	\$ 551,730	\$ 56,423
INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)				
Fixed Income	\$ 131,087			
Infrastructure	88,312			
Private Equity	510,191			
Public Equity	754,119			
Real Estate	478,170			
Total Investments measured at the NAV	1,961,879			
Total Investments	\$ 3,482,487			
Securities lending collateral	\$ 8,488			
INVESTMENTS				
	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity	\$ 510,191	\$ 387,076	N/A	N/A
Public Equity	754,119	—	Daily, Monthly	1 - 60 Days
Fixed Income	131,087	54,898	Monthly, N/A	5 - 30 Days, N/A
Real Estate	478,170	81,381	Quarterly, N/A	45 Days, N/A
Infrastructure	88,312	69,163	N/A	N/A
Total investments measured at the NAV	\$ 1,961,879	\$ 592,518		

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.

Notes to Financial Statements

As of December 31, 2022, 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	\$ 11,013	\$ —	\$ 10,147	\$ 866	\$ —
Derivatives	1,603	(105)	(523)	1,050	1,180
Asset Backed Security	24,621	—	9,223	9,899	5,500
Foreign Sovereign	5,632	—	2,099	818	2,715
Corporate Debt	313,943	3,143	128,053	130,773	51,975
Mortgage Backed Security	244,586	—	3,609	8,166	232,811
Municipal	6,632	—	753	2,606	3,272
Treasury Notes and Bonds	122,790	—	31,510	37,959	53,321
Total Fixed Income Securities	\$ 730,820	\$ 3,038	\$ 184,871	\$ 192,137	\$ 350,774
Fixed Income Fund	131,087				
Total Fixed income	\$ 861,907				

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, 2022, 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	\$ 11,013	\$ 11,013							
Derivatives	1,603								1,603
Asset Backed Security	24,621	17,118	3,984	641	381			209	2,288
Corporate Debt	313,943	6,392	9,616	61,180	124,664	43,608	53,571	13,823	1,091
Foreign Sovereign	5,632		768	3,534					1,330
Mortgage Backed Security	244,586	155,356				126			89,104
Municipal	6,632	779	4,431	1,422					
Treasury Notes and Bonds	122,790	122,790							
Total Fixed Income Securities	\$ 730,820	\$ 313,448	\$ 18,799	\$ 66,777	\$ 125,045	\$ 43,734	\$ 53,571	\$ 14,032	\$ 95,416
Fixed Income Funds	131,087								
Total Fixed Income	\$ 861,907								

Table 3-6 SCERS' ASSET ALLOCATION

Asset Class	Actual	Target Allocation
Public Equity	52.7 %	48.0 %
Private Equity	10.2	11.0
Core Fixed Income	19.2	18.0
Credit Fixed Income	7.0	7.0
Real Estate	9.5	12.0
Infrastructure	1.4	4.0
Total	100.0 %	100.0 %

Concentration of Credit Risk: The Investment Committee reviews its portfolio holdings quarterly with the Investment Consultant to ensure compliance with the specified targets and performance results. Rebalancing of the portfolio back to the target percentages is undertaken to ensure compliance with the specified targets. The Retirement Board provides its investment managers with a set of investment guidelines that specify eligible investments, minimum diversification standards, and applicable restrictions necessary for diversification. In general, these guidelines require that investments in any issuer may not exceed 5 percent of the net position value of a manager's portfolio. Managers do not have authority to depart from these guidelines.

Custodial Credit Risk: SCERS mitigates custodial credit risk by having its investment securities held by SCERS' custodian and registered in SCERS' name.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates, 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, 2022, the fair value of securities on loan was \$8,250,628. Associated cash collateral totaling \$8,461,574 was received. The fair market value of the reinvested collateral was \$8,488,179 at December 31, 2022.

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, 2022, 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 \$1.14 per \$1,000 of assessed value for general operations and Firemen's Pension Fund in 2022. In addition, the levy included \$1.02 per \$1,000 of assessed value for debt service and other voter-approved levies. The total 2022 levy was \$2.17 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 \$0.248 in 2022. Further, this doesn't include \$0.20 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.

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Business Taxes. The City's business taxes include general business taxes and utilities related business taxes. The change in business taxes and receivables in 2021 was driven mainly with induction of the Payroll Expense Tax, \$248.2M. 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, 2022
(In Thousands)

	Taxes Receivable	Tax Revenues
Property Taxes	\$ 16,048	\$ 713,959
Business Taxes	181,539	918,872
Totals	<u>\$ 197,587</u>	<u>\$ 1,632,831</u>

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				
	General	Internal Service	Transportation ^a	Nonmajor Governmental	Total
General Fund	\$ 70	\$ 1,006	\$ 29	\$ 41,554	\$ 42,659
Internal Service Fund	4,002	—	—	23,171	27,173
Transportation ^a	—	—	32	31,484	31,516
Nonmajor Governmental Fund	62,152	12,798	63	5,915	80,928
Total Transfers	<u>\$ 66,224</u>	<u>\$ 13,804</u>	<u>\$ 124</u>	<u>\$ 102,124</u>	<u>\$ 182,276</u>

^a 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.

Notes to Financial Statements

The table below shows the interfund receivables and payables reported in the fund financial statements at December 31, 2022:

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	\$ —	\$ 3	\$ 201	\$ —	\$ 3,212	\$ 544	\$ 9	\$ 3,969
Major Governmental	3	—	—	—	—	—	—	3
Nonmajor Governmental	—	—	—	—	—	—	—	—
Water	14	—	—	—	—	5	3	22
Drainage and Wastewater	—	—	—	—	5	—	—	5
Nonmajor Enterprise	—	—	—	—	3	—	—	3
Total Due from Other Funds	\$ 17	\$ 3	\$ 201	\$ —	\$ 3,220	\$ 549	\$ 12	\$ 4,002

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, 2022, 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 I Capital Fund	2023 LTGO Multipurpose Bond Fund	13,174
REET II Capital Fund	Seattle Center Fund	15,257
Information Technology Fund	Transportation Fund	24,000
Total City		<u>\$ 52,431</u>

All of the interfund loans were approved by City Council ordinance 126407. Each loan is to be repaid no later than December 31, 2022, 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	\$ —	\$ (574)	\$ (3,664)	\$ (4,238)
Pension and OPEB Plans	—	42,378	281,865	324,243
Total Deferred Outflows of Resources	<u>\$ —</u>	<u>\$ 41,804</u>	<u>\$ 278,201</u>	<u>\$ 320,005</u>
Deferred Inflows of Resources				
Property Taxes	\$ 12,167	\$ —	\$ (10,636)	\$ 1,531
Special Assessment	96,801	—	(1,452)	95,349
Charges on Advanced Refunding	—	4,059	—	4,059
Leases	—	1,553	142,191	143,744
Pension and OPEB Plans	—	70,028	329,571	399,599
Total Deferred Inflows of Resources	<u>\$ 108,968</u>	<u>\$ 75,640</u>	<u>\$ 459,674</u>	<u>\$ 644,282</u>

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 2022, total taxes outstanding of \$11.3 million 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 Fund recorded a deferred inflow of resources which reflects the total expected future collections from the District. 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	\$ 59,979	\$ 18,376	\$ 20,524	\$ 6,043	\$ 17,969	\$ 122,891
Charges on Advance Refunding	12,846	11,824	3,888	1,756	—	30,314
Total Deferred Outflows of Resources	\$ 72,825	\$ 30,200	\$ 24,412	\$ 7,799	\$ 17,969	\$ 153,205
Deferred Inflows of Resources						
Pension and OPEB	\$ 99,282	\$ 27,825	\$ 31,905	\$ 9,315	\$ 22,044	\$ 190,371
Revenue Stabilization Account	49,990	42,441	—	39,294	—	131,725
Regulatory Credits	113,099	—	—	—	—	113,099
Charges/Gains on Advance Refunding	5,590	8,602	15,050	1,716	—	30,958
Total Deferred Inflows of Resources	\$ 267,961	\$ 78,868	\$ 46,955	\$ 50,325	22,044	\$ 466,153

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 \$50.0 million as of December 31, 2022. For Seattle Public Utilities (SPU), the balance of the RSA was \$81.7 million as of December 31, 2022, of which \$42.4 million belongs to Water and \$39.3 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 \$113.0 million as of December 31, 2022.

(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, 2022:

Table 5-1

	Aggregate Contract Amount	Aggregate Fair Value	Unrealized Gain (Loss)
Sales	\$ 18.1	\$ 30.7	\$ (12.6)
Purchases	0.2	1.6	1.4
Total	\$ 18.3	\$ 32.3	\$ (11.2)

Fair value measurements as of December 31, 2022, used an income valuation technique consisting of Kiodes 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 2021. 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

Notes to Financial Statements

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
GOVERNMENTAL ACTIVITIES ^a				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 621,834	\$ 1,249	—	\$ 623,083
Construction in Progress	537,917	321,851	180,211	679,557
Other Capital Assets	11,787	1,643	200	13,230
Total Capital Assets Not Being Depreciated	1,171,538	324,743	180,411	1,315,870
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and Improvements	2,685,917	66,871	14,267	2,738,521
Machinery and Equipment	514,149	25,124	22,634	516,639
Infrastructure	2,786,459	100,579	846	2,886,192
Other Capital Assets	95,132	9,244	192	104,184
Right to Use Lease - Building	161,203	—	—	161,203
Right to Use Lease - Equipment	1,930	—	—	1,930
Right to Use Lease - Land	200,069	—	42	200,027
Right to Use Lease - Other	0	1,889	—	1,889
Total Capital Assets Being Depreciated	6,444,859	203,707	37,981	6,610,585
Accumulated Depreciation				
Buildings and Improvements	1,127,963	75,305	3,060	1,200,208
Machinery and Equipment	342,636	32,383	21,486	353,533
Infrastructure	1,129,418	92,804	—	1,222,222
Other Capital Assets	32,693	11,585	150	44,128
Right to Use Lease - Building	29,135	—	—	29,135
Right to Use Lease - Equipment	796	—	—	796
Right to Use Lease - Land	13,227	—	42	13,185
Right to Use Lease - Other	0	168	—	168
Total Accumulated Depreciation	2,675,868	212,245	24,738	2,863,375
Total Capital Assets Being Depreciated, Net	3,768,991	(8,538)	13,243	3,747,210
Governmental Activities Capital Assets, Net	\$ 4,940,529	\$ 316,205	\$ 193,654	\$ 5,063,080

^a 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
BUSINESS-TYPE ACTIVITIES				
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 282,469	\$ 1,480	\$ —	\$ 283,949
Construction in Progress	1,056,952	620,948	581,149	1,096,751
Other Capital Assets	8,356	559	—	8,915
Total Capital Assets Not Being Depreciated	1,347,777	622,987	581,149	1,389,615
CAPITAL ASSETS BEING DEPRECIATED				
Plant in Service, Excluding Land	9,717,809	564,117	112,745	10,169,181
Buildings				—
Machinery and Equipment	852			852
Other Capital Assets	32,462	642	1,137	31,967
Right to Use Lease - Building	168			168
Right to Use Lease - Equipment	46	21	0	67
Right to Use Lease - Land	1,613			1,613
Total Capital Assets Being Depreciated	9,752,950	564,780	113,882	10,203,848
Accumulated Depreciation				
Plant in Service, Excluding Land	3,716,697	283,561	104,463	3,895,795
Buildings				0
Machinery and Equipment	852			852
Other Capital Assets	5,110	875	69	5,916
Right to Use Lease - Building	73			73
Right to Use Lease - Equipment	59			63
Right to Use Lease - Land	352			352
Total Accumulated Depreciation	3,723,143	284,440	104,532	3,903,051
Total Capital Assets Being Depreciated, Net	6,029,807	280,340	9,350	6,300,797
Business-Type Activities Capital Assets, Net	\$ 7,377,584	\$ 903,327	\$ 590,499	\$ 7,690,412

^a The capital assets for governmental activities include the capital assets of the internal service funds.

Table 6-2

DEPRECIATION EXPENSE BY FUNCTION
(In Thousands)

GOVERNMENTAL ACTIVITIES

General Government	\$	10,586
Public Safety		1,600
Transportation		101,861
Economic Environment		1
Culture and Recreation		47,147
Subtotal		<u>161,195</u>
Capital assets held by internal service funds are charged to the various functions based on their usage of the assets		<u>51,050</u>
Total Governmental Activities		<u>212,245</u>

BUSINESS-TYPE ACTIVITIES

Light	\$	184,657
Water		52,548
Solid Waste		10,054
Drainage and Wastewater		36,306
Planning and Development		875
Total Business-Type Activities		<u>284,440</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, 2022.

Table 7-1		COMPENSATED ABSENCES	
		<i>(In Thousands)</i>	
Governmental Activities			
Governmental Funds	\$		85,536
Internal Service Funds			
Finance and Administrative Services			5,828
Information Technology			9,445
Total Internal Service Funds			<u>15,273</u>
Business-Type Activities			
Enterprise Funds			
Light			21,767
Water			5,842
Drainage and Wastewater			6,864
Solid Waste			1,899
Construction and Inspection			4,681
Total Enterprise Funds			<u>41,053</u>
Pension Trust			
Employees' Retirement			<u>374</u>
Total Compensated Absences Liability	\$		<u>142,236</u>

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 2052. Governmental activities in the City recognized \$7.8M in lease revenue and \$2.6M in interest revenue during the current fiscal year related to these leases. Business-Type activities in the City recognized \$5.5M in lease revenue and \$1.1M in interest revenue during the current fiscal year related to these leases. As of December 31, 2022, the City's lease receivable is \$214.7M and the deferred inflow is \$211.0M.

The schedule below shows future expected rent receipts:

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 5,194	\$ 4,572	\$ 9,766	\$ 4,687	\$ 1,071	\$ 5,758
2024	3,596	4,367	7,963	4,752	1,016	5,768
2025	3,092	4,352	7,444	4,892	977	5,869
2026	2,815	4,351	7,166	4,872	901	5,773
2027	2,497	4,365	6,862	2,698	843	3,541
2028 - 2032	9,741	22,763	32,504	14,166	3,490	17,656
2033 - 2037	5,639	26,272	31,911	15,453	2,196	17,649
2038 - 2042	12,407	22,166	34,573	13,281	791	14,072
2043 - 2047	16,671	18,080	34,751	748	173	921
2048 - 2052	25,450	14,353	39,803	629	106	735
Total	\$ 87,102	\$ 125,641	\$ 212,743	\$ 66,178	\$ 11,564	\$ 77,742

Lease Payable

The City is a lessee of various leases for land, buildings, equipment, and air space through fiscal year 2052. Payments are made periodically based on each individual contract term. Payments made through the current year were \$11.9M with \$4.8M charged to interest.

Future principal and interest lease payments as of December 31, 2022 were as follows:

Table 8-2 **Lease Payable (In Thousands)**

Year	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 12,911	\$ 4,739	\$ 17,650	\$ 275	\$ 6	\$ 281
2024	11,813	4,629	16,442	273	5	278
2025	9,318	4,495	13,813	237	3	240
2026	8,269	4,386	12,655	193	3	196
2027	8,170	4,279	12,449	184	2	186
2028 - 2032	43,617	19,687	63,304	400	2	402
2033 - 2037	45,905	16,450	62,355	0	0	—
2038 - 2042	34,293	13,490	47,783	0	0	—
2043 - 2047	31,277	11,095	42,372	0	0	—
2048 - 2052	31,158	8,895	40,053	—	—	—
Total	<u>\$ 236,731</u>	<u>\$ 92,145</u>	<u>\$ 328,876</u>	<u>\$ 1,562</u>	<u>\$ 21</u>	<u>\$ 1,583</u>

(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 May 2022, the City issued \$132.6 million of LTGO tax-exempt improvement and refunding bonds which mature from September 2022 through September 2042. The bonds were issued with an average coupon rate of 4.456%. 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 Alaskan Way Corridor, the Human Capital Management System, Criminal Justice Info System, and Aquarium Expansion. A portion of the proceeds was used to fund the West Seattle Bridge project (\$22.6 million) and Data & Telephone Infrastructure (\$4.0 million). As a result of the refunding debt service, the City reduced total debt service requirements by \$2.5 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 2022 was \$1.432 billion. The principal balance of those bonds as of December 31, 2022 was \$959.8 million. The following table presents the individual GO bonds outstanding as of December 31, 2022:

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rate	Original Amount	Redemptions		Bonds Outstanding December 31, 2022
					2022	To Date ^A	
LIMITD TAX GENERAL OBLIGATION (LTGO) BONDS - NON-VOTED							
2010 Improvement and Refunding, Series A	03/31/10	8/1/2030	3.039	66,510	6,850	26,215	40,295
2012 Improvement and Refunding	05/16/12	9/1/2032	2.688	75,590	42,200	75,590	—
2013 Improvement, Series A	06/04/13	10/1/2033	2.375	42,315	1,335	27,060	15,255
2013 Improvement and Refunding, Series B (Taxable)	06/04/13	1/1/2025	1.427	55,075	955	52,080	2,995
2014 Improvement and Refunding	04/10/14	5/1/2034	2.497	62,770	2,035	43,545	19,225
2015 Improvement and Refunding, Series A	05/21/15	6/1/2035	2.401	160,945	17,185	84,835	76,110
2015 Improvement, Series B (Taxable)	05/21/15	4/1/2035	3.452	28,175	1,225	8,145	20,030
2016 Improvement and Refunding, Series A	05/25/16	4/1/2036	2.188	103,660	8,300	46,740	56,920
2016 Improvement, Series B (Taxable)	05/25/16	4/1/2036	2.801	6,070	270	1,535	4,535
2017 Improvement, Series A	06/14/17	11/1/2047	2.964	73,080	4,000	18,175	54,905
2017 Improvement and Refunding, Series B (Taxable)	06/14/17	11/1/2037	3.038	12,400	825	3,905	8,495
2018 Improvement, Series A	05/22/18	12/1/2038	2.705	23,230	2,210	8,205	15,025
2018 Improvement, Series B (Taxable)	05/22/18	12/1/2038	3.594	26,745	1,290	4,875	21,870
2019 Improvement, Series A	08/08/19	5/1/2049	2.208	35,870	2,580	7,390	28,480
2019 Improvement, Series B (Taxable)	08/08/19	5/1/2039	2.736	11,100	460	1,350	9,750
2020 Improvement and Refunding, Series A	09/22/20	8/1/2040	0.930	79,625	4,450	11,795	67,830
2021 Improvement and Refunding, Series A	05/20/21	12/1/2041	1.570	142,860	5,665	5,665	137,195
2021 Improvement and Refunding, Series B	05/20/21	12/1/2041	1.880	21,170	1,315	1,315	19,855
2022 Improvement and Refunding, Series A	05/18/22	9/1/2042	3.122	132,570	4,120	4,120	128,450
Total Limited Tax General Obligation Bonds				\$ 1,159,760	\$ 107,270	\$ 432,540	\$ 727,220

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
					2022	To Date ^A	December 31, 2022
UNLIMITED TAX GENERAL OBLIGATION (UTGO) BONDS - VOTED							
2013 Improvement	06/04/13	12/1/2042	3.281	50,000	1,250	9,500	40,500
2014 Improvement	04/10/14	12/1/2043	3.673	16,400	400	2,825	13,575
2015 Improvement	05/21/15	12/1/2044	3.575	169,135	3,880	23,580	145,555
2016 Improvement	05/25/16	12/1/2045	3.084	36,740	830	3,765	32,975
Total Unlimited Tax General Obligation Bonds				<u>\$ 272,275</u>	<u>\$ 6,360</u>	<u>\$ 39,670</u>	<u>\$ 232,605</u>
Total General Obligation Bonds				<u>\$1,432,035</u>	<u>\$ 113,630</u>	<u>\$ 472,210</u>	<u>\$ 959,825</u>

^A 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.

The requirements to amortize the general obligation bonds as of December 31, 2022, 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		Total	
	December 31	Principal		Interest
2023	\$	80,905	\$ 40,475	\$ 121,380
2024		86,230	36,648	122,878
2025		86,380	32,764	119,144
2026		71,145	28,771	99,916
2027		61,005	25,801	86,806
2028 - 2032		250,040	92,205	342,245
2033 - 2037		163,780	49,514	213,294
2038 - 2042		125,595	21,288	146,883
2043 - 2047		34,335	2,756	37,091
2048 - 2049		410	16	426
Total	<u>\$</u>	<u>959,825</u>	<u>\$ 330,238</u>	<u>\$ 1,290,063</u>

The City of Seattle

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 \$4.2 million of special assessment bonds in 2022, and the amount of bonds outstanding at the end of 2022 was \$94.3 million, all of which represents the remaining principal on 2006 bonds issued for the South Lake Union LID 6750 and 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	2022	To Date	December 31, 2022
Local Improvement District No. 6750 Bonds, 2006	09/16/06	12/15/2026	4.260 %	\$ 21,925	\$ 915	\$ 21,715	\$ 210
Local Improvement District No. 6751 Bonds, 2021	11/01/21	11/1/2043	2.584 %	97,361	3,315	3,315	94,046
Total				<u>\$ 119,286</u>	<u>\$ 4,230</u>	<u>\$ 25,030</u>	<u>\$ 94,256</u>

Table 9-4 Local Improvement District Assessment Collection Information

Calendar/Fiscal Year End Dec. 31	Installment Payments Billed ^A	Installment Payments Collected ^B	Unpaid Principal Balance of Assessments ^C	Installments that are Delinquent ^D
Local Improvement District No. 6750 Bonds, 2006				
2013	\$1,189,621	\$2,046,315	13,038,066	\$264,692
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
Local Improvement District No. 6751 Bonds, 2021				
2021	—	851,926	96,554,415	—
2022	3,714,714	6,125,452	93,795,289	—

^A Represents installment payments due and billed in the calendar year.

^B 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.

^C Represents principal balance of assessments that is outstanding and unpaid, including amounts that are not yet due and payable at year-end.

^D 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, 2022 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
2023	\$ —	\$ 2,935	\$ 2,935
2024	—	2,935	2,935
2025	—	2,935	2,935
2026	210	2,935	3,145
2027	—	2,926	2,926
2028 - 2043	94,046	46,816	140,862
Total	<u>\$ 94,256</u>	<u>\$ 61,482</u>	<u>\$ 155,738</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 \$1.4 million principal and \$0.1 million interest in 2022. The outstanding balance on the loans was \$14.3 million as of December 31, 2022. 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
2023	\$ 1,562	\$ 182	\$ 1,744
2024	924	150	1,074
2025	924	139	1,063
2026	924	129	1,053
2027	924	118	1,042
2028 - 2032	4,158	435	4,593
2033 - 2037	2,858	190	3,048
2038 - 2039	572	9	581
Total	<u>\$ 12,846</u>	<u>\$ 1,352</u>	<u>\$ 14,198</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 original amount of revenue bonds issued still with an outstanding balance at the end of 2022 was approximately \$6.7 billion. The outstanding principal balance on December 31, 2022, was \$4.2 billion.

The following table presents revenue bonds outstanding as of December 31, 2022:

Table 9-7
Page 1 of 2

REVENUE BONDS
(In Thousands)

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rates ^E	Original Amount	Redemptions		Bonds Outstanding December 31, 2022
					2022	To Date ^A	
MUNICIPAL LIGHT AND POWER BONDS							
2010 Improvement, Series A ^B	05/26/10	2/1/2040	3.57 %	\$ 181,625	\$ 7,235	\$ 11,805	\$ 169,820
2010 Improvement and Refunding, Series B	05/26/10	2/1/2026	3.41	596,870	—	596,870	—
2010 Improvement, Series C ^C	05/26/10	2/1/2040	3.11	13,275	—	—	13,275
2011 Improvement and Refunding, Series A	02/08/11	2/1/2036	4.54	296,315	—	296,315	—
2011 Improvement, Series B ^D	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	66,120	241,585	51,695
2012 Improvement, Series C ^D	07/17/12	06/01/33	0.59	43,000	—	—	43,000
2013 Improvement and Refunding	07/09/13	07/01/43	4.05	190,755	17,610	138,280	52,475
2014 Improvement and Refunding	11/05/14	09/01/44	3.10	265,210	28,805	127,350	137,860
2015 Improvement, Series A	07/09/15	05/01/45	3.57	171,850	5,785	39,945	131,905
2016 Improvement, Series A ^D	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	9,830	32,485	84,390
2016 Improvement and Refunding, Series C	09/28/16	10/01/46	2.93	160,815	10,685	32,405	128,410
2017 Improvement and Refunding, Series C	09/28/17	09/01/47	3.16	385,530	11,710	29,780	355,750
2018 Improvement, Series A	06/19/18	01/01/48	3.53	263,755	4,915	17,910	245,845
2018 Refunding, Series B-1 ^G	09/04/18	05/01/45	.37% - 5.49%	50,135	—	50,135	—
2018 Refunding, Series B-2 ^G	09/04/18	05/01/45	.37% - 5.49%	50,135	—	50,135	—
2018 Refunding, Series C-1 ^G	09/04/18	11/01/46	.28% - 5.69%	49,245	1,075	5,435	43,810
2018 Refunding, Series C-2 ^G	09/04/18	11/01/46	.28% - 5.69%	49,245	1,075	5,435	43,810
2019 Improvement, Series A	10/16/19	04/01/49	3.20	210,540	3,420	10,190	200,350
2019 Refunding, Series B	11/05/19	02/01/26	1.29	140,275	22,910	44,705	95,570
2020 Improvement, Series A ^F	08/05/20	07/01/50	2.10	198,305	2,055	4,465	193,840
2021 Parity, Series A	07/15/21	07/01/51	2.48	259,795	8,330	8,330	251,465
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	—	—	257,715
Total Light and Power Bonds				\$ 4,387,035	\$ 201,560	\$ 1,743,560	\$ 2,643,475

^A Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

^B Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

^C Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

^D Issued as taxable New Clean Renewable Energy Bonds.

^E 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.

^F 2012A and 2013 Bonds were partially defeased in November 2020 and August 2021.

^G 2013 and 2014 Bonds were partially defeased in July 2022.

Notes to Financial Statements

Table 9-7
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REVENUE BONDS (In Thousands)

Name and Purpose of Issue	Issuance Date	Last Maturity	Effective Interest Rates ^F	Original Amount	Redemptions		Bonds Outstanding
					2022	To Date ^A	December 31, 2022
MUNICIPAL WATER BONDS							
2010 Improvement, Series A ^B	01/21/10	08/01/40	3.72 %	\$ 109,080	\$ 3,695	\$ 14,095	\$ 94,985
2012 Refunding	05/30/12	09/01/34	2.63	238,770	51,910	228,020	10,750
2015 Improvement and Refunding	06/10/15	11/01/45	3.18	340,840	37,800	131,390	209,450
2017 Improvement and Refunding	01/25/17	08/01/46	2.99	194,685	5,935	26,975	167,710
2021 Improvement and Refunding	06/17/21	08/01/34	1.03	82,220	2,230	2,230	79,990
2022 Improvement and Refunding	07/28/22	09/01/52	3.44	93,260	900	900	92,360
Total Water Bonds				\$ 1,058,855	\$ 102,470	\$ 403,610	\$ 655,245
MUNICIPAL DRAINAGE AND WASTEWATER BONDS							
2009 Improvement, Series A ^B	12/17/09	11/01/39	3.54 %	\$ 102,535	\$ 3,500	\$ 19,505	\$ 83,030
2012 Improvement and Refunding	06/27/12	09/01/42	3.33	222,090	106,135	222,090	—
2014 Improvement and Refunding	07/10/14	05/01/44	3.58	133,180	23,950	43,865	89,315
2016 Improvement and Refunding	06/22/16	10/01/46	2.92	160,910	4,325	19,505	141,405
2017 Improvement and Refunding	06/28/17	7/1/2047	3.15	234,125	5,670	32,575	201,550
2021 Improvement and Refunding	05/19/21	9/1/2051	2.11	111,010	2,020	2,020	108,990
2022 Improvement and Refunding	06/22/22	9/1/42	2.98	117,165	10,745	10,745	106,420
Total Drainage and Wastewater Bonds				1,081,015	156,345	350,305	730,710
MUNICIPAL SOLID WASTE BONDS							
2014 Improvement and Refunding	06/12/14	05/01/39	3.34 %	\$ 95,350	\$ 4,670	\$ 25,005	\$ 70,345
2015 Improvement	06/25/15	02/01/40	3.65	35,830	1,030	6,105	29,725
2016 Improvement and Refunding	06/30/16	12/01/41	2.79	35,335	485	2,580	32,755
2021 Improvement and Refunding	07/01/21	08/01/36	1.34	25,670	1,110	1,110	24,560
Total Solid Waste Bonds				\$ 192,185	\$ 7,295	\$ 34,800	\$ 157,385
Total Utility Revenue Bonds				\$ 6,719,090	\$ 467,670	\$ 2,532,275	\$ 4,186,815

^A Includes all bonds that matured to date and all called, refunded, and defeased bonds on issues that have outstanding balances at the beginning of the year.

^B Issued as taxable direct-pay Build America Bonds, created under Section 1531 of the American Recovery and Reinvestment Act of 2009 whereby state or local governmental issuers of this type of bonds receives a federal subsidy through Treasury Department and the Internal Revenue Service in an amount equal to 35 percent of the total coupon interest payable to investors or buyers of the bonds.

^C Issued as taxable Recovery Zone Economic Development Bonds, a third type of Build America Bonds which provides for a deeper federal subsidy through a refundable tax credit paid to state or local governmental issuers in an amount equal to 45 percent of the total coupon interest payable to investors or buyers of the bonds.

^D Issued as taxable New Clean Renewable Energy Bonds.

^E 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.

^F 2012A and 2013 Bonds were partially defeased in November 2020 and August 2021.

^G 2013 and 2014 Bonds were partially defeased in July 2022.

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The requirements to amortize the revenue bonds as of December 31, 2022 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	
2023	\$ 127,675	\$ 116,795	\$ 50,760	\$ 30,530	\$ 29,225	\$ 32,090	\$ 7,760	\$ 6,875	\$ 401,710
2024	131,270	110,935	44,025	27,963	30,660	30,621	8,160	6,478	390,112
2025	121,500	104,274	46,170	25,723	32,165	29,075	8,585	6,061	373,553
2026	118,160	98,374	44,140	23,447	32,605	27,550	9,020	5,623	358,919
2027	97,180	92,685	42,405	21,286	33,900	25,999	9,470	5,172	328,097
2028 - 2032	459,540	396,612	181,590	78,385	164,290	106,408	53,945	18,667	1,459,437
2033 - 2037	503,190	293,934	127,340	43,179	163,005	69,794	42,530	7,752	1,250,724
2038 - 2042	528,590	179,812	68,105	18,861	136,560	36,537	17,915	1,034	987,414
2043 - 2047	409,520	78,312	38,975	7,061	94,085	12,552	—	—	640,505
2048 - 2052	146,850	14,763	11,735	1,817	14,215	1,449	—	—	190,829
Total	<u>\$ 2,643,475</u>	<u>\$ 1,486,496</u>	<u>\$ 655,245</u>	<u>\$ 278,252</u>	<u>\$ 730,710</u>	<u>\$ 372,075</u>	<u>\$ 157,385</u>	<u>\$ 57,662</u>	<u>\$ 6,381,300</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 2022 were \$2.0 million in principal and \$0.3 million in interest. Total loans outstanding as of December 31, 2022, are \$20.7 million. The minimum debt service requirements to maturity are included in Table 9-9.

Amounts paid to all SPU Drainage & Wastewater loans in 2022 were \$3.7 million principal and \$1.2 million in interest. Total loans outstanding as of December 31, 2022, are \$142.0 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	
2023	\$ 2,050	\$ 292	\$ 4,343	\$ 1,365	\$ 8,050
2024	2,050	263	4,413	1,285	8,011
2025	2,050	234	8,009	1,636	11,929
2026	1,825	205	7,482	1,956	11,468
2027	1,613	180	7,598	1,833	11,224
2028 - 2032	6,783	593	37,960	7,266	52,602
2033 - 2037	4,306	184	37,179	4,069	45,738
2038 - 2042	—	—	26,845	1,489	28,334
2043 - 2047	—	—	8,182	123	8,305
Total	<u>\$ 20,677</u>	<u>\$ 1,951</u>	<u>\$ 142,011</u>	<u>\$ 21,022</u>	<u>\$ 185,661</u>

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Table 9-10

CHANGES IN LONG-TERM LIABILITIES ^A
(In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
General Obligation Bonds	\$ 940,575	\$ 132,880	\$ 113,630	\$ 959,825	\$ 80,905
Issuance Premiums and Discounts, Net	102,638	12,082	14,847	99,873	10,690
Special Assessment Bonds with Governmental Commitment ^B	98,486	—	4,230	94,256	488
Total Bonds Payable	1,141,699	144,962	132,707	1,153,954	92,083
Notes and Contracts					
Capital Leases	32	692,932	366,260	326,704	12,911
Other Notes and Contracts	14,265	—	1,418	12,847	1,562
Total Notes and Contracts	14,297	692,932	367,678	339,551	14,473
Compensated Absences	100,328	107,739	107,258	100,809	5,040
Claims Payable					
General Contamination Cleanup ^C	12,075	4,116	4,736	11,455	124
Workers' Compensation	39,127	24,074	22,656	40,545	16,669
General Liability	59,946	32,904	20,579	72,271	16,338
Health Care Claims	19,518	278,050	278,803	18,765	18,765
Total Claims Payable ^D	130,666	339,144	326,774	143,036	51,896
Arbitrage Rebate Liability	—	—	—	—	—
Unfunded Other Post Employment Benefits	633,898	515,487	628,278	521,107	—
Net Pension Liability	810,642	—	147,711	662,931	—
Other Noncurrent Liabilities	1,301	—	427	874	442
Total Long-Term Liabilities from Governmental Activities	\$ 2,832,831	\$ 1,800,264	\$ 1,710,833	\$ 2,922,262	\$ 163,934
BUSINESS-TYPE ACTIVITIES					
Bonds Payable					
Revenue Bonds	4,186,345	257,715	257,245	4,186,815	215,420
Issuance Premiums and Discounts, Net	473,594	33,850	40,907	466,537	—
Total Bonds Payable	4,659,939	291,565	298,152	4,653,352	215,420
Notes and Contracts					
Capital Leases	73	7,687	6,472	1,288	275
Other Notes and Contracts	124,071	44,719	6,102	162,688	6,393
Total Notes and Contracts	124,144	52,406	12,574	163,976	6,668
Compensated Absences	39,948	41,430	40,325	41,053	2,053
Claims Payable					
General Contamination Cleanup ^C	311,996	10,120	9,120	312,996	8,812
Workers' Compensation	11,565	7,263	6,597	12,231	5,001
General Liability	19,450	6,085	5,663	19,872	3,990,101
Total Claims Payable ^D	343,011	23,468	21,380	345,099	4,003,914
Unearned Revenues	82,172	48,658	13,787	117,043	9,042
Habitat Conservation Program Liability	6,943	46	190	6,799	556
Landfill Closure and Postclosure Costs	13,000	5,574	1,989	16,585	1,881
Arbitrage Rebate Liability	240	34	61	213	—
Unfunded Other Post Employment Benefits	20,642	—	4,237	16,405	—
Net Pension Liability	387,578	—	54,182	333,396	—
Other Noncurrent Liabilities	3,652	1,588	2,343	2,897	—
Total Long-Term Liabilities from Business-Type Activities	\$ 5,681,269	\$ 464,769	\$ 449,220	\$ 5,696,818	\$ 4,239,534

^A Some amounts may have rounding differences with the Statement of Net Position.

^B The Special Assessment Bonds carry neither premiums nor discounts.

^C See Note 10, Environmental Liabilities for a detailed discussion.

^D See Note 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.

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 \$15.0 million and \$1.3 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.

In May 2022, the City refunded and defeased in substance \$41.9 million of outstanding 2012 Series limited tax general obligation (LTGO) bonds, carrying an average interest rate of 2.7%, with 2022 LTGO bonds issued at an average interest rate of 3.1%. The City deposited bond proceeds of \$42.3 million with an escrow agent, comprised of the par value of the new bonds and an additional \$3.2 million in original issue premiums. The escrow agent used the proceeds to pay issue costs of \$115 thousand and purchase state and local government securities to provide for the repayment of old bonds at their May 2022 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 2032.

The debt service on the 2022 Bonds requires a cash flow over the life of the bonds of \$444.2 million, including \$186.4 million in interest. The refunding gain on the 2022 Bonds was \$4.8 million. The difference between the cash flows required to service the old and new debt and to complete the refunding for the 2022 Bonds totaled \$2.5 million and the aggregate economic gain on refunding totaled \$2.4 million at present value. Bonds defeased in July 2022 partially refunded certain 2013 Bonds and 2014 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 2013 and 2014 bonds was from operating cash whereby \$28.7 million of state and local government securities were purchased and placed in escrow to pay principal and interest on the refunded bonds. The accounting gain on refunding for 2022 was \$1.3 million.

The following is a schedule of outstanding bonds that are either refunded or defeased:

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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 2022	Defeased Outstanding December 31, 2022
GENERAL OBLIGATION BONDS							
Limited Tax (Non-Voted)							
2012 Improvement and Refunding	05/16/12	9/1/2032	2.688	75,590	41,890	41,890	—
REVENUE BONDS							
Municipal Light and Power							
2012 Improvement and Refunding, Series A	07/17/12	06/01/41	3.150	293,280	66,355	26,910	39,445
2013 Improvement and Refunding	07/09/13	07/01/43	4.050	190,755	107,935	—	107,935
2014 Improvement and Refunding	07/09/13	07/01/43	3.100	265,210	13,870	—	13,870
Municipal Water							
N/A							
Municipal Drainage and Wastewater							
2012 Improvement and Refunding	06/27/12	52110	3.327	222,090	154,410	154,510	0
Municipal Solid Waste							
N/A							
Total Refunded/Defeased Bonds				<u>\$ 1,046,925</u>	<u>\$ 384,460</u>	<u>\$ 223,310</u>	<u>\$ 161,250</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, 2022, the City reported no arbitrage rebate liability on its general obligation bonds and \$0.2 million on its revenue bonds.

(10) ENVIRONMENTAL LIABILITIES

The following list of liabilities are split between the 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.

Duwamish sites. 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 potentially responsible parties (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 City, together with other PRPs, has completed two early action sites identified during the RI under EPA issued AOC: Slip 4 and T-117.

East Waterway Site. In 2006 the EPA issued an AOC for a Supplemental RI and FS for the East Waterway, an operable unit of the Harbor Island Superfund Site. The Port of Seattle (the Port) alone signed the AOC. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the RI/FS work required by the EPA. The RI and FS

are complete. The FS identifies a range of alternatives for cleanup construction that range in cost from \$256 million to \$411 million (2016 dollars). EPA is currently developing the Proposed Plan, which will be followed by a Record of Decision. The schedule for release of EPA's Proposed Plan is 2023. The Record of Decision is expected in 2023. Remedial design activities would start in late 2023 or 2024. Remedial design activities would start in late 2024 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; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20% of the Shared Costs incurred by Puget Sound Energy for the cleanup work. A revised draft RI/FS was submitted to DOE in late 2021. A Clean-up Action Plan, which is the State's equivalent to a Record of Decision under the Model Toxics Control Act, is expected in 2023.

North Boeing Field/Georgetown Steam Plant. 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 North Boeing Field, the Department'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 the Department's share at 90% and SPU's share at 10%. 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 has delayed the submittal of the revised draft RI until 2020. Furthermore, conditions related to COVID-19 pandemic further delayed the DOE engagement and negotiations in 2020 and 2021.

In 2022, the DOE notified the PLP'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 draft RI is now anticipated to be submitted in 2023. 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. The City agreed with Department of Ecology that it will 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 \$0.5 million as of December 31, 2022 and \$0.9 million as of December 31, 2022 respectively. The ultimate liability is indeterminate.

7th Avenue South Pump Station. The City acquired land in the South Park area of Seattle to construct the 7th Ave South Pump Station. The land was determined to be contaminated subsequent to the purchase. The City has voluntarily agreed to clean up the contamination in order to continue with the planned construction of the pump station. The cleanup was completed in 2012; however, the City has ongoing monitoring activities it must perform.

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. Liabilities are estimated through the EE/CA. The Department'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

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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 Department'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 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. At the same time two additional parties will be added to the Consent Decree, King County and Kenyon Business Park.

As of March 2023, a redefined scope has been approved by the City. Amendments to the Consent Decree and Cleanup Action Plan have been drafted. Both documents are scheduled to go out for public comment in November 2023. Following any additional revisions, they will be finalized and the Consent Decree Amendment will be completed. Design of The City's Project is underway and construction is scheduled to start in 2024 with completion in 2026.

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.

Newhalem. This project is comprised of three sites.

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 currently 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 is anticipated to be approved in Q1 or Q2 2023. Floyd|Snider(F|S) is under contract to provide The City with consulting services related to the EE/CA, and cleanup planning if necessary. 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 Nontime Critical Removal Action administered by the NPS. GeoSyntec is under contract to provide City Light with consulting services related to the EE/CA. The EE/CA field investigation was completed in October 2021, and the draft and final EE/CA Reports are planned for 2021-2023. NPS owns the land.

The City recorded a liability of \$ 3.4 million as of December 31, 2021 and \$1.7 million as of December 31, 2022 for all three Skagit sites respectively. The ultimate liability is indeterminate.

Substations. Cleanup activities are being conducted in 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 (DCI). Cleanup and restoration of most of the site was completed in 2020 and 2021. Cleanup of one small area where contamination remains is planned for 2023. Environmental assessments have found contamination exceeding the state residential cleanup thresholds at three of City Light's properties: the Interbay, University Rectifier and Roy Street Shops sites. The Department's Environmental Land and Licensing Business Unit contracted with a consultant during 2022 and has begun initial assessment of the University Rectifier. Remedial assessment and possible remedial design work for these

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sites will be completed during 2023-2025. The department recorded a liability of \$2.7 million as of December 31, 2021 and \$1.0 million as of December 31, 2022 respectively. 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, removal of the accumulated sediment from the tunnel system is needed. Contracting is in process and work is planned for the third quarter of 2023. The City recorded a liability of \$0.9 million as of December 31, 2021 and \$1.4 million as of December 31, 2022 respectively. 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 2018 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 were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to 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, 2022 are as follows:

	2022
Beginning Environmental Liability, Net of Recovery	\$ 324,070
Payments or Amortization	(13,194)
Incurring Environmental Liability	13,574
Ending Environmental Liability, Net of Recovery	\$ 324,450

The provision for environmental liability (in thousands) included in current and noncurrent liability at December 31, 2022 are as follows:

	2022
Environmental Liability, Current	\$ 8,935
Environmental Liability, Noncurrent	315,515
Total	\$ 324,450

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 2022:

Table 11-1 Aggregate Pension Amounts - All Plans
(In Thousands)

Pension liabilities	\$	1,478,136
Pension assets		324,406
Deferred outflows of resources		430,476
Deferred inflows of resources		556,374
Pension expense		(22,841)

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 20 active members in this category). There are currently 7,317 retirees and beneficiaries receiving benefits, and 9,045 active members of the System. There are 1,556 terminated, vested employees entitled to future benefits, based on the 2021 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.

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 16.10% for 2021. In 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, 2021, SCERS reported total pension liability of \$4.9 billion, plan fiduciary net position of \$4.1 billion, the net pension liability 0.8 billion, and the funded ratio of 83.31% based on the actuarial valuation as of January 1, 2021.

An actuarial report with valuation date of January 1, 2022, is presently underway, and expected to be available at the Retirement Office after June 1, 2023.

The City of Seattle

Information about the Net Pension Liability

Assumptions and Other Inputs. The City's total pension liability as of December 31, 2021 under SCERS was determined by the actuarial valuation as of January 1, 2021, with the results rolled forward to the December 31, 2021 measurement date.

The actuarial assumptions that determined the total pension liability as of December 31, 2021 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, 2021 was determined by actuarial valuations as of January 1, 2021. Generally accepted actuarial techniques were applied to roll forward the total pension liability to December 31, 2021.

The following actuarial cost method and key actuarial assumptions and other inputs were applied to the measurement period of December 31, 2021:

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	4.20%	48.0%
Equity: Private	7.4	11.0
Fixed Income: Core	0.5	18.0
Fixed Income: Credit	3.9	7.0
Real Assets: Real Estate	3.5	12.0
Real Assets: Infrastructure	4	4.0
Diversifying Strategies	N/A	—
		<u>100.0%</u>

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 2021.

Discount Rate. The discount rate used to measure the total pension liability was 6.75% for 2021. 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	\$ 1,455,165	\$ 828,352	\$ 304,191

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, 2021, SCERS reported the collective net pension liability of \$0.8 billion, of which the City recorded \$0.8 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, 2021, which was rolled forward to come up with the net pension liability as of December 31, 2021 (in thousands):

Table 11-4 SCHEDULE OF CHANGES IN NET PENSION LIABILITY^a

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2020	4,618,202	3,639,738	978,464
Changes for the Year			
Service Cost	126,847		126,847
Interest on Total Pension Liability	335,379		335,379
Effect of Plan Changes			—
Effect of Economic/ Demographic	(5,290)		(5,290)
Effect of Assumptions Changes or Inputs	129,929		129,929
Benefit Payments	(223,095)	(223,095)	—
Refund Contributions	(20,947)	(20,947)	—
Administrative Expenses		(6,674)	6,674
Member Contributions		81,656	(81,656)
Employers Contributions		139,619	(139,619)
Net Investment Income		522,608	(522,608)
Balance at December 31, 2021	\$ 4,961,025	\$ 4,132,905	\$ 828,120

^a Reported difference between Actuary Report due to Annual Report excluding King County Valuation.

The City of Seattle

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

The City recognized its proportionate share of pension expense in the amount of \$15.3 million for 2021. The City reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the pension plan at December 31, 2021 as follows (in thousands):

Table 11-5 Proportionate Share of Deferred Outflows and Inflows of Resources ^a

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,044	\$ 20,460
Change of Assumption	135,308	
Net Difference Between Projected and Actual Earnings Contributions and Proportionate Share of Pension Expense	7,611	417,285
Contributions Made Subsequent to Measurement Date	144,994	
Total	\$ 290,957	\$ 445,673

^a 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 ^a

Year Ended December 31	
2022	\$ (65,014)
2022	(132,477)
2023	(86,341)
2024	(29,219)
2025	13,342
Thereafter	—

^a 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, 2022, 536 firefighters and surviving spouses and 607 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, 2021:

Table 11-7 Membership in Firemen’s Pension and Police Relief and Pension

	Firemen's Pension	Police Relief and Pension
Retirees and Beneficiaries Receiving Benefits	536	607
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 \$30.2 million as of December 31, 2022. No similar program has been established for the Police Relief and Pension Fund.

The Total Pension Liability (TPL) as of December 31, 2022, based on the actuarial valuation as of January 1, 2022, was \$91.3 million for Firemen's Pension and \$76.7 million for Police Relief and Pension. The Police Relief and Pension AAL is funded on a pay-as-you-go basis. Annual requirements are funded through the City's adopted budget, and any budget requirements exceeding the adopted budget are fully covered by supplemental appropriations.

Trend information on employer contributions for the Firemen's Pension and the Police Relief and Pension plans is presented in the Required Supplementary Information section.

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, 2022), calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date (December 31, 2022). Actuarial assumptions used were as follows:

- a. Inflation: 2.50%
- b. Salary Increases: 3.25%
- c. Investment rate of return: 3.75% 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 3.75%. 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 3.72% as of December 29, 2022. Rounding this to the nearest 1/4% results in a discount rate of 3.75% as of the December 31, 2022 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 3.75%, 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 2.75%	Current Discount Rate 3.75%	1% Higher 4.75%
Fireman's Pension Plan	\$ 98,846	\$ 91,254	\$ 84,610
Police Relief and Pension Plan	82,959	76,721	71,286

Changes in the Total Pension Liability. At December 31, 2022, the Firemen's Pension and the Police Relief and Pension plans reported the pension liability of \$91.3 million and \$76.7 million respectively.

**Table 11-9 Changes in Total Pension Liability
(In Thousands)**

	Firemen's Pension	Police Relief and Pension
Balance at December 31, 2021	\$ 118,294	\$ 101,279
Changes for the Year		
Service Cost		
Interest on Total Pension Liability	2,288	1,927
Effect of Plan Changes		
Effect of Economic/Demographic gains or losses	5,273	(353)
Effect of Assumptions Changes or Inputs	(26,820)	(17,510)
Benefit Payments	(7,782)	(8,622)
Balance at December 31, 2022	<u>\$ 91,253</u>	<u>\$ 76,721</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended December 31, 2022, the City recognized decrease of pension expenses in the amount of \$(19.3) million for the Firemen's Pension and \$(15.9) million for the Police Relief Pension plans, respectively. On December 31, 2022, 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.

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**

Years of Service	Percent of FAS
20+	2.0 %
10 - 19	1.5
5 - 9	1.0

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 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 2022. Employers paid only the administrative expense of 0.18% 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 2022.

LEOFF Plan 2 required contribution rates for 2022 were as follows:

Table 11-11 **LEOFF Plan 2 Required Contribution Rates**
As a Percentage of Covered Payroll

Actual Contribution Rates	Employer	Employee
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.3%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	8.71%	8.53%

The City's actual contributions to LEOFF Plan 2 were \$16.8 million for the year ended December 31, 2022.

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, 2022, the state contributed \$81,388,085.00 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount was \$10,974,079.

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 2022 with a valuation date of June 30, 2021. 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 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021 to June 30, 2022, 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

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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, 2022, 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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>% Long-Term Expected Real Rate of Return Arithmetic</u>
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%
	<u>100%</u>	

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
	6.4%	7.4%	8.4%
LEOFF Plan 1	\$ 89,402	\$ 102,018	\$ 112,958
LEOFF Plan 2	10,241	222,387	396,011

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, 2022, the City reported a pension asset of \$630.5 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	\$	102,018
LEOFF 2		222,387
Total	\$	324,405

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	\$ 102,018	\$ 222,387
State's Proportionate Share of the net pension asset associated with the Employer	690,050	144,058
Total	\$ 792,068	\$ 366,445

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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

	2022	2021	
	<u>Aas of June 30, 2022</u>	<u>As of June 30, 2021</u>	<u>Change in Proportion</u>
LEOFF 1	3.55 %	3.56 %	(0.01)%
LEOFF 2	8.18 %	8.75 %	(0.57)%

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 2022. 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 2022, the state of Washington contributed 39.31 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 60.69 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2022, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense. For the year ended December 31, 2022, the City recognized its proportionate share of pension expense as follows:

Table 11-17	<u>Pension Expense</u>	
LEOFF 1	\$	(4,460)
LEOFF 2		<u>18,052</u>
Total	\$	13,592

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, 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	\$ —	\$ —	\$ 52,843	\$ 2,063
Net difference between projected and actual investment earnings on pension plan investments	—	12,738	—	74,464
Changes of assumptions	—	—	56,337	19,364
Changes in proportion and differences between contributions and proportionate share of contributions	—	—	21,856	2,070
Contributions subsequent to the measurement date	—	—	8,483	—
TOTAL	<u>\$ —</u>	<u>\$ 12,738</u>	<u>\$ 139,519</u>	<u>\$ 97,961</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, 2022. 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
2022	\$ (5,395)	\$ (20,687)
2023	(4,885)	(17,572)
2024	(6,108)	(24,279)
2025	3,650	34,820
2026	—	11,866
Thereafter	—	53,782

DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is payable to employees upon termination, retirement, death, or unforeseen emergency.

Beginning in 2006 the Deferred Compensation Plan (DCP) was amended to allow separating employees to cash out accrued vacation balances into their DCP accounts. Eligible retiring employees may also cash out up to 35% of their sick leave balances into their DCP

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accounts. Vacation and sick leave cash-outs made to the DCP are considered contributions and are subject to the maximum annual contribution limit.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan. Under the plan, participants select investments from alternatives offered by the plan administrator, which is under contract with the City to manage the plan. Investment selection by a participant may be changed from time to time. The City manages none of the investment selections.

The City placed the Deferred Compensation Plan assets into trust for the exclusive benefit of plan participants and beneficiaries in accordance with GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.

The City has little administrative involvement and does not perform the investing function for the plan. The City does not hold the assets in a trustee capacity and does not perform fiduciary accountability for the plan. Therefore, the City employees' Deferred Compensation Plan, created in accordance with IRC 457, is not reported in the financial statements of the City.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 2022..

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	\$ 55,703	\$ 243,775	\$ 238,035	\$ 537,513
OPEB assets	—	—	—	—
Deferred outflows of resources	16,165	—	—	16,165
Deferred inflows of resources	33,104	—	—	33,104
OPEB expenses/ expenditures	670	(46,823)	(55,650)	(101,803)

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, 2022, 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	611	513
Inactive employees entitled to but not yet receiving benefits			
Active employees	11,472	3	1
Total	11,886	614	514

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.

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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	1/1/2022	1/1/2022	1/1/2022
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Inflation rate	---	---	2.50 %
Salary Increases	---	---	3.25 %
Discount rate	2.06%, based on 20-year municipal bond yields	3.75%, based on 20-year municipal bond yields	3.75%, 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.	

Notes to Financial Statements

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 <i>(In Thousands)</i>		
	Total OPEB Liability at Rate		
	1% Decrease	Current Rate	1% Increase
City of Seattle Health Care Blended Premium Subsidy Plan	60,897	55,703	50,936
Firemen's Pension Plan	271,126	243,775	220,534
Police Relief and Pension Plan	264,017	238,035	215,944

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 <i>(In Thousands)</i>		
	Total OPEB Liability at Rate		
	1% Decrease	Current Rate	1% Increase
City of Seattle Health Care Blended Premium Subsidy Plan	\$ 49,259	\$ 55,703	\$ 63,399
Firemen's Pension Plan	222,189	243,775	268,381
Police Relief and Pension Plan	217,547	238,035	261,394

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Changes in the Total OPEB Liability. The City reported a total OPEB liability of \$537.5 million in 2022. Based on the actuarial valuation date of January 1, 2022, 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, 2022 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 1/1/2022	\$ 70,258	\$ 290,597	\$ 293,685	\$ 654,540
Service costs	4,515			4,515
Interest	1,553	5,688	5,730	12,971
Changes of benefit terms				—
Differences between expected and actual experience	(16,027)			(16,027)
Effect of plan changes				—
Effect of economic/demographic gains or losses		3,074	(12,669)	(9,595)
Changes of assumptions	(1,556)	(43,039)	(34,313)	(78,908)
Benefit payments	(3,040)	(12,545)	(14,399)	(29,984)
Other changes				—
Total OPEB Liability at 12/31/2022	<u>\$ 55,703</u>	<u>\$ 243,775</u>	<u>\$ 238,034</u>	<u>\$ 537,512</u>

The changes in current year’s assumption, such as discount rate, participation rate and other factors resulted in the decrease in the OPEB liability for all OPEB plans by \$117 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 2.12% as of January 1, 2021 to 2.06% as of January 1, 2022.

Firemen’s Pension: The total OPEB liability was determined by an actuarial valuation as of the valuation date January 1, 2022, calculated based on the discount rate of 3.75%, and then projected to the measurement date of December 31, 2022. The December 31, 2022 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, 2022, calculated based on the discount rate of 3.75%, and then projected to the measurement date of December 31, 2022. 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, 2022, the City recognized OPEB expense of \$(101.8) 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, 2022 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)

City of Seattle Health Care Blended Premium Subsidy Plan	Deferred Outflow of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10,788	\$ 14,290
Changes of assumptions	2,941	18,814
Payments subsequent to the measurement date	2,436	
Total	<u>\$ 16,165</u>	<u>\$ 33,104</u>

Deferred outflows of resources of \$2.4 million resulting from payments subsequent to the measurement date 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, 2022. 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)

	Blended Premium Subsidy Plan	Firemen’s Pension Plan	Police Relief and Pension Plan
Year End December 31:			
2022	\$ (2,962)	\$ —	\$ —
2023	(2,962)	—	—
2024	(2,962)	—	—
2025	(2,962)	—	—
2026	(2,098)	—	—
Thereafter	(5,431)	—	—

(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, 2022

(in Thousands)

	Discretely Presented Component Units		
	Seattle Public Library Foundation	Seattle Investment Fund LLC	Total
ASSETS			
Cash and Other Assets	\$ 2,214	\$ 835	\$ 3,049
Investments	79,455	146	79,601
Capital Assets, Net	18	—	18
Total Assets	81,687	981	82,668
LIABILITIES			
Current Liabilities	1,563	—	1,563
Total Liabilities	1,563	—	1,563
NET POSITION			
Net Investment in Capital Assets	18	—	18
Restricted	54,292	—	54,292
Unrestricted	25,814	981	26,795
Total Net Position	\$ 80,124	\$ 981	\$ 81,105

Table 12-2

**CONDENSED STATEMENT OF ACTIVITIES
SEATTLE PUBLIC LIBRARY FOUNDATION AND
SEATTLE INVESTMENT FUND LLC**

For the Year Ended December 31, 2022

(In Thousands)

	Discretely Presented Component Units		
	Seattle Public Library Foundation	Seattle Investment Fund LLC	Total
PROGRAM REVENUES			
Contributions/Endowment Gain	\$ 5,276	\$ —	\$ 5,276
Placement/Management Fee Income	—	107	107
Total Program Revenues	5,276	107	5,383
GENERAL REVENUES			
Investment Income	(13,249)	—	(13,249)
Total Program Support and Revenues	(7,973)	107	(7,866)
EXPENSES			
Support to Seattle Public Library	5,142	—	5,142
Management and General	765	25	790
Fundraising	512	—	512
Total Expenses	6,419	25	6,444
Change in Net Position	(14,392)	82	(14,310)
NET POSITION			
Net Position - Beginning of Year	94,516	899	95,415
Net Position - End of Year	<u>\$ 80,124</u>	<u>\$ 981</u>	<u>\$ 81,105</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.

(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, 2022, 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.

(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, 2022, the City had the following encumbered amounts:

Table 14-1 **Encumbrances by Fund Category**
(In Millions)

Fund	Encumbrances	
General Fund	\$	150.0
Transportation		23.4
Nonmajor Governmental Funds		322.4
Internal Service Funds		97.0
Nonmajor Enterprise Funds		101.9
Major Enterprise Funds		383.1
Totals	\$	1,077.8

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 \$1.2 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, 2022 and standards prescribed under GASB Statement No. 70 - Accounting and Financial Reporting for Nonexchange Financial Guarantees.

Capital Improvement Program

The City proposed the 2021 Capital Improvement Program (CIP) which functions as a capital financing plan totaling \$6.98 billion for the years 2022-2027. The adopted CIP for 2022 was \$1.4 billion, consisting of \$780.4 million for City-owned utilities and \$610.9 million for non-utility departments. The utility allocations are: \$457.7 million for City Light, \$94.2 million for Water, \$213.9 million for Drainage and Wastewater, and \$14.7 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, 2022 are shown in the following table:

Table 14-2	LONG-TERM PURCHASED POWER	
	<i>(In Millions)</i>	
	2022	
Bonneville Block	\$	106.5
Bonneville Slice		—
Lucky Peak, including royalties		7.5
British Columbia - High Ross Agreement		13.0
Grant County Public Utility District		1.4
Columbia Basin Hydropower		8.4
Bonneville South Fork Tolt billing credit		(3.6)
Renewable energy - State Line Wind		2.9
Renewable energy - other		7.2
Exchanges and loss returns energy at fair value		8.8
Long-term purchased power booked out		(1.6)
Total	\$	150.5

Bonneville Power Administration. The City 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, the City 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 the City to pay all ownership and operating costs, including debt service, over the term of the contract, whether the plant is operating or operable.

The City incurred \$7.5 million and \$6.6 million in 2022 and 2021, respectively, including operations costs and royalty payments to the irrigation districts. The City provided and billed Lucky Peak \$0.3 million for operational and administrative services in both 2022 and 2021. These amounts are recorded as offsets to purchased power expense.

The City's receivables from Lucky Peak were less than \$0.1 million at December 31, 2022. The City's payables to Lucky Peak were \$0.5 million at December 31, 2022.

British Columbia-High Ross Agreement. In 1984, an agreement was reached between the Province of British Columbia and the City under which British Columbia will provide 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 2022 and 2021. The law also has a compliance option for utilities with declining load

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to spend 1% of revenue requirements on eligible RECs and/or resources. The Department met the requirements of the compliance option in both 2022 and 2021.

Fair Value of Exchange Energy. During 2022, 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 ^a
2023	\$ 214.1
2024	267.1
2025	227.3
2026	a 194.6
2027	193.7
2028-2032	b 244.9
Thereafter (through 2065)	128.7
Total	\$ 1,470.4

a Bonneville transmission agreement expires July 31, 2025

b Bonneville Block & Slice agreement expires September 30, 2028

Other Regulatory Commitments

Federal Energy Regulatory Commission (FERC) Fees. Estimated Federal land use and administrative fees related to hydroelectric licenses total \$147.4 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.

New Boundary License. The Department'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 the Department 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, the Department 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 the Department's operational flexibility at Boundary Dam while providing for natural resource protection, mitigation and enhancement measures.

The cost projections for such mitigation over the expected 42-year life of the license, included in the Department's license application, were estimated to be \$353.8 million adjusted to 2022 dollars, of which \$137.5 million were expended through 2022. 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, the Department 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, 2022, to be \$170.3 million, of which \$163.4 million has been expended.

Notes to Financial Statements

Total South Fork Tolt license mitigation costs were estimated at \$2.2 million, of which \$2.2 million were expended through 2021 for the rest of the life of the license with no additional costs in 2022. 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 2022 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 in order to obtain a FERC license. ESA and related issues are discussed below.

Endangered Species. Several fish species that inhabit waters where hydroelectric projects are owned by the Department, or where the Department purchases power, have been listed under the ESA as threatened or endangered. Although the species were listed after FERC licenses were issued for all of the Department's hydroelectric projects, the ESA listings still affect operations of the Department'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, the Department'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.

The Department, with the support of City Council, elected to take a proactive approach to address issues identified within the ESA. The Department is carrying out an ESA Early Action program in cooperation with agencies, tribes, local governments, and watershed groups for bull trout, Chinook salmon, and steelhead in the South Fork Tolt and Skagit Watersheds. The ESA Early Action program is authorized by City Council but is separate from any current FERC license requirements. The program includes habitat acquisition, management and restoration. The ESA Early Action has been successful in protecting listed species. Total costs for the Department's share of the Early Action program from inception in 1999 through December 31, 2022, are estimated to be \$18.9 million, and \$2.6 million has been allocated for the program in the 2023 budget.

Project Impact Payments. Effective May 2020, the Department 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 the Department's hydroelectric projects. Effective February 2009, the Department renewed its contract with Whatcom County committing to pay a total of \$15.8 million over 15 years ending in 2023. The payments compensate the counties, and certain school districts and towns located in these counties, for loss of revenues and additional financial burdens associated with the projects. The Boundary Project, located on the Pend Oreille River, affects Pend Oreille County, and Skagit River hydroelectric projects affect Whatcom County. The impact payments totaled \$3.0 million and \$2.9 million to Pend Oreille County in 2022 and 2021 respectively, and \$1.2 million to Whatcom County in 2022 and 2021 respectively.

Habitat Conservation Program Liability. The City has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of the City 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 \$117.0 million (in 2022 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of the City's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2022 is \$102.9 million. The remaining \$14.1 million to complete the HCP is comprised of an \$6.8 million liability and an estimate of \$7.3 million for construction and operating commitments. The construction activities will add to the Fund's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

Distribution System Reservoirs. The City 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, 2022, total cumulative costs incurred were \$179.8 million.

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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 one year by mutual agreement, with potential amendments becoming effective in 2024.

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. CWA contract expires in 2063 while other wholesale contracts expire in 2063. In 2020, Cascade requested that the City consider selling it additional increments of surplus water that would extend the date at which Cascade'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 Cascade or any further extensions, unless by mutual agreement. The City began discussions with Cascade 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 City 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 the City and component agencies. Payments made by the Fund were \$170.5 million for 2022.

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 \$89.3 million in 2022.

The City contracts with Waste Management of Washington, Inc. (formerly known as Washington Waste Systems), for rail-haul and disposal of non-recyclable 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 on March 31, 2024. Total payments under the terms of this contract for waste disposal were \$17.0 million 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, with City options to extend to March 31, 2024. Total payments under the terms of these contracts were \$4.6 million 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 \$2.1 million in 2022. This variance resulted from fluctuations in recycling commodity pricing.

Landfill Closure and Post-closure Care. In prior years, the City delivered its refuse to two leased disposal sites: the Midway and Kent-Highlands landfills. After signing the original lease agreement, federal and state requirements for closure of landfill sites were enacted. The City stopped disposing of municipal waste in the Midway site in 1983 and in the Kent-Highlands site in 1986.

At December 31, 2022, accrued landfill closure and post closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to I-5 improvement projects. It is the City Council's policy to include the City's share of all landfill closure and post closure costs in the revenue requirements used to set future solid waste rates. Therefore, the City 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 post-closure 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 2023. Effective June 1, 2022, through May 2023 the City's excess liability insurance limits were \$20 million.

In 2022, the City purchased \$7.5 million in cyber insurance above a \$2.5 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 2022, the City purchased four annuity contracts totaling \$0.5 million to resolve a single lawsuit. The City did not receive any large liability settlements nor settled any claims exceeding coverage in 2022.

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 2022, the City's independent actuaries estimated the ultimate settlement costs for lawsuits, workers' compensation, and other claims at year-end 2021, and health care claims at year-end 2022. The total undiscounted IBNR amount was \$-9.4 million in 2022, decreased by \$32.0 million from 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 \$0.4 million in 2022. 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 1.150 percent for 2022, the City's 2021 estimated annual effective interest rate of return on investments used by the actuaries. The liabilities for health care claims discounted at 1.343 percent for 2022, the City's 2022 average annual rate of return on investments. The total discounted liability at December 31, 2022, was \$167.2 million consisting of \$95.6 million for general liability, \$18.8 million for health care, and \$52.8 million for workers' compensation.

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Table 15-1

**RECONCILIATION OF CHANGES IN
AGGREGATE LIABILITIES FOR CLAIMS
(In Thousands)**

	General Liability	Health Care	Workers' Compensation	Total City
UNDISCOUNTED				
Balance - Beginning of Fiscal Year	\$ 88,882	\$ 19,809	\$ 53,025	\$ 161,716
Less Payments and Expenses During the Year	(26,242)	(278,803)	(29,253)	(334,298)
Plus Claims and Changes in Estimates	38,066	278,011	30,778	346,855
Balance - End of Fiscal Year	<u>\$ 100,706</u>	<u>\$ 19,017</u>	<u>\$ 54,550</u>	<u>\$ 174,273</u>
UNDISCOUNTED BALANCE AT END OF FISCAL YEAR CONSISTS OF				
Governmental Activities	\$ 76,216	\$ 19,017	\$ 41,907	\$ 137,140
Business-Type Activities	24,457	—	12,641	37,098
Fiduciary Activities	33	—	2	35
Balance - End of Fiscal Year	<u>\$ 100,706</u>	<u>\$ 19,017</u>	<u>\$ 54,550</u>	<u>\$ 174,273</u>
DISCOUNTED/RECORDED BALANCE AT END OF FISCAL YEAR CONSISTS OF				
Governmental Activities	\$ 72,271	\$ 18,765	\$ 40,545	\$ 131,581
Business-Type Activities	23,372	—	12,230	35,602
Fiduciary Activities	31	—	2	33
Balance - End of Fiscal Year	<u>\$ 95,674</u>	<u>\$ 18,765</u>	<u>\$ 52,777</u>	<u>\$ 167,216</u>

Pending litigations, claims, and other matters are as follows:

Deien v. City – Plaintiff brings a purported class action against City Light based on City Light billing practices associated with City Light’s transition to advanced meters. Pending court approval, the case will be settled on a class basis for a \$3.5M payment from the City. The City accrued the \$3.5 million expense and liability in 2021.

Jayne et al. v. City of Seattle – Several plaintiffs, including Matthew Lindsay, a former SPU employee, 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 October 28, 2022, and is set for trial on October 30, 2023, though we anticipate that date will be extended. Lindsay filed a retroactive Tort Claim with the City on January 24, 2023. Given the uncertainty with vaccine mandate litigation, the Department’s ultimate liability is indeterminate at this time.

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 SPU employee Lourdes Podwell as individual defendants. An adverse result could include awards of compensatory damages and attorneys’ fees. City Light’s ultimate liability is indeterminate. The trial is currently set in federal court for November 6, 2023.

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. An adverse result could include awards of compensatory damages and attorneys’ fees. City Light’s ultimate liability is indeterminate. This matter was filed in federal court in the Western District of Washington, and a Joint Status report is due on April 26, 2023. The matter has not yet been set for trial.

Seattle City Frontline Freedom Fighters, et. al. v. City of Seattle – A group of current and former City employees allege various forms of discrimination, wrongful discharge, violations of the Washington constitution and seek declaratory relief resulting from the City’s vaccine mandate. Nine of the plaintiffs are current or former employees of City Light. An adverse result could include awards of

compensatory damages and attorneys' fees. City Light's ultimate liability is indeterminate. This matter is currently set for trial on October 20, 2023 in state court.

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's ultimate liability is indeterminate.

Lavish v. City of Seattle – Plaintiff Lavish alleges he was injured by an electrical arc while attempting to remove a tree near a City power line. He alleges City negligence caused his injuries. The City's ultimate liability is indeterminate. Trial is currently set for September 11, 2023.

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.

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.

1. **Federal Claims** – 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 has appealed this decision to the 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.
2. **King County Superior Court** – In September 2021, the Tribe filed a second suit against the City based on the same operative facts, 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, and the Court granted its motion to dismiss on January 14, 2022. The Tribe appealed the dismissal to Division 1 of the Washington State Court of Appeals and argument occurred on November 2, 2022. As of the date of this letter, the Court of Appeals has not ruled.
3. **Sauk-Suiattle Tribal Court** – 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 property interests through blocking fish passage; (2) that the "blockage of water" constitutes an arbitrary 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 Sauk-Suiattle Tribal Court dismissed the Tribe's claims against the City finding that it had no jurisdiction. The Tribe has appealed this order.

1221 Madison Street Owners Association – Claimant alleges that alleges that a late December 2020 storm caused the storm drains near its facility to fail causing damages. Current damage allegations are roughly \$1 million. The Department's ultimate liability is indeterminate.

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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.

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. The Plaintiff has filed a Petition for Review in the Washington Supreme Court. The City cannot predict whether a material adverse outcome will occur.

The following case from 2021 was settled in 2022.

East Marginal Way Poles – The City faced several claims and lawsuits related to the collapse of power poles along East Marginal Way in Seattle on April 5, 2019. The claimants allege that City Light and CenturyLink (a co-owner of certain poles) negligently maintained a number of poles. The claims and lawsuits have been settled for less than \$1.0 million in total, and we are now past the statute of limitations for additional claims and suits.

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, 2022 is \$3.5 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, 2022, was \$28.0 million. The bonds 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, 2022, was \$0.8 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.

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, 2022, was reduced to \$147,595. SISC's accumulated liability will be reduced to \$0 as of February 1, 2024, which is nine months prior to the date that the Bonds are scheduled to mature on November 1, 2024.

As of December 31, 2022, the Commission's remaining principal and interest amounts guaranteed by the City are \$835 thousand and \$57 thousand, respectively. Based on the expected cash outflows and discount rate equal to the interest earned from the City's consolidated cash pool (1.343%), the City has recognized a liability of \$892 thousand in the Government-wide Financial Statements. The City currently 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.

The City of Seattle

(16) TAX ABATEMENTS

Table 16-1
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Tax Abatement Programs
For the Year Ended December 31, 2022
(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 Opportunity Tax Exemption	Data Center Server Equipment and Power Infrastructure
1) Purpose of program.	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
2) Tax being abated.	Real Property Tax	Real Property Tax	Real Property Tax	Real Property Tax	Sales and Use Tax	Real Property Tax	Sales and Use Tax
3) Authority under which abatements are entered into.	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
4) Criteria to be eligible to receive abatement.	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 System (PBR) 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 pilot scale manufacturing facility or advanced computing, 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 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

Notes to Financial Statements

Table 16-1
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Tax Abatement Programs
For the Year Ended December 31, 2022
(In Thousands)

	Primary Government		King County			Other Governments			State of Washington			
	City of Seattle			Current Use	Single-family Dwelling Improvement	High Technology	Multi-Unit Urban Housing Property Tax Exemption	Data Center Server Equipment and Power Infrastructure				
	Multifamily Property Tax Exemption	Historic Properties Incentives	Reduction to assessed value subject to property tax						Reduction to assessed value subject to property tax	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.	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
5) How recipients' taxes are reduced.	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 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					
6) How amount of abatement is determined.	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 services					
7) Provisions for recapturing abated taxes.	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					
8) Types of commitments made by the City other than to reduce taxes.	None	None	None	None	None	None	None					
9) Gross amount of City's revenues being reduced.	\$ 110	\$ 1,359	\$ 54	\$ 34	\$ 12,367	\$ 8,792	\$ 25					
											Total Revenue Reduction	\$ 22,741

^a 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.

(17) RESTATEMENTS, PRIOR-PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING PRINCIPLES, AND RECLASSIFICATIONS

In 2022, the City closed six capital project funds and the residual 2021 ending balances were transferred and consolidated into the General Bond Interest and Redemption, Interfund Notes Payable Local Improvements Districts and Local Improvement Guaranty funds in 2022. As a result, the beginning balance/net position of fund balances were restated as follows:

	General Bond Interest and Redemption	Interfund Notes Payable Local Improvements Districts	Local Improvement Guaranty
Net Position/Fund Balance January 1, 2022	9,620	485	8,775
Fund Closure Consolidation	75	(9)	9
Net Position/Fund Balance January 1, 2022 (restated)	9,695	476	8,784

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.

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 373,766	\$ 373,766	\$ 371,765	\$ (2,001)
Sales Taxes	305,066	305,066	333,101	28,035
Business Taxes	539,832	539,832	881,211	341,379
Excise Taxes	10,791	10,791	104,397	93,606
Other Taxes	11,140	11,140	28,208	17,068
Total Taxes	1,240,595	1,240,595	1,718,682	478,087
Licenses and Permits	40,306	40,306	34,685	(5,621)
Grants, Shared Revenues, and Contributions	31,994	31,994	45,325	13,331
Charges for Services	82,499	82,499	90,639	8,140
Fines and Forfeits	17,129	17,129	17,318	189
Concessions, Parking Fees, and Space Rent	21,600	21,600	19,913	(1,687)
Program Income, Interest, and Miscellaneous Revenues	396,087	396,087	99,144	(296,943)
Total Revenues	1,830,210	1,830,210	2,025,706	195,496
EXPENDITURES AND ENCUMBRANCES				
CITY AUDITOR	2,142	3,940	2,523	(1,417)
CITY BUDGET OFFICE	7,613	8,275	7,682	(593)
CIVIL RIGHTS OFFICE	7,764	12,094	7,196	(4,898)
CIVIL SERVICE COMMISSIONS	602	756	609	(147)
COMMUNITY POLICE COMMISSION	1,871	1,924	1,471	(453)
COMMUNITY SAFETY	22,161	23,335	21,503	(1,832)
CONSTRUCTION & INSPECTION DEPARTMENT				—
Compliance	9,807	10,413	9,135	(1,278)
Govt Policy, Safety & Support	1,221	1,322	1,030	(292)
Inspections	226	268	197	(71)
Land Use Services	300	310	305	(5)
ECON & REVENUE FORECASTS DEPARTMENT	635	652	559	(93)
EDUCATION & EARLY LEARNING				
Early Learning	19,901	25,379	19,137	(6,242)
K-12 Programs	3,307	6,134	2,044	(4,090)
Post-Secondary Programs	—	—		—
Leadership & Administration	1,235	1,397	1,139	(258)
EMERGENCY MANAGEMENT OFFICE	2,913	6,446	5,434	(1,012)
ETHICS & ELECTIONS COMMISSION	1,298	1,335	1,380	45
FINANCE & ADMINISTRATIVE SERVICES - CAPITAL DEVELOPMENT & CONSTRUCTION MANAGEMENT				
ADA Improvements	400	1,314	619	(695)
Asset Preservation Schedule 1 Facilities	3,502	9,104	2,981	(6,123)
Asset Preservation Schedule 2 Facilities	2,348	6,752	3,956	(2,796)
Garden of Remembrance	—	(115)	—	115
General Govt Facilities	2,462	7,670	1,269	(6,401)
Neighborhood Fire Stations	—	(13,524)	(1)	13,523
Preliminary Engineering	—	629	27	(602)
Publ Safety Facilities - Police	—	4,973	635	(4,338)
Public Safety Facilities - Fire	3,700	5,700	2,442	(3,258)
Seattle Animal Shelter	—	3	3	—
Information Technology	—	1,471	—	(1,471)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES AND ENCUMBRANCES (continued)				
FINANCE & ADMINISTRATIVE SERVICES - FACILITIES				
Seattle Animal Shelter	—	127	129	2
FAS Oversight - External Proj	—	(15)	—	15
FINANCE & ADMINISTRATIVE SERVICES - FLEETS				
Seattle Animal Shelter	—	193	193	—
FINANCE & ADMINISTRATIVE SERVICES - OTHER SERVICES				
Central Waterfront Improvement Progm				—
City Finance	8,047	8,431	7,497	(934)
Employee Transit Benefits	5,601	5,601	2,124	(3,477)
FileLocal Agency	444	444	423	(21)
Garden of Remembrance	31	146	—	(146)
Indigent Defense Services	9,606	9,606	8,858	(748)
Information Technology	4,000	4,529	817	(3,712)
Jail Services	18,539	18,539	17,689	(850)
Judgment & Claims - Claims	3,524	6,274	4,607	(1,667)
Judgment & Claims - General	88	88	—	(88)
Judgment & Claims - General Liab	—	3,500	—	(3,500)
Judgment & Claims - Litigation	22,837	29,587	24,643	(4,944)
Judgment & Claims - Police Act	3,800	13,300	11,986	(1,314)
Neighborhood Fire Station	4,181	17,188	—	(17,188)
Oversight - External Projects	1,595	2,848	1,000	(1,848)
Seattle Animal Shelter	—	69	70	1
General Govt Facilities	—	(225)	—	225
City Services	110	160	—	(160)
City Purchasing & Contracting	725	814	—	(814)
FINANCE & ADMINISTRATIVE SERVICES - REGULATORY COMPLIANCE & CONSUMER PROTECTION	10,293	10,293	9,209	(1,084)
FINANCE & ADMINISTRATIVE SERVICES - SEATTLE ANIMAL SHELTER	7,019	7,187	6,531	(656)
FINANCE GENERAL				
Appropriation to Special Funds	63,921	66,382	62,065	(4,317)
Reserves	61,739	78,951	47,600	(31,351)
FIRE DEPARTMENT				
Fire Prevention	11,536	11,587	11,489	(98)
Leadership & Administration	44,398	45,160	44,368	(792)
Operations	211,249	240,200	226,380	(13,820)
FIREFIGHTERS PENSION	21,922	21,948	21,948	—
HEARING EXAMINER	1,078	1,106	1,063	(43)
HOUSING OFFICE				
Homeownership & Sustainability	6,435	7,082	538	(6,544)
Leadership and Administration	1,087	1,625	352	(1,273)
Multifamily Housing	93,727	102,977	38,915	(64,062)
HUMAN RESOURCES				
GTL/LTD/AD&D Insurance Service	6,663	6,663	6,320	(343)
Health Care Services	304,145	304,145	280,541	(23,604)
HR Services	23,434	25,827	23,069	(2,758)
Industrial Insurance Services	33,606	40,306	39,039	(1,267)
Leadership & Administration	—	1,463	351	(1,112)
Unemployment Services	2,510	3,480	2,902	(578)

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES AND ENCUMBRANCES (continued)				
HUMAN SERVICES DEPARTMENT				
Addressing Homelessness	84,173	85,771	73,741	(12,030)
Leadership & Administration	12,463	12,469	11,543	(926)
Preparing Youth for Success	15,000	14,948	14,291	(657)
Promoting Healthy Aging	10,139	10,490	9,319	(1,171)
Promoting Public Health	18,756	20,152	14,361	(5,791)
Supporting Affordability & Livability	21,733	23,643	19,729	(3,914)
Supporting Safe Communities	41,394	53,668	50,688	(2,980)
IMMIGRANT & REFUGEE AFFAIRS	5,010	8,378	6,753	(1,625)
INFORMATION TECHNOLOGY DEPARTMENT				
Cable Franchise	6,414	6,414	5,447	(967)
Frontline Services & Workplace	550	—	—	—
INSPECTOR GENERAL FOR PUBLIC SAFETY	3,723	3,823	3,225	(598)
INTERGOVERNMENTL RELATIONS OFFICE	3,059	3,226	3,113	(113)
LABOR STANDARDS OFFICE	12,131	12,995	10,804	(2,191)
LAW DEPARTMENT				
Civil	16,672	15,453	14,622	(831)
Criminal	9,857	10,852	9,423	(1,429)
Leadership & Administration	11,610	12,218	12,198	(20)
Precinct Liaison	702	729	651	(78)
LEGISLATIVE DEPARTMENT				
Leadership & Administration	4,945	5,164	4,988	(176)
Legislative Department	14,965	15,754	14,308	(1,446)
MAYORS OFFICE	7,638	8,458	7,713	(745)
MUNICIPAL COURTS				
Administration	17,027	17,596	17,014	(582)
Court Compliance	5,186	5,358	5,159	(199)
Court Operations	17,789	18,455	17,783	(672)
NEIGHBORHOODS DEPARTMENT				
Community Building	8,510	11,820	6,803	(5,017)
Community Grants	7,182	10,457	4,630	(5,827)
Leadership & Administration	5,612	5,768	5,374	(394)
OFFICE OF ARTS & CULTURE				
Arts & Cultural Programs	11,814	15,397	9,183	(6,214)
Cultural Space	811	6,883	634	(6,249)
Leadership & Administration	3,202	3,258	2,597	(661)
Public Art	—	—	—	—
OFFICE OF ECONOMIC DEVELOPMENT & SPECIAL EVENTS				
Business Services	23,458	36,005	16,208	(19,797)
Leadership & Administration	3,017	3,123	3,054	(69)
OFFICE OF SUSTAINABILITY & THE ENVIRONMENT	17,615	19,580	13,961	(5,619)
OFFICE OF THE EMPLOYEE OMBUDSMEN	1,092	1,166	987	(179)

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES AND ENCUMBRANCES (continued)				
PARKS & RECREATION				
2008 Parks Levy	—	32	32	—
Building For The Future Program - Construction in Progress	9,250	14,081	3,202	(10,879)
Debt & Special Funding	120	843	148	(695)
Departmentwide Programs	4,032	4,126	4,120	(6)
Fix It First Program -Construction in Progress	38,039	91,713	19,133	(72,580)
Leadership & Administration	32,757	34,556	34,497	(59)
Maintaing Parks & Facilities	—	2	2	—
Parks & Facilities Maintenance & Repairs	54,177	55,629	55,411	(218)
Recreation Facility Programs	15,968	16,403	16,004	(399)
Zoo and Aquarium Programs	2,676	2,676	2,670	(6)
PLANNING & COMMUNITY OFFICE				
Design Commission	654	672	637	(35)
Equitable Development Initiative	14,454	56,785	14,461	(42,324)
Planning & Community Development	12,049	17,337	8,460	(8,877)
POLICE DEPARTMENT				
Administrative Operations/Technical Services	20,808	21,850	20,805	(1,045)
Chief of Police	5,405	10,282	5,677	(4,605)
Collaborative Policing	12,188	12,298	12,291	(7)
Compliance & Professional Standards	5,011	5,036	4,984	(52)
Criminal Investigations	47,288	56,570	50,081	(6,489)
East Precinct	21,890	21,966	21,906	(60)
Leadership & Administration	85,764	93,012	87,808	(5,204)
North Precinct	32,574	32,688	32,656	(32)
Office of Police Account	5,264	5,370	4,408	(962)
Patrol Operations	7,910	8,069	7,830	(239)
South Precinct	22,834	22,919	22,807	(112)
Southwest Precinct	16,514	16,574	16,564	(10)
Special Operations	40,327	51,206	44,118	(7,088)
West Precinct	29,576	29,689	29,502	(187)
POLICE RELIEF & PENSION				
	26,680	26,707	20,568	(6,139)
SEATTLE CENTER				
Building & Campus Improvements	10,798	23,930	8,486	(15,444)
Campus	9,354	10,300	10,300	—
Leadership & Administration	5,913	5,938	5,938	—
McCaw Hall	663	513	816	303
Monorail Rehabilitation	—	68	68	—
SEATTLE PUBLIC LIBRARY				
Administrative/Support Service	10,537	10,944	9,969	(975)
Capital Improvements	1,743	9,800	1,634	(8,166)
Chief Librarian's Office	537	1,115	573	(542)
Human Resources	2,814	2,847	2,741	(106)
Institutional & Strategic Advantage	1,165	1,800	1,584	(216)
Leadership & Administration	1,287	519	519	—
Library Program & Services	47,560	54,126	50,321	(3,805)

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GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES AND ENCUMBRANCES (continued)				
SEATTLE PUBLIC UTILITIES				
General Expense	1,968	2,268	2,161	(107)
Leadership & Administration	—	—	—	—
Utility Service & Operations	21,950	22,159	17,578	(4,581)
TRANSPORTATION DEPARTMENT				
Bridges & Structures	4,980	5,308	5,066	(242)
Central Waterfront	3,200	6,006	—	(6,006)
General Expense	25,867	21,640	9,898	(11,742)
Leadership & Administration	—	—	—	—
Maintenance Operations	11,684	11,935	11,889	(46)
Major Maintenance/Replacement	12,720	18,883	6,378	(12,505)
Major Projects	—	241	241	—
Mobility - Capital	21,398	21,464	8,542	(12,922)
Mobility - Operations	20,569	21,837	22,489	652
Parking Enforcement	18,446	19,225	20,774	1,549
Total Expenditures and Encumbrances	<u>2,305,909</u>	<u>2,686,971</u>	<u>2,125,042</u>	<u>(561,929)</u>
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(475,699)	(856,761)	(99,336)	757,425
OTHER FINANCING SOURCES (USES)				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	—	—	61,240	61,240
Capital Leases & Installments	—	—	—	—
Transfers In	239,175	239,175	66,022	(173,153)
Transfers Out	(219,009)	(274,168)	(42,659)	231,509
Total Other Financing Sources (Uses)	<u>20,166</u>	<u>(34,993)</u>	<u>84,603</u>	<u>119,596</u>
Net Change in Fund Balance	<u>\$ (455,533)</u>	<u>\$ (891,754)</u>	<u>(14,733)</u>	<u>\$ 877,021</u>
Fund Balance - Beginning of Year			717,384	
Restatements/Prior-year Adjustments			<u>35</u>	
Non-Budgetary Revenues/(Expenditures)			<u>303,516</u>	
Fund Balance - End of Year			<u>\$ 1,006,202</u>	

TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 106,142	\$ 106,142	\$ 107,208	\$ 1,066
Sales Taxes	—	—	252	252
Business Taxes	40,158	40,158	37,661	(2,497)
Excise Taxes	—	—	—	—
Other Taxes	—	—	—	—
Total Taxes	146,300	146,300	145,121	(1,179)
Licenses and Permits	5,879	5,879	10,172	4,293
Grants, Shared Revenues, and Contributions	32,185	32,185	93,310	61,125
Charges for Services	143,616	143,616	151,526	7,910
Fines and Forfeits	—	—	2,011	2,011
Concessions, Parking Fees, and Space Rent	—	—	157	157
Program Income, Interest, and Miscellaneous Revenues	2,900	2,900	(3,510)	(6,410)
Total Revenues	330,880	330,880	398,787	67,907
EXPENDITURES AND ENCUMBRANCES				
FINANCE & ADMINISTRATIVE SERVICES - FACILITIES	—	—		—
HUMAN RESOURCES				
Industrial Insurance Services	—	—		—
TRANSPORTATION DEPARTMENT				
Bridges & Structures	9,446	10,051	8,591	(1,460)
Central Waterfront	6,194	30,007	30,007	—
General Expense	36,740	36,740	4,468	(32,272)
Maintenance Operations	24,585	31,107	29,161	(1,946)
Major Maintenance/Replacement	65,845	73,308	73,308	—
Major Projects	1,951	2,394	2,394	—
Mobility Operations	27,076	35,562	29,620	(5,942)
ROW Management	42,130	44,807	39,945	(4,862)
Leadership & Administration	—	—	(4,454)	(4,454)
Waterfront & Civic Projects	27,930	27,983	15,160	(12,823)
Mobility - Capital	122,156	134,897	134,897	—
Parking Enforcement	—	—	—	—
Streetcar Operations - S Lake Union	—	—	—	—
Total Expenditures and Encumbrances	364,053	426,856	363,097	(63,759)
Excess (Deficiency) of Revenues over (under) Expenditures and Encumbrances	(33,173)	(95,976)	35,690	131,666

Required Supplementary Information

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TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2022
(In Thousands)

	Budgeted Amounts		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Long-term Debt Issued	—	—	—	—
Refunding Debt Issued	—	—	—	—
Premium on Bonds Issued	—	—	—	—
Payment to Refunded Bond Escrow Agent	—	—	—	—
Sales of Capital Assets	335	335	49,320	48,985
Capital Leases & Installments	—	—	—	—
Transfers In	—	—	—	—
Transfers Out	—	—	(31,516)	(31,516)
Total Other Financing Sources (Uses)	<u>335</u>	<u>335</u>	<u>17,804</u>	<u>17,469</u>
Net Change in Fund Balance	<u>\$ (32,838)</u>	<u>\$ (95,641)</u>	53,494	<u>\$ 149,135</u>
Fund Balance - Beginning of Year			55,230	
Restatements/Prior-year Adjustments			—	
Non-Budgetary Revenues/(Expenditures)			<u>(36)</u>	
Fund Balance - End of Year			<u>\$ 108,688</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).

Required Supplementary Information

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PENSION PLAN INFORMATION

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS

December 31, 2022

(In Thousands)

Police Relief and Pension Fund

Year Ended	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service Cost			\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A	N/A
Interest on total pension liability	1,927	1,927	2,446	3,061	3,024	3,401	N/A	N/A	N/A	N/A
Effect of plan changes			—	—	—	0	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	(353)	2,428	(1,144)	5,602	2,569	0	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(17,510)	4,534	14,260	11,816	(4,809)	1,689	N/A	N/A	N/A	N/A
Benefit payments	(8,622)	(8,092)	(7,997)	(8,075)	(13,227)	(5,593)	N/A	N/A	N/A	N/A
Net change in pension liability	(24,558)	797	7,564	12,404	(12,443)	(503)	N/A	N/A	N/A	N/A
Total pension liability, beginning	101,279	100,482	92,917	80,513	92,956	93,459	N/A	N/A	N/A	N/A
Total pension liability, ending	76,721	101,279	100,482	92,917	80,513	92,956	N/A	N/A	N/A	N/A
Covered payroll	—	—	—	—	0	N/A	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	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service Cost			\$ —	\$ —	\$ —	\$ —	N/A	N/A	N/A	N/A
Interest on total pension liability	2,288	2,205	2,383	3,298	3,325	3,623	N/A	N/A	N/A	N/A
Effect of plan changes			—	—	—	—	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	5,273	2,206	15,595	(525)	(2,082)	—	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(26,820)	7,583	13,867	9,030	(6,739)	2,118	N/A	N/A	N/A	N/A
Benefit payments	(7,782)	(8,299)	(7,988)	(6,939)	(7,197)	(7,485)	N/A	N/A	N/A	N/A
Net change in pension liability	(27,040)	3,693	23,857	4,864	(12,693)	(1,744)	N/A	N/A	N/A	N/A
Total pension liability, beginning	118,294	114,601	90,744	85,880	98,573	100,317	N/A	N/A	N/A	N/A
Total pension liability, ending	\$91,254	118,294	114,601	90,744	85,880	98,573	N/A	N/A	N/A	N/A
Covered payroll	—	—	—	—	—	N/A	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, 2022
(In Thousands)

	2022	2021	2020	2019	2018
Employer's proportion of the net pension liability (asset)	99.97%	99.96%	99.96%	99.95%	99.95%
Employer's proportionate share of the net pension liability	\$ 828,352	\$ 978,647	\$ 12,556,338	\$ 1,518,484	\$ 1,106,617
Covered payroll	\$ 863,762	\$ 875,457	\$ 783,740	\$ 774,235	\$ 728,094
Employer's proportionate share of the net pension liability as a percentage of covered payroll	95.9%	111.79%	160.3%	196.13%	151.99%
Plan fiduciary net position as a percentage of the total pension liability	83.31%	78.81%	71.48%	64.14%	72.04%
	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	99.93%	99.91%	99.89%	N/A	N/A
Employer's proportionate share of the net pension liability	\$ 1,304,140	\$ 1,297,983	\$ 1,106,800	N/A	N/A
Covered payroll	\$ 708,562	\$ 638,354	\$ 626,403	N/A	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	184.05%	203.33%	176.69%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	65.6%	64.03%	67.7%	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.

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.

Required Supplementary Information

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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, 2022
(In Thousands)

	2022	2021	2020	2019	2018
Employer's proportion of the net pension liability (asset)	3.56%	3.57%	3.56%	3.58%	3.57%
Employer's proportionate share of the net pension liability	\$ 102,018	\$ 122,142	\$ 67,192	\$ 70,673	\$ 64,885
Covered payroll	\$ 534	\$ 574	\$ 924	\$ 992	\$ 1,391
Employer's proportionate share of the net pension liability as a percentage of covered payroll	19,094%	21,293%	7,274.37%	7,127.78%	4,664.63%
Plan fiduciary net position as a percentage of the total pension liability	169.62%	187.45%	146.88%	148.78%	144.42%
	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	3.55%	3.55%	3.55%	3.55%	N/A
Employer's proportionate share of the net pension liability	\$ 53,981	\$ 36,619	\$ 42,771	\$ 43,065	N/A
Covered payroll	\$ 2,023	\$ 2,542	\$ 3,930	\$ 4,905	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	2,668.36%	1,440.33%	1,088.29%	877.98%	N/A
Plan fiduciary net position as a percentage of the total pension liability	135.96%	123.74%	127.36%	126.91%	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:

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; 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, 2022
(In Thousands)

	2022	2021	2020	2019	2018
Employer's proportion of the net pension liability (asset)	8.18%	8.75%	10.24%	8.95%	9.08%
Employer's proportionate share of the net pension asset	\$ 222,387	\$ 508,394	\$ 208,853	\$ 207,455	\$ 184,326
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	144,058	327,969	133,546	135,855	119,348
Total	\$ 366,445	\$ 836,636	\$ 342,398	\$ 343,310	\$ 303,674
Covered payroll	\$ 327,786	\$ 319,504	\$ 345,171	\$ 313,037	\$ 294,033
Employer's proportionate share of the net pension liability as a percentage of covered payroll	68%	159%	60.51%	66.27%	62.69%
Plan fiduciary net position as a percentage of the total pension asset	116.09%	142%	115.83%	119.43%	118.5%
	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	9.17%	9.36%	9.31%	9.4%	N/A
Employer's proportionate share of the net pension asset	\$ 127,282	\$ 54,486	\$ 95,637	\$ 125,076	N/A
LEOFF 2 employers only - State's proportionate share of the net pension asset associated with the employer	82,565	35,523	64,124	82,876	N/A
Total	\$ 209,847	\$ 90,012	\$ 159,761	\$ 207,952	N/A
Covered payroll	\$ 283,991	\$ 273,333	\$ 268,461	\$ 255,273	N/A
Employer's proportionate share of the net pension liability as a percentage of covered payroll	44.82%	19.94%	35.62%	49%	N/A
Plan fiduciary net position as a percentage of the total pension asset	113.36%	106.04%	111.67%	116.75%	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:

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; 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.

Required Supplementary Information

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PENSION PLAN INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Seattle City Employees' Retirement System

December 31, 2021
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or Contractually required employer contributions	\$ 139,441	\$ 141,189	\$ 118,892	\$ 117,490	\$ 111,742	\$ 107,900	\$ 100,614	\$ 89,363	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions	139,282	141,029	141,029	118,393	111,742	108,500	100,614	89,363	N/A	N/A
Contribution deficiency (excess)	\$ 159	\$ 160	\$ (22,137)	\$ (903)	\$ —	\$ (600)	\$ —	\$ —	N/A	N/A
Covered payroll	\$ 863,762	\$ 875,457	\$ 875,457	\$ 783,740	\$ 774,235	\$ 708,562	\$ 638,354	\$ 626,403	N/A	N/A
Contributions as a percentage of covered payroll	16.12%	16.11%	16.11%	15.11%	14.43%	15.31%	15.76%	14.27%	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.

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.

PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1
December 31, 2022
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions ^b	\$	\$	\$	\$	\$	\$	N/A	N/A	N/A	N/A
Contributions in relation to the statutorily or contractually required contributions ^b							N/A	N/A	N/A	N/A
Contribution deficiency (excess)	\$	\$	\$	\$	\$	\$	N/A	N/A	N/A	N/A
Covered payroll	\$ 574	\$ 574	\$ 697	\$ 971	\$ 1,165	\$ 2,023	\$ 2,542	\$ 3,930	\$ 4,905	\$ 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).

Required Supplementary Information

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**PENSION PLAN INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2
December 31, 2022
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions	\$ 16,835	\$ 17,015	\$ 17,706	\$ 17,126	\$ 16,243	\$ 15,300	\$ 14,332	\$ 13,638	\$ 13,249	N/A
Contributions in relation to the statutorily or contractually required contributions	16,835	17,015	17,706	17,126	16,243	15,300	14,332	13,638	13,249	N/A
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	0	N/A
Covered payroll	\$ 331,501	\$ 327,156	\$ 349,172	\$ 326,188	\$ 299,193	\$ 283,991	\$ 273,333	\$ 268,461	\$ 255,273	N/A
Contributions as a percentage of covered payroll	5.08%	5.20%	5.07%	5.25%	5.43%	5.39%	5.24%	5.08%	5.19%	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:

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).

OPEB INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
City of Seattle Health Care Blended Premium Subsidy Plan
December 31, 2022
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability - beginning	\$ 70,258	\$ 63,624	\$ 60,947	\$ 61,130	\$65,648	N/A	N/A	N/A	N/A	N/A
Service cost	4,515	4,015	3,379	3,842	3,822	N/A	N/A	N/A	N/A	N/A
Interest	1,553	1,813	2,587	2,195	2,583	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms						N/A	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	N/A
Changes of assumptions	(1,556)	3,739	(7,761)	(3,887)	(22,126)	N/A	N/A	N/A	N/A	N/A
Benefit payments	(3,040)	(2,934)	(2,484)	(2,334)	(2,289)	N/A	N/A	N/A	N/A	N/A
Other changes						N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 55,703	\$ 70,257	\$ 63,625	\$ 60,946	\$61,130	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ 1,145,863	\$ 1,124,692	\$ 1,124,692	\$ 1,015,097	\$1,015,097	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	4.86%	6.25%	5.66%	6.00%	6.02%	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 2021 are:

- Valuation Method: Entry Age Normal actuarial cost method
- Discount rate: 2.06% is used for the January 1, 2022 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.

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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 Fire Employees
December 31, 2022
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability - beginning	\$ 290,597	\$ 300,862	\$ 269,926	\$268,828	\$287,302	N/A	N/A	N/A	N/A	N/A
Service cost			—	—	—	N/A	N/A	N/A	N/A	N/A
Interest	5,688	5,894	7,260	10,525	9,855	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms			—	—	—	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience			—	—	—	N/A	N/A	N/A	N/A	N/A
Effect of plan changes			7,800	—	—	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	3,074	(2,075)	580	(7,497)	—	N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(43,039)	(1,718)	27,249	9,583	(16,786)	N/A	N/A	N/A	N/A	N/A
Benefit payments	(12,545)	(12,365)	(11,954)	(11,513)	(11,543)	N/A	N/A	N/A	N/A	N/A
Other changes			—	—	—	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 243,775	\$ 290,598	\$ 300,861	\$269,926	\$268,828	N/A	N/A	N/A	N/A	N/A
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 2022 are:

- Valuation Method: Entry Age Normal actuarial cost method
- Discount rate: 3.75%
- 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, 2022
(In Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total OPEB liability - beginning	\$ 293,685	\$ 308,600	\$ 287,127	\$ 297,381	\$ 318,682	N/A	N/A	N/A	N/A	N/A
Service cost				—		N/A	N/A	N/A	N/A	N/A
Interest	5,730	6,012	7,682	11,599	10,903	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms				—		N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience				—		N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	(12,669)	(534)		(9,511)		N/A	N/A	N/A	N/A	N/A
Changes of assumptions	(34,313)	(4,348)	26,184	2,637	(17,731)	N/A	N/A	N/A	N/A	N/A
Benefit payments	(14,399)	(16,045)	(15,683)	(14,979)	(14,472)	N/A	N/A	N/A	N/A	N/A
Other changes				—		N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	\$ 238,034	\$ 293,685	\$ 308,600	\$ 287,127	\$ 297,382	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	\$ —	\$ —	\$ —	\$ —	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 2022 are:

- Valuation Method: Entry Age Normal actuarial cost method
- Discount rate: 3.75%
- 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.

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF	Child and Adult Care Food Program	10.558	-	-	898,758	898,758	716,638	
Child Nutrition Cluster								
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF	Summer Food Service Program for Children	10.559	-	-	316,968	316,968	288,760	
		Total Child Nutrition Cluster:			316,968	316,968	288,760	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	2169-20176	6,627	-	6,627	-	
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	2169-20176	59,640	-	59,640	-	4
		Total ALN 10.576:		66,267		66,267		
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, COMMERCE, DEPARTMENT OF (via Washington State Recreation and Conservation Office)	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	11.438	19-1319	176,014	-	176,014	-	
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	100,000	100,000	100,000	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	-	-	150,404	150,404	150,404	

The accompanying notes are an integral part of this schedule.

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	211,633	211,633	206,184		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	1,392,282	1,392,282	645,131		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	8,219	8,219	-		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	13,004	13,004	-		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	26,576	26,576	-		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	82,691	82,691	-		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	129,844	129,844	-		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	585,182	585,182	-		

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	637,463	637,463	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	900,000	900,000	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	-	-	1,368,468	1,368,468	-	
Total CDBG - Entitlement Grants Cluster:				-	5,605,766	5,605,766	1,101,720	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Emergency Solutions Grant Program	14.231	-	-	662,249	662,249	662,249	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Emergency Solutions Grant Program	14.231	-	-	5,722,737	5,722,737	2,511,280	
Total ALN 14.231:				-	6,384,986	6,384,986	3,173,528	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	219,966	219,966	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	245,776	245,776	-	

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	558,957	558,957	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	1,360,263	1,360,263	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	-	-	1,522,453	1,522,453	-	
						3,907,415		
						3,907,415		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Housing Opportunities for Persons with AIDS	14.241	-	-	85,844	85,844	73,426	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Housing Opportunities for Persons with AIDS	14.241	-	-	106,646	106,646	106,646	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Housing Opportunities for Persons with AIDS	14.241	-	-	411,782	411,782	411,782	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Housing Opportunities for Persons with AIDS	14.241	-	-	1,710,790	1,710,790	1,694,266	

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Housing Opportunities for Persons with AIDS	14.241	-	-	4,294	4,294	-	
			Total ALN 14.241:	-	2,319,356	2,319,356	2,286,121	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	-	-	61,816	61,816	61,760	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Continuum of Care Program	14.267	-	-	518,560	518,560	518,560	
			Total ALN 14.267:	-	580,376	580,376	580,320	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF (via Seattle Housing Authority)	Moving to Work Demonstration Program	14.881	813907	533,333	-	533,333	-	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	18-2169D	2,840	-	2,840	-	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	18-1274D	17,509	-	17,509	-	
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Recreation and Conservation Office)	Outdoor Recreation Acquisition, Development and Planning	15.916	18-1581D	434,477	-	434,477	-	

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total ALN 15,916:	454,826	-	454,826		
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	-	82,725	-	82,725		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Services for Trafficking Victims	16.320	-	59,634	-	59,634		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Services for Trafficking Victims	16.320	-	118,914	-	118,914		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Missing Children's Assistance	16.543	-	707,467	-	707,467		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via George Mason University)	National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	2016-CK-BX-0005	631,992	-	631,992		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Crime Victim Assistance	16.575	F 19-31219-552	20,759	-	20,759		
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Crime Victim Assistance/Discretionary Grants	16.582	-	181,138	-	181,138		
OFFICE ON VIOLENCE AGAINST WOMEN, JUSTICE, DEPARTMENT OF	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	-	81,124	-	81,124	10,796	
			Total ALN 16,320:	178,548	-	178,548		

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
COMMUNITY ORIENTED POLICING SERVICE, JUSTICE, DEPARTMENT OF	Public Safety Partnership and Community Policing Grants	16.710	-	-	6,392	6,392	-	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	132,582	132,582	23,752	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	348,938	348,938	51,233	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	224,237	224,237	206,228	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	-	-	231,355	231,355	231,355	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF (via Washington State Department of Commerce)	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-YD-BX- 0030	155,700	-	155,700	-	
Total ALN 16.738:				155,700	937,112	1,092,812	512,568	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Comprehensive Opioid, Stimulant, and other Substances Use Program	16.838	-	-	263,540	263,540	-	
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	-	-	420,424	420,424	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Highway Research and Development Program	20.200	-	-	1,321,119	1,321,119	-	
Highway Planning and Construction Cluster								

The accompanying notes are an integral part of this schedule.

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	CM-1704(001)	1,921	-	1,921	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(697)/ LA10154	42,899	-	42,899	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	1499(002)-RAISE	86,502	-	86,502	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	STPUL- 1140(071)	433,052	-	433,052	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	STPUL- 9999(846)	474,098	-	474,098	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	HSIP-000S(522)	676,979	-	676,979	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	CM-1603(002)	2,076,246	-	2,076,246	-	

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	STPUL- 1602(029)/LA- 10021	3,595,758	-	3,595,758	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	9917(036)- STPUL	5,903,686	-	5,903,686	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	9917(036)-HIPUL	6,417,055	-	6,417,055	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	9917(036)-INFRA	7,578,224	-	7,578,224	-	
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department Of Transportation)	Highway Planning and Construction	20.205	9917(036)-BHM	10,411,679	-	10,411,679	-	
Total Highway Planning and Construction Cluster:				37,698,099	-	37,698,099	-	
Federal Transit Cluster								
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500		-	20,034	20,034	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500		-	2,352,735	2,352,735	-	

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Capital Investment Grants	20.500	-	-	23,773,175	23,773,175	-	
			Total ALN 20.500:	-	26,145,944	26,145,944	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	29,297	29,297	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	-	-	59,618	59,618	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via King County Metro)	Federal Transit Formula Grants	20.507	WA-90-0522	218,654	-	218,654	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	-	-	314,122	314,122	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	347,940	347,940	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	380,705	380,705	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	Federal Transit Formula Grants	20.507	-	-	478,757	478,757	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	COVID 19 - Federal Transit Formula Grants	20.507	-	-	514,947	514,947	-	

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City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program Federal Transit Formula Grants	ALN Number 20.507	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF		20.507	-	2,143,960	2,143,960	-	-	
			Total ALN 20.507:	218,654	4,269,346	4,488,000		
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	-	1,280	1,280	-	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	-	23,870	23,870	-	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	-	30,105	30,105	-	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	-	110,848	110,848	-	-	
FEDERAL TRANSIT ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF	State of Good Repair Grants Program	20.525	-	419,702	419,702	-	-	
			Total ALN 20.525:	585,805	585,805			
			Total Federal Transit Cluster:	31,001,095	31,219,749			
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON TRAFFIC SAFETY COMMISSION)	State and Community Highway Safety	20.600	2023-HVE-4689- Region 7&8 Target Zero Task Force	5,695	-	5,695	-	

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City of Seattle
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For the Year Ended December 31, 2022

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON TRAFFIC SAFETY COMMISSION)	State and Community Highway Safety	20.600	2022-AG-4325- SPD Impaired Driving	26,922	-	26,922	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON TRAFFIC SAFETY COMMISSION)	State and Community Highway Safety	20.600	2022-AG-4310	105,443	-	105,443	-	
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via WASHINGTON TRAFFIC SAFETY COMMISSION)	National Priority Safety Programs	20.616	Total ALN 20.600: 2022-AG-4379- TSRP	138,060 110,138	-	138,060 110,138	-	
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Military Department)	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	Total Highway Safety Cluster: 693JK31940052H MEP	248,198 42,184	-	248,198 42,184	-	
TREASURY, DEPARTMENT OF THE, TREASURY, DEPARTMENT OF THE	Equitable Sharing	21.016		-	295,231	295,231	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023		-	3,732,732	3,732,732	3,571,468	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023		-	4,982,371	4,982,371	4,982,371	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023	-	-	17,305,256	17,305,256	17,230,359	
			Total ALN 21.023:	-	26,020,359	26,020,359	25,784,198	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	111,278,063	111,278,063	20,840,436	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	-	-	86,921	86,921	-	6
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-56104-096	3,601,533	-	3,601,533	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Commerce)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	22-56104-078	9,756,647	-	9,756,647	-	
			Total ALN 21.027:	13,358,180	111,364,984	124,723,164	20,840,436	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	69,064	69,064	53,575	
NATIONAL ENDOWMENT FOR THE ARTS, NATIONAL ENDOWMENT FOR THE ARTS	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	-	7,100	7,100	-	
			Total ALN 45.024:	-	76,164	76,164	53,575	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington Secretary of State / Washington State Library)	Grants to States	45.310	G-7374	9,085	-	9,085	-	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington Secretary of State / Washington State Library)	Grants to States	45.310	IG-7144	13,612	-	13,612	-	
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES, THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES (via Washington Secretary of State / Washington State Library)	Grants to States	45.310	G-7474	163,902	-	163,902	-	
Total ALN 45.310:				186,599	-	186,599	-	
SMALL BUSINESS ADMINISTRATION, SMALL BUSINESS ADMINISTRATION	COVID 19 - Shuttered Venue Operators Grant Program	59.075		-	1,186,513	1,186,513	-	
Clean Water State Revolving Fund Cluster								
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Clean Water State Revolving Fund	66.458	WQC-2019-SEAPUD-00191-EL220699	8,074,371	-	8,074,371	-	6&8
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Clean Water State Revolving Fund	66.458	WQC-2019-SEAPUD-00191-EL220699	10,561,216	-	10,561,216	-	8
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY (via Washington State Department of Ecology)	Clean Water State Revolving Fund	66.458	WQC-2019-SEAPUD-00191-EL210311	27,635,000	-	27,635,000	-	6&8
Total Clean Water State Revolving Fund Cluster:				46,270,587	-	46,270,587	-	
TRIO Cluster								

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				From Pass- Through Awards	From Direct Awards	Total		
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	TRIO Upward Bound	84.047	-	-	229,868	229,868	-	
OFFICE OF POSTSECONDARY EDUCATION, EDUCATION, DEPARTMENT OF	TRIO Upward Bound	84.047	-	-	248,885	248,885	-	
			Total TRIO Cluster:	-	478,753	478,753	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2169-97595	666	-	666	666	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2269-38389	17,107	-	17,107	17,107	
			Total ALN 93.041:	17,773	-	17,773	17,773	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2269-38389	49,378	-	49,378	49,378	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2069-69040	51,894	-	51,894	51,494	
			Total ALN 93.043:	101,272	-	101,272	100,872	
Aging Cluster								

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				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2269-39921	83,097	-	83,097	658	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	COVID 19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2069-80551	63,693	-	63,693	63,693	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2169-97595	1,269,541	-	1,269,541	647,199	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2269-38389	970,855	-	970,855	791,651	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2069-69040	1,596	-	1,596	-	
Total ALN 93.044:				2,388,782	-	2,388,782	1,503,202	

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				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2069-69040	170,962	-	170,962	127,943	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2169-97595	514,366	-	514,366	453,370	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2169-30882	2,408,772	-	2,408,772	1,739,202	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2269-38389	3,575,936	-	3,575,936	3,467,951	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Nutrition Services Incentive Program	93.053	2169-97595	127,624	-	127,624	127,586	
		Total ALN 93.045:		6,670,036	-	6,670,036	5,788,465	

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				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Nutrition Services Incentive Program	93.053	2269-38389	387,553	-	387,553	387,553	
				515,177	-	515,177	515,139	
				9,573,995	-	9,573,995	7,806,806	
		Total ALN 93.053:						
		Total Aging Cluster:						
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	2069-84878	87,676	-	87,676	51,023	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	2269-38389	154,403	-	154,403	86,663	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	2069-69040	143,382	-	143,382	132,509	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	COVID 19 - National Family Caregiver Support, Title III, Part E	93.052	2069-80551	134,250	-	134,250	134,250	

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				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	2169-97595	966,407	-	966,407	812,222	
		Total ALN 93.052:		1,398,442	-	1,398,442	1,165,644	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Low-income Home Energy Assistance	93.568	F21-5310C-404	188,098	-	188,098	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Low-income Home Energy Assistance	93.568	F21-53101-404	288,794	-	288,794	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Low-income Home Energy Assistance	93.568	F19-53101-404	812,353	-	812,353	-	
		Total ALN 93.568:		1,289,245	-	1,289,245	-	
ADMINISTRATION FOR CHILDREN AND FAMILIES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Commerce)	Community Services Block Grant	93.569	F22-32101-005	181,812	-	181,812	-	

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ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via The Community Transportation Association of America (CTAA))	Developmental Disabilities Projects of National Significance	93.631	90DNTC0001-04- 00	205,758	-	205,758	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES,	Medical Assistance Program	93.778	2169-43429	443,689	-	443,689	105,528	
DEPARTMENT OF (via Washington State Department of Social and Health Services)								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES,	Medical Assistance Program	93.778	2269-43429	6,871,377	-	6,871,377	2,686,959	
DEPARTMENT OF (via Washington State Department of Social and Health Services)								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES,	Medical Assistance Program	93.778	2169-20176	8,822,239	-	8,822,239	4,021,565	
DEPARTMENT OF (via Washington State Department of Social and Health Services)								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES,	Medical Assistance Program	93.778	304	556,007	-	556,007	-	
DEPARTMENT OF (via Washington State Department of Social and Health Services)								
Total Medicaid Cluster:				16,693,312	-	16,693,312	6,814,052	

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HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	PPHF Geriatric Education Centers	93.969	U1QHP28742	31,693	-	31,693	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	PPHF Geriatric Education Centers	93.969	UWSC11212	51,982	-	51,982	-	
Total ALN 93.969:				83,675	-	83,675	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-140	23,392	-	23,392	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D17-190	35,461	-	35,461	-	6
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-2012	230,735	-	230,735	-	6
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-140	666,559	-	666,559	-	6

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FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	COVID 19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	D20-140	10,786,283	-	10,786,283	-	6 & 7
Total ALN 97.036:				11,742,430	-	11,742,430	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Hazard Mitigation Grant	97.039	D21-020/DR4309- 05-R/FED774P7	1,369,300	-	1,369,300	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMS-2021-EP- 00008-S01	141,320	-	141,320	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	EMS-2021-EP- 00007-S01	284,971	-	284,971	-	
Total ALN 97.042:				426,291	-	426,291	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Assistance to Firefighters Grant	97.044		-	51,428	51,428	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	BRIC: Building Resilient Infrastructure and Communities	97.047	EMS-2020-PC- 0002	2,095,573	-	2,095,573	-	

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FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	-	49,644	-	49,644	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	-	193,002	-	193,002	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	-	434,741	-	434,741	-	
				677,387		677,387		
			Total ALN 97.056:					
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2018-SS- 00088-S01	-	-	-	6,066	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2019-SS- 00044-S01	11,366	-	11,366	8,577	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	2009-SS-T9-0015	-	-	-	11,860	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2021-SS- 00083-S01	37,000	-	37,000	13,506	

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FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	160,777	-	160,777	17,710	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2018-SS- 00088-S01	38,103	-	38,103	29,236	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2018-SS- 00088-S01	-	-	-	29,332	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	-	-	-	51,881	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2019-SS- 00044-S01	-	-	-	55,780	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2019-SS- 00044-S01	-	-	-	58,156	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	154,108	-	154,108	102,499	

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FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Homeland Security Grant Program	97.067	EMW-2019-SS- 00044-S01	-	-	-	113,826	5
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2021-SS- 00083-S01	332,169	-	332,169	137,506	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2020-SS- 00080	1,034,960	-	1,034,960	147,111	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Homeland Security Grant Program	97.067	EMW-2019-SS- 00044-S01	1,197,182	-	1,197,182	797,248	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2019-SS- 00044-S01	668	-	668	-	
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County)	Homeland Security Grant Program	97.067	EMW-2021-SS- 00083-S01	41,935	-	41,935	-	
Total ALN 97.067:			3,008,268	-	3,008,268	1,580,293		
Countering Weapons of Mass Destruction, HOMELAND SECURITY, DEPARTMENT OF	Homeland Security Blowwatch Program	97.091		-	488,576	488,576	-	

The accompanying notes are an integral part of this schedule.

City of Seattle
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

	Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures				Total	Passed through to Subrecipients	Note
					From Pass- Through Awards	From Direct Awards					
	Countering Weapons of Mass Destruction, HOMELAND SECURITY, DEPARTMENT OF	Homeland Security Blowwatch Program	97.091	-	-	1,083,200	-	1,083,200	-		
			Total ALN 97.091:			1,571,776		1,571,776			
	Countering Weapons of Mass Destruction, HOMELAND SECURITY, DEPARTMENT OF	Securing the Cities Program	97.106	-	-	315,181	-	315,181	175,049		
			Total Federal Awards Expended:			148,336,214		197,232,085		73,060,171	

The accompanying notes are an integral part of this schedule.

CITY OF SEATTLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

NOTE 1 - BASIS OF ACCOUNTING

The City's Schedule of Expenditures of Federal Awards (SEFA) is presented using the modified accrual basis of accounting for grants accounted for in the governmental fund types and the accrual basis of accounting for grants accounted for in the proprietary fund types.

NOTE 2 – FEDERAL DE MINIMIS INDIRECT COST RATE

The City has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – SECTION 108 LOANS

(a) The City participates in HUD's Section 108 Loan Guarantee Program (Section 108). As of December 31, 2022, the outstanding loans due to HUD totaled \$3.5 million. A summary of projects with outstanding loan balances is as follows:

<u>Project</u>	<u>Outstanding Loan Balance as of December 31, 2022</u>
Bush Hotel	\$ 798,000
INSCAPE	2,080,000
12th Avenue Arts	<u>653,000</u>
Total	<u>\$ 3,531,000</u>

These loans are not considered to have continuing compliance requirements under 2 CFR §200.502(b) of the Uniform Guidance, and therefore, are only reported on the SEFA in the year in which funds are expended and drawn.

The City did not establish any new loans in 2022.

NOTE 4 – NONCASH AWARDS – FOOD VOUCHERS

The food voucher expenditures of \$59,640 represent the face value of the food vouchers distributed to the participants of the Senior Farmers' Market Nutrition Program funded by the U.S. Department of Agriculture (ALN 10.576) and provided through the Washington Department of Social and Health Services. Distribution of the vouchers is overseen by the City's Aging and Disability Services (ADS) Division of the Human Services Department. These vouchers are not recognized in the City's basic financial statements.

NOTE 5 – EQUIPMENT AND SUPPLIES PASSED THROUGH TO SUBRECIPIENTS

The City purchases and transfers supplies and equipment to subrecipients. These purchases are reported as grant expenditures on the SEFA in the year in which they occur and are reported in the "Passed Through to Subrecipients" column in the year in which the supplies and equipment are transferred to subrecipients.

NOTE 6 – PRIOR YEAR EXPENDITURES INCLUDED IN SEFA

The SEFA includes \$47,515,330 in the prior year federal grant expenditures. Of the total prior year expenditures, \$11,719,038 relates to the Presidentially Declared Disasters (ALN 97.036) as follows:

Presidential Disaster Declaration #	Award ID	Dates Costs Incurred	Prior Year Expenditures Reported on the Current Year SEFA
FEMA-4309-DR-WA	D17-190	1/30/2017 - 2/22/2017	\$ 35,461
FEMA-4539-DR-WA	D20-2012	1/20/2020 - 2/10/2020	230,735
FEMA-4481-DR-WA	D20-140	3/1/2020 - 12/31/2021	11,452,842
Total			\$ 11,719,038

These expenditures were approved by FEMA in 2022.

An additional \$86,921 in the prior year expenditures reported under the Award ID SLFRP1045 (ALN 21.027), relates to the 2021 vendor invoices authorized and paid in 2022.

The prior year expenditures reported on the current year SEFA, also include funds expended under the Capitalization Grants for Clean Water State Revolving Fund (ALN 66.458) in the amount of \$35,709,371.

NOTE 7 - 10% FEMA RETAINAGE

The amount held by FEMA as retainage is not included in the SEFA but will be reported when, and in the amount, deemed eligible by the agency's Final Inspection Report.

NOTE 8 – EPA CLEAN WATER STATE REVOLVING FUND (CFDA 66.458)

The City receives federal revolving grant funds from the U.S. Environmental Protection Agency (EPA) Office of Water. These funds are passed to the City through the Washington State Department of Ecology as loans under ALN 66.458, Capitalization Grants for Clean Water State Revolving Fund.

These loans are not considered to have continuing compliance requirements under Title 2 CFR Part 200, and therefore are only reported on the SEFA when the expenditures are incurred and submitted for reimbursement. This may result in the prior period expenditures being reported on the SEFA.

The table below provides a breakdown of the expenditures reported under this loan program on the 2022 SEFA:

Award ID	Year Costs Incurred	Expenditures Reported on the Current Year SEFA
WQC-2019-SEAPUD-00191-EL210311	2021	\$ 27,635,000
WQC-2019-SEAPUD-00191-EL220699	2021	8,074,371
WQC-2019-SEAPUD-00191-EL220699	2022	10,561,216
Total		\$ 46,270,587

**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

**City of Seattle
January 1, 2022 through December 31, 2022**

This schedule presents the corrective action planned by the City for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<p>Finding ref number: 2022-001</p>	<p>Finding caption: The City charged payroll-related expenditures that lacked support to the Community Development Block Grants/Entitlement Grants program.</p>
<p>Name, address, and telephone of City contact person: Debra Rhinehart, HSD Interim Federal Grants Mgt Unit Manager, 206.684.0574 Theresa George, HSD Accounting Manager, 206.798.3360</p>	
<p>Corrective action the auditee plans to take in response to the finding: HSD Response: <i>HSD as the CDBG administrator, in collaboration with its contracted consultant support TDA consulting, will complete the following steps to support the resolution of this finding associated with the pre-approval of timesheets within the Office of Housing, and the Department of Parks and Recreation.</i> <i>HSD will conduct a thorough review of all existing MOAs with our recipients to ensure that the language pertaining to pre-approved timesheets is clear, consistent, and aligned with federal and state regulations. HSD will also assure staff responsible for administering CBDG funds and other federal funds are oriented to federal requirements regarding the pre-approval of timesheets and will emphasize the importance of adhering to the requirements outlined in the MOAs. HSD will encourage its city partners receiving these funds to work with the City-Wide Accounting team to adopt standardized procedures for the approval, documentation, and tracking of timesheets.</i></p>	

Office of Housing Response:

The Office of Housing will change its timesheet review procedures in order to ensure manager sign-off happens no sooner than the close of business on the final day of the pay period. Current procedure is for the Office Housing Accountant to send an email reminding all managers to sign-off on timesheets; effective 10/1/23 this message will add the specific reminder that all employees funded by federal grant revenues should not have their timesheets approved until after all hours have been worked.

Parks and Recreation Response:

Moving forward, Seattle Parks and Recreation (SPR) will follow the City-Wide Accounting guidance provided on June 6th, 2023 which requires employees to not submit timesheets earlier than the federally grant-funded work is performed.

SPR department leadership have immediately notified the CDBG management team to re-emphasize the requirement. In addition, the SPR payroll team will also provide a reminder of the requirement for all SPR staff for each payroll cycle. The SPR executive team will continue to monitor compliance relating to this recommendation.

Anticipated date to complete the corrective action:

Human Services Department: 12/31/2023

Seattle Parks and Recreation: 9/15/2023

Office of Housing:10/01/2023

Finding ref number: 2022-002	Finding caption: The City’s internal controls were inadequate for ensuring compliance with federal reporting requirements.
Name, address, and telephone of City contact person: Debra Rhinehart, HSD Interim Federal Grants Mgt Unit Manager, 206.684.0574 Theresa George, HSD Accounting Manager, 206.798.3360	
Corrective action the auditee plans to take in response to the finding: <i>HSD hired a consultant service (TDA) in response to prior SAO feedback, which will strengthen our internal controls over federal reporting requirements to ensure our Cash on Hand Quarterly Reports and FFATA reports are accurate and submitted timely moving forward. HSD will continue to clarify roles and responsibilities for reporting and central reporting and archiving of confirmation reports to increase internal control of this function.</i> <i>TDA consulting will add capacity to HSD’s Federal Grants Management Unit to clear its 2022 FFATA reporting backlog while HSD addresses current staffing shortages. In addition to clearing the reporting backlog, HSD’s contractor is assisting with the development of policies and procedures to better facilitate the conducting of data quality reviews to address accuracy</i>	

issues identified with Cash on Hand Quarterly Reports (PR29 and PR29-CV) to better report information such as cash on hand, program income and revolving fund funding levels.

As part of its scope of work, TDA has developed a workplan focusing on the establishment of a staffing plan recommendation, the associated role assignments for the future staffing structure and documenting reporting procedures to assure reporting compliance moving forward.

Anticipated date to complete the corrective action: 12/31/2023

Finding ref number: 2022-003	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.
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Name, address, and telephone of City contact person:

Debra Rhinehart, HSD Interim Federal Grants Mgt Unit Manager, 206.684.0574

Theresa George, HSD Accounting Manager, 206.798.3360

Corrective action the auditee plans to take in response to the finding:

HSD Response:

HSD as the CDBG administrator, in collaboration with its contracted consultant support TDA consulting, will complete the following steps to support the resolution of this finding noting internal controls were inadequate for ensuring staff verified the suspension and debarment status of sub-recipients within the Office of Housing.

HSD will conduct a thorough review of all existing MOAs with our recipients to ensure that the language pertaining to the verification and the documenting of the suspension and debarment status of sub-recipients is clear, consistent, and aligned with federal and state regulations. HSD will also assure staff responsible for administering CBDG funds and other federal funds are oriented to the importance of adhering to the debarment verification requirements outlined in the MOAs. HSD will encourage its city partners receiving these funds to work with other city partners to adopt standardized procedures for the verification and documentation of sub-recipient suspension and debarment status.

Office of Housing Response:

The Office of Housing will implement and communicate the following procedures: For all contracts expected to receive \$25,000 or more in federal funds, the program staff person initiating the contract will first search the SAM website to verify that: the agency is registered, the agency's registration status is active, and the agency does not have any active exclusions such as debarment or suspension. This status will be double-checked by the future Senior Contracts Specialist position before any contract is finalized.

Anticipated date to complete the corrective action:

The Office of Housing will hold a meeting of all relevant managers and supervisors on 9/26/23, during which all will be notified (or reminded) of the procedures described above. When the

new Senior Contracts Specialist position is hired (estimated by 12/31/23), one of their first tasks will be to write and distribute a comprehensive contracts policy for the Office of Housing, which will include the procedures described above.

ABOUT THE STATE AUDITOR'S OFFICE

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