



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

June 23, 2025

Mayor and City Council
City of Seattle
Seattle, Washington

Contracted CPA Firm's Audit Report on Financial Statements

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the City of Seattle Solid Waste Enterprise Fund for the fiscal years ended December 31, 2024 and 2023. The City contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required by RCW 43.09.260. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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



Report of Independent Auditors and Financial Statements with
Required Supplementary Information and Other Information

**Seattle Public Utilities –
Solid Waste Fund
(An Enterprise Fund of the City of Seattle)**

December 31, 2024 and 2023

Table of Contents

	Page
Report of Independent Auditors	1
Management's Discussion and Analysis	5
Financial Statements	
Statements of Net Position	14
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17
Notes to Financial Statements	19
Required Supplementary Information	
Schedule of Seattle Public Utilities' Proportionate Share of the Net Pension Liability	49
Schedule of Seattle Public Utilities' Pension Contributions	49
Schedule of the City's Total OPEB Liability and Related Ratios	50
Other Information (Unaudited)	
Solid Waste Debt Service Coverage Calculation 2024	52
Solid Waste Customers by Class	53
Solid Waste Tonnage	53
Solid Waste Rate Schedule and Transfer Station Fees	54

Report of Independent Auditors

To the Director of Seattle Public Utilities
Solid Waste Fund
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seattle Public Utilities – Solid Waste Fund (the Fund), which comprise the statements of net position as of December 31, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Seattle Public Utilities – Solid Waste Fund as of December 31, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Financial Reporting Entity

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of City of Seattle, Washington, as of December 31, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Seattle Public Utilities' proportionate share of the net pension liability, schedule of Seattle Public Utilities' pension contributions, and the schedule of the City's total OPEB liability and related ratios (collectively, required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information as listed in the table of contents. The other information comprises the debt service coverage calculation, solid waste customers by class, solid waste tonnage, and solid waste rate schedule and transfer station fees but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2025, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Seattle, Washington
April 30, 2025

Management's Discussion and Analysis

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Management's Discussion and Analysis

As management of Seattle Public Utilities (SPU), a department of the City of Seattle (the City), we offer readers of SPU's financial statements this narrative overview and analysis of the financial activities of the Solid Waste Fund (the Fund) for the fiscal years ended December 31, 2024 and 2023. The revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the City of Seattle's solid waste system are recorded in the Fund, the functions of which are primarily supported by user fees and charges billed to customers. The financial situation of other aspects of Seattle City government, including other utility services and general government operations, is reported elsewhere.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial statements include management's discussion and analysis and basic financial statements with accompanying notes.

Basic financial statements – The basic financial statements of the Fund report information similar to the presentation used by private sector companies. These statements offer short-term and long-term financial information about its activities. The basic financial statements begin on page 14 of this report and are comprised of three components: (1) statements of net position, (2) statements of revenues, expenses, and changes in net position, and (3) statements of cash flows.

The statement of net position presents information, as of December 31, 2024 and 2023, on all of the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources are reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources), and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund's net position for the years ended December 31, 2024 and 2023. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. These statements reflect the results of the Fund's operations for the years identified to provide information about the Fund's creditworthiness and its ability to recover all its costs through service fees and other charges.

The statements of cash flows are required to provide information about the Fund's cash receipts and cash payments during the years ended December 31, 2024 and 2023. To provide answers to questions about sources, uses, and impacts to cash, these statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities for the reporting period.

Notes to the financial statements – The notes are an integral part of the financial statements. They provide additional disclosures that are essential to a full understanding of the data provided in the financial statements, such as for certain estimates and financing details. The notes to the financial statements begin on page 19 of this report.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Management’s Discussion and Analysis

Financial Analysis

Increases or decreases in net position may serve over time as a useful indicator of whether the Fund’s financial position is improving or deteriorating. On December 31, 2024, the Fund had a surplus in total net position of \$275.7 million compared to a surplus of \$213.3 million in 2023. In 2024, the Fund’s net position increased \$62.5 million (29.3%), as compared to 2023 which increased \$46.3 million (27.7%). The following summary statements of net position presents the assets and deferred outflows of resources of the Fund and shows the mix of liabilities and deferred inflows of resources and net position used to acquire these assets.

Summary Statements of Net Position

	2024	2023	2022
ASSETS			
Current assets	\$ 238,400,886	\$ 248,170,860	\$ 201,769,202
Capital assets, net	185,716,195	189,153,592	194,645,965
Other	67,296,242	69,816,645	70,007,051
Total assets	491,413,323	507,141,097	466,422,218
DEFERRED OUTFLOWS OF RESOURCES	7,279,396	10,794,494	7,799,094
Total assets and deferred outflows of resources	<u>\$ 498,692,719</u>	<u>\$ 517,935,591</u>	<u>\$ 474,221,312</u>
LIABILITIES			
Current liabilities	\$ 54,420,251	\$ 37,336,252	\$ 30,481,615
Revenue bonds	62,634,345	160,685,018	170,136,850
Other	60,587,931	62,841,944	56,303,263
Total liabilities	177,642,527	260,863,214	256,921,728
DEFERRED INFLOWS OF RESOURCES	45,306,632	43,782,078	50,325,775
NET POSITION			
Net investment in capital assets	99,119,390	30,443,855	27,085,021
Restricted	2,671,129	2,974,707	3,713,964
Unrestricted	173,953,041	179,871,737	136,174,824
Total net position	275,743,560	213,290,299	166,973,809
Total net position, liabilities and deferred inflows of resources	<u>\$ 498,692,719</u>	<u>\$ 517,935,591</u>	<u>\$ 474,221,312</u>

2024 Compared to 2023

Assets – Current assets decreased by \$9.8 million (-3.9%) from the prior year, mostly due to a \$7.7 million decrease in operating cash and a \$2.6 million decrease in receivables. These decreases were offset by a \$0.6 million increase in amounts due from other governments. The decrease in operating cash was primarily the result of the \$65 million bond call of the 2014 bonds and the \$5.6 million increase in construction in progress. This was offset by operating activities, consisting of a \$62.5 million change in net position. The decrease in receivables consisted of a \$3.7 million decrease in accounts receivable, net of allowance, which was offset by a \$1.1 million increase in unbilled revenues.

Capital assets decreased \$3.4 million (-1.82%) over the prior year. This change is mostly due to retirements totaling \$5.9 million and \$5.2 million increase in accumulated depreciation and amortization. This decrease was partially offset by construction in progress spending of \$7.7 million.

Seattle Public Utilities – Solid Waste Fund (An Enterprise Fund of the City of Seattle) Management's Discussion and Analysis

Other assets decreased \$2.5 million (-3.6%) from the prior year. This change consisted of a decrease of \$1.5 million in accrued landfill closure/postclosure costs, a decrease of \$0.5 million in regulatory assets, and a decrease of \$ 0.3 million in restricted cash and equity in pooled investments.

Deferred outflows of resources – Deferred outflows of resources decreased by \$3.5 million (-32.6%) from 2023. \$1.9 million of this decrease is attributed to changes in deferred outflows related to pension accounting in 2024, including differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and contributions made subsequent to the measurement date. \$1.6 million of the decrease is from the recognition of the remaining refunding loss on the 2014 bonds that were called in 2024 (Note 4).

Liabilities – Current liabilities increased \$17.0 million (45.8%) from the prior year. This is mostly attributed to an increase in revenue bonds due within one year of \$21.3 million. This increase was offset by a decrease in environmental liabilities of \$2.5 million and a decrease in accounts payable of \$0.9 million, and a decrease in salaries, benefits and payroll taxes payable of \$0.8 million.

Noncurrent and other liabilities decreased \$100.3 million (-44.9%) from 2023. This decrease is mostly attributed to a decrease of \$98 million in revenue bonds and related liabilities, a decrease of \$3.6 million in net pension liability. These decreases were offset by a \$1.5 million increase in environmental liabilities.

Deferred inflows of resources – Deferred inflows of resources increased by \$1.5 million (3.5%) from 2023 mostly due to a \$1.5 million increase attributed to changes in deferred inflows related to rate stabilization.

Net position – Net position increased \$62.5 million (29.3%) from 2023.

A portion of the Fund's net position of \$99.1 million (36.0%) reflects the Fund's net investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and amortization, and any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers. Consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. During 2024, net position invested in capital assets increased \$68.7 million mainly due to a decrease in debt related to investment in capital being offset by a decrease in capital assets.

The restricted portion of the Fund's net position of \$2.7 million (1.0%) mostly consists of unamortized landfill closure/postclosure costs related to the Midway and Kent-Highlands landfills (see Note 11).

The primary remaining portion of the Fund's net position of \$174 million (63.0%) represents resources that are unrestricted. The unrestricted portion of net position decreased \$5.9 million from the prior year primarily as a result of operating income.

Seattle Public Utilities – Solid Waste Fund (An Enterprise Fund of the City of Seattle) Management's Discussion and Analysis

2023 Compared to 2022

Assets – Current assets increased by \$46.4 million (23.0%) from the prior year mostly due to a \$39.7 million increase in operating cash, a \$6.0 million increase in accounts receivable, and a \$0.8 million increase in unbilled receivables. These increases were offset by a \$0.1 million decrease in amounts due from other governments. The increase in operating cash was primarily the result of operating activities. The increase in accounts receivable consisted of an increase of \$0.6 million in residential accounts and an increase of \$5.2 million in commercial accounts.

Capital assets decreased \$5.5 million (-2.8%) over the prior year. This change is mostly due to depreciation of \$11.1 million. This decrease was offset by an increase in plant in service of \$4.8 million and an increase in construction in progress of \$0.7 million.

Other assets decreased \$0.2 million (-0.3%) from the prior year. This change consisted of a decrease of \$1.3 million in accrued landfill closure/postclosure costs, and a decrease of \$0.1 million in regulatory assets, offset by an increase of \$1.2 million in restricted cash and equity in pooled investments.

Deferred outflows of resources – Deferred outflows of resources increased by \$3.0 million (38.4%) from 2022. This increase is mostly attributed to changes in deferred outflows related to pension accounting in 2022, including differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings, and contributions made subsequent to the measurement date.

Liabilities – Current liabilities increased \$6.9 million (22.5%) from the prior year. This is mostly attributed to an increase in environmental liabilities of \$2.5 million, an increase in accounts payable of \$4.0 million, an increase in the current portion of accrued landfill closure/postclosure costs of \$2.0 million, an increase in other current liabilities of \$0.7 million, and an increase in the current portion of revenue bonds payable of \$0.4 million. These increases were offset by a decrease in taxes payable of \$2.7 million and a decrease in interest payable of \$0.1 million.

Noncurrent and other liabilities decreased \$3.0 million (-1.3%) from 2022. This decrease is mostly attributed to a decrease of \$9.5 million in revenue bonds and related liabilities, a decrease of \$2.5 million in the noncurrent portion of accrued landfill closure/postclosure costs, a decrease of \$1.0 million in environmental liabilities, a decrease of \$0.3 million in the noncurrent portion of compensated absences payable, and a decrease of \$0.1 million in the liability related to unfunded other post-employment benefits. These decreases were offset by a \$10.2 million increase in net pension liability and a \$0.2 million increase in other noncurrent liabilities.

Deferred inflows of resources – Deferred inflows of resources decreased by \$6.5 million (-13.0%) from 2022 mostly due to a \$7.7 million decrease attributed to changes in deferred inflows related to pension accounting, including differences between expected and actual experience, differences between projected and actual earnings, changes of assumptions, and changes in proportion and differences between employer contributions and proportionate share of contributions. There was also a decrease of \$0.1 million in unamortized gain on refunded debt. These decreases were offset by an increase of \$1.3 million in the Rate Stabilization Account, resulting from interest earned in 2023.

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Management’s Discussion and Analysis

Net position – Net position increased \$46.3 million (27.7%) from 2022.

A portion of the Fund’s net position of \$30.4 million (14.3%) 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. During 2023, net position invested in capital assets increased \$3.4 million mainly due to a decrease in debt related to investment in capital being offset by a decrease in capital assets.

The restricted portion of the Fund’s net position of \$3.0 million (1.4%) mostly consists of unamortized landfill closure/postclosure costs related to the Midway and Kent-Highlands landfills (see Note 11).

The primary remaining portion of the Fund’s net position of \$179.9 million (84.3%) represents resources that are unrestricted. The unrestricted portion of net position increased \$43.7 million from the prior year primarily as a result of operating income.

The following summary statements of revenues, expenses, and changes in net position present the annual surplus (or deficit) of revenues over expenses (the change in net position):

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

	2024	2023	2022
Operating revenues	\$ 285,322,750	\$ 267,905,077	\$ 256,808,441
Operating expenses	(234,393,946)	(226,075,955)	(205,607,188)
Operating income	50,928,804	41,829,122	51,201,253
Other revenues (expenses), net	11,338,879	4,320,796	(12,695,801)
Fees, contributions, and grants	185,578	166,572	1,239,900
Change in net position	<u>\$ 62,453,261</u>	<u>\$ 46,316,490</u>	<u>\$ 39,745,352</u>

2024 Compared to 2023

Current year operating revenues increased \$17.4 million (6.5%) compared to the prior year. There were several key factors affecting this change. There was an approximate 2.6% rate increase for residential and commercial garbage and composting services effective April 1, 2024. This resulted in a residential and commercial solid waste collection service revenue increase of \$10.5 million. There were also increases of \$1.5 million in transfer station revenue, \$3.2 million for commercial disposal charges, \$1.6 million in revenues from fluctuations in pricing of recycling commodities, \$0.3 million in other utility operating revenues, and \$0.3 million in miscellaneous fine and penalty revenues.

Seattle City Council enacted legislation in 2012 (ordinance 124056) allowing the Fund to make contributions to a Rate Stabilization Account if the balance of operating cash on hand at year-end met certain targets. With sufficient funds in the Rate Stabilization Account, no transfers were made in 2024.

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

Operating expenses in 2024 increased \$8.3 million (3.7%) compared to 2023. This increase included a \$7.4 million increase in services, a \$1.7 million increase in City and State taxes, a \$1.6 million increase in salaries and wages, a \$0.6 million increase in personnel benefits, a \$0.2 million increase in supplies. These increases were offset by a decrease of \$3.2 million in other operating expenses.

Nonoperating revenues and expenses experienced a net increase of \$7.0 million (162.4%). Other nonoperating revenue increased \$4.6 million, Investment income increased \$0.3 million, and interest expense decreased by \$2.2 million.

2023 Compared to 2022

Current year operating revenues increased \$11.1 million (4.3%) compared to the prior year. There were several key factors affecting this change. There was an approximate 1.5% rate increase for residential and commercial garbage and composting services effective April 1, 2023. This resulted in a residential and commercial solid waste collection service revenue increase of \$7.7 million. There were also increases of \$1.9 million in transfer station revenue, and \$2.9 million for commercial disposal charges. These increases were offset by decreases of \$0.9 million in revenues from fluctuations in pricing of recycling commodities, and \$0.5 million in other utility operating revenues.

Seattle City Council enacted legislation in 2012 (ordinance 124056) allowing the Fund to make contributions to a Rate Stabilization Account if the balance of operating cash on hand at year-end met certain targets. With sufficient funds in the Rate Stabilization Account, no transfers were made in 2023.

Operating expenses in 2023 increased \$20.5 million (10.0%) compared to 2022. This increase included a \$12.6 million increase in services, a \$2.6 million increase in other operating expenses, a \$1.8 million increase in depreciation and amortization, a \$1.4 million increase in salaries and wages, a \$1.1 million increase in City and State taxes, a \$0.7 million increase in personnel benefits, and a \$0.2 million increase in supplies.

Nonoperating revenues and expenses experienced a net increase of \$15.9 million (139.2%). Investment income increased \$15.7 million, other nonoperating revenue increased \$0.9 million, interest expense decreased by \$0.3 million, and contributions and grants decreased \$1.1 million.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Management’s Discussion and Analysis

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation and amortization, by major asset category as of December 31, 2024, 2023, and 2022:

Summary of Capital Assets, Net of Accumulated Depreciation and Amortization

	2024	2023	2022
Land and land rights	\$ 26,882,856	\$ 26,882,856	\$ 26,882,856
Buildings	101,039,338	104,554,516	108,070,641
Structures	9,973,664	10,427,251	10,880,838
Machinery and equipment	25,634,780	27,102,965	27,060,231
Computer systems	7,571,753	11,153,302	13,547,497
Construction in progress	11,693,817	6,076,834	5,330,853
Artwork	1,288,995	1,358,666	1,315,436
Intangible right-to-use	101,010	67,220	27,631
Property held for future use	1,529,982	1,529,982	1,529,982
Capital assets, net of accumulated depreciation and amortization	<u>\$ 185,716,195</u>	<u>\$ 189,153,592</u>	<u>\$ 194,645,965</u>

Additional information about the Fund’s capital assets can be found in Note 3 of this report.

2024 Compared to 2023

The Fund’s capital assets, net of accumulated depreciation and amortization, for the year ended December 31, 2024, was \$185.7 million. This represents a decrease of approximately \$3.4 million (-1.8%) compared to 2023.

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

- \$0.9 million for transfer station and facility improvements
- \$0.8 million for heavy equipment purchases

The Fund’s construction in progress at year end included \$8.1 million for a new facility at the prior site of South Transfer Station, \$1.5 million for SMT Space Utilization Project 2, and \$1.2 million for software upgrade.

2023 Compared to 2022

The Fund’s capital assets (net of accumulated depreciation) for the year ended December 31, 2023, was \$189.2 million. This represents a decrease of approximately \$5.5 million (-2.8%) compared to 2022.

Highlights of the Fund’s capital assets placed in service during 2023 include the following:

- \$2.8 million for heavy equipment purchases

The Fund’s construction in progress at year end included \$2.5 million for a new facility at the prior site of South Transfer Station.

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Management’s Discussion and Analysis

Debt Administration

The Fund’s debt primarily consists of bonded debt. Bonded debt is secured solely by solid waste revenues and provides financing for capital improvements. Loans issued by Washington State Agencies for certain capital improvements are unsecured. The Fund’s credit ratings on its bonds were Aa3 and AA+ by Moody’s Investors Service Inc., and Standard & Poor’s Rating Services, respectively. Additional details about the Fund’s revenue bonds and loans are in Note 4 of this report.

2024 Compared to 2023

At the end of 2024, the Fund had \$81.2 million in bonded debt, as compared to \$149.6 million in 2023, all of which was secured solely by solid waste revenues. This decrease of \$68.4 million is attributed to the call of the 2014 bonds and scheduled principal payments for existing bond debt. The Fund has used bond proceeds mostly for the purchase of heavy equipment, the redevelopment of South Transfer Station, and other miscellaneous projects. The Fund retains bond reserves of \$6.2 million.

2023 Compared to 2022

At the end of 2023, the Fund had \$149.6 million in bonded debt, as compared to \$157.4 million in 2022, all of which was secured solely by solid waste revenues. This decrease of \$7.8 million is attributed to scheduled principal payments for existing bond debt. The Fund has used bond proceeds mostly for the purchase of heavy equipment, the redevelopment of South Transfer Station, and other miscellaneous projects. The Fund retains bond reserves of \$8.1 million.

Economic Factors Affecting Next Year

Effective April 1, 2025, the Fund will adopt a rate increase of approximately 2.6% for residential and commercial services. This rate increase is expected to bring an additional \$7.1 million in operating revenues to the Fund in 2025.

Requests for Information

The Fund’s financial statements are designed to provide a general overview of the Fund’s finances, as well as to demonstrate the Fund’s accountability to its customers, investors, creditors, and other interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Seattle Public Utilities, Financial and Risk Services Branch, Accounting Division, PO Box 34018, Seattle, WA 98124-4018, telephone: (206) 684-3000.

Financial Statements

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position
December 31, 2024 and 2023

	December 31,	
	2024	2023
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	\$ 190,675,495	\$ 198,363,789
Receivables		
Accounts, net of allowance	25,532,775	29,237,830
Unbilled revenues	19,596,275	18,491,006
Due from other funds	650,502	728,980
Due from other governments	1,716,539	1,107,331
Materials and supplies inventory	197,317	213,269
Prepayments and other current assets	31,983	28,655
Total current assets	<u>238,400,886</u>	<u>248,170,860</u>
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	48,151,572	48,523,219
Prepayments long-term	144,242	162,273
Regulatory landfill closure and post closure costs	17,152,434	18,625,932
Regulatory assets	1,054,257	1,531,297
Other charges	793,737	973,924
Capital assets		
Land and land rights	26,882,856	26,882,856
Plant in service, excluding land	247,738,879	251,605,595
Less accumulated depreciation and amortization	(102,129,339)	(96,941,675)
Construction in progress	11,693,817	6,076,834
Other property, net	1,529,982	1,529,982
Total noncurrent assets	<u>253,012,437</u>	<u>258,970,237</u>
Total assets	<u>491,413,323</u>	<u>507,141,097</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	-	1,588,717
Pension and OPEB contributions and changes in assumptions	7,279,396	9,205,777
Total deferred outflows of resources	<u>7,279,396</u>	<u>10,794,494</u>
Total assets and deferred outflow of resources	<u>\$ 498,692,719</u>	<u>\$ 517,935,591</u>

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position
December 31, 2024 and 2023

	December 31,	
	2024	2023
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 17,133,106	\$ 18,068,926
Salaries, benefits, and payroll taxes payable	527	757,133
Compensated absences payable	100,796	78,735
Due to other funds	853,679	-
Interest payable	1,033,617	1,586,213
Taxes payable	1,156,038	969,965
Revenue bonds, due within one year	29,470,000	8,160,000
Claims payable	273,175	296,007
Environmental liabilities	305,000	2,810,000
Landfill closure and post closure liability	4,036,994	3,873,733
Lease and subscription liabilities, due within one year	48,598	31,711
Other	8,721	703,829
Total current liabilities	<u>54,420,251</u>	<u>37,336,252</u>
NONCURRENT LIABILITIES		
Compensated absences payable	1,915,129	1,495,969
Revenue bonds	81,195,000	149,625,000
Less bonds due within one year	(29,470,000)	(8,160,000)
Bond premium	10,909,345	19,220,018
Claims payable	412,980	556,271
Environmental liabilities	18,384,082	16,921,553
Landfill closure and post closure liability	11,431,148	12,180,845
Total OPEB liability	1,394,391	899,459
Net pension liability	26,949,882	30,515,947
Lease and subscription liabilities, net of current portion	60,920	46,900
Other noncurrent liabilities	39,399	225,000
Total noncurrent liabilities	<u>123,222,276</u>	<u>223,526,962</u>
Total liabilities	<u>177,642,527</u>	<u>260,863,214</u>
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on refunded debt	1,453,350	1,584,664
Deferred inflows - pension and OPEB	1,779,384	1,648,001
Rate stabilization	42,073,898	40,549,413
Total deferred inflows of resources	<u>45,306,632</u>	<u>43,782,078</u>
NET POSITION		
Net investment in capital assets	99,119,390	30,443,855
Restricted	2,671,129	2,974,707
Unrestricted	173,953,041	179,871,737
Total net position	<u>275,743,560</u>	<u>213,290,299</u>
Total liabilities, deferred outflows, and net position	<u><u>\$ 498,692,719</u></u>	<u><u>\$ 517,935,591</u></u>

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2024 and 2023

	Years Ended December 31,	
	2024	2023
OPERATING REVENUES		
Charges for services and other revenues	\$ 285,322,750	\$ 267,905,077
OPERATING EXPENSES		
Salaries and wages	20,785,327	19,144,392
Personnel benefits	7,356,218	6,764,360
Supplies	1,780,015	1,568,180
Services	152,936,109	145,527,214
Intergovernmental payments	37,307,702	35,582,877
Depreciation and amortization	13,747,359	13,822,831
Other operating expenses	481,216	3,666,101
Total operating expenses	234,393,946	226,075,955
OPERATING INCOME	50,928,804	41,829,122
NONOPERATING REVENUES (EXPENSES)		
Other nonoperating revenue	5,456,596	876,695
Investment income	9,073,080	8,802,827
Interest expense	(3,190,797)	(5,358,726)
Contributions and grants	185,578	166,572
Total nonoperating revenues (expenses)	11,524,457	4,487,368
CHANGE IN NET POSITION	62,453,261	46,316,490
NET POSITION		
Beginning of year	213,290,299	166,973,809
End of year	\$ 275,743,560	\$ 213,290,299

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	Years Ended December 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 288,978,462	\$ 262,828,181
Cash paid to suppliers	(156,332,218)	(143,793,139)
Cash paid to employees	(32,515,873)	(29,665,083)
Cash paid for taxes	(36,829,834)	(38,023,881)
Net cash provided by operating activities	63,300,537	51,346,078
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	185,578	166,724
Net cash provided by noncapital and related financing activities	185,578	166,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(68,430,000)	(7,648,375)
Capital expenditures and other charges	(7,365,550)	(5,618,893)
Interest paid on long-term debt	(4,976,332)	(6,874,631)
Proceeds from sale of capital assets	152,746	720,030
Net cash used in capital and related financing activities	(80,619,136)	(19,421,869)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change on investments held	9,073,080	8,802,827
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS	(8,059,941)	40,893,760
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	246,887,008	205,993,248
End of year	\$ 238,827,067	\$ 246,887,008
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	\$ 190,675,495	\$ 198,363,789
Noncurrent restricted cash and equity in pooled investments	48,151,572	48,523,219
Total cash and equity in pooled investments at the end of the year	\$ 238,827,067	\$ 246,887,008

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	Years Ended December 31,	
	2024	2023
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 50,928,804	\$ 41,829,122
Adjustments to reconcile operating income to		
net cash provided by operating activities		
Adjustment for net pension liability	(1,508,301)	(635,433)
Depreciation and amortization	13,747,359	13,822,831
Other cash receipts	57,180	74,824
Changes in operating assets and liabilities		
Accounts receivable	3,705,055	(6,012,859)
Unbilled revenues	(1,105,269)	(754,413)
Due from other funds	78,478	31,383
Due from other governments	(609,208)	66,980
Materials and supplies inventory	15,952	(56,279)
Prepayments and regulatory assets	(1,172,646)	(1,165,605)
Accounts payable	(935,820)	4,001,489
Salaries, benefits, and payroll taxes payable	(756,606)	7,126
Taxes payable	186,073	(2,664,516)
Compensated absences payable	441,221	(323,990)
Due to other funds	853,679	(2,715)
Claims payable	(166,123)	38,129
Accrued landfill closure and post-closure costs	(586,436)	(530,797)
Environmental liability	(1,042,471)	1,475,570
Rate stabilization	1,524,485	1,255,080
Lease and subscription, unfunded OPEB liabilities	(354,870)	890,151
Total adjustments	12,371,732	9,516,956
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 63,300,537	\$ 51,346,078

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Note 1 – Operations and Summary of Significant Accounting Policies

Operations – The City of Seattle, Seattle Public Utilities – Solid Waste Fund (the Fund) is a public utility enterprise fund of the City of Seattle (the City). The Fund was established to account for the solid waste activities of Seattle Public Utilities (SPU). These activities include the collection and disposal of residential and commercial garbage, recycling, and organic material, operation of the City's two transfer stations and two household hazardous waste facilities, and management of the post closure maintenance and environmental monitoring of the City's two closed landfills. The collection, disposal, and/or processing of garbage, recycling, and organic materials is performed by private contractors, under contract with the Fund.

On January 1, 1997, the City created SPU, which brought together under one administrative umbrella the water, solid waste, and drainage and wastewater functions of the City. The Fund (as well as SPU's other funds) remains separate for accounting purposes.

SPU receives certain services from other departments and agencies of the City, including information technology and others that are normally considered to be general and administrative. The Fund is charged a share of these costs and during 2024 and 2023, paid \$8,928,966 and \$7,441,560, respectively, to the City for its share of these services. Additionally, the Fund pays a business and occupation utility tax to the City's General Fund. The Fund paid \$26,346,719 and \$27,595,987 for these taxes in 2024 and 2023, respectively, as well as \$5,700,102 and \$5,618,425, respectively, in tonnage taxes on waste collected and transferred in the City for disposal. These amounts are recorded within intergovernmental payments on the accompanying statements of revenues, expenses, and changes in net position.

Solid waste collection and disposal services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected \$686,590 in 2024 and \$713,724 in 2023 from the City for solid waste services provided.

The utility billing function is co-managed by SPU, Seattle City Light (SCL), and the Seattle Information Technology Department (ITD). SPU provides customer service through the call center and walk-in center. ITD maintains the Customer Information System (CIS). SPU and SCL bill and reimburse each other for these services. SPU reimburses ITD for the information technology services mentioned above. Within SPU, the costs and reimbursements were shared among its three utility funds (Water, Drainage and Wastewater, and Solid Waste). The Fund received reimbursements related to the call center and walk-in center of \$2,325,185 and \$2,280,537 in 2024 and 2023, respectively. The Fund paid \$9,816 and \$72,805 for utility billing services in 2024 and 2023, respectively.

The City's Clean City Program, administered by SPU staff, reduces public blight including illegal dumping, litter, graffiti, community cleanup, rat abatement, and abandoned vehicle services. Until 2016, the program was funded by tonnage tax revenues with additional general fund support to maintain service levels. In the 2016 budget process, the City made an accounting adjustment that remits all tonnage tax revenues to the general fund and then funds the program using only general funds.

Seattle Public Utilities – Solid Waste Fund **(An Enterprise Fund of the City of Seattle)** **Notes to Financial Statements**

The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances passed by the Seattle City Council. Financial reporting is reviewed by the Washington State Auditor's Office and conforms to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Basis of accounting – The Fund is accounted for on a flow of economic resources measurement focus. Its financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis of accounting. With the flow of economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the Fund's operations are included on the statements of net position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

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

Receivables and unbilled revenues – Customer accounts receivable consist of amounts owed by private individuals and businesses for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. The Fund also accrues an amount for services that have been provided but not billed.

Allowance for doubtful accounts – A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2024 and 2023, the Fund's allowance for doubtful accounts was \$1,890,635 and \$1,843,838, respectively.

Due from/to other funds and governments – Activity between other funds and governments that is outstanding at the end of the year, not related to the provision of utility services, is reported as due from other funds and governments.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Materials and supplies inventory – The Fund values its inventory based on a moving average method. The most recent total cost of an inventory item is divided by the total units of the item that remain in inventory to determine the moving average cost of the item. The moving average cost is then applied to all the units of the inventory item.

Regulatory assets – GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*, allows for certain costs to be capitalized as a regulatory asset instead of charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will be recovered through customer rates over some future period. The Fund uses regulatory accounting for debt issuance costs because these costs are consistent with the rate methodology and, as such, will continue to be amortized over the life of the associated bond issues. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, would have required these costs to be expensed in the period incurred unless the Fund adopted GASB 62. The Fund uses regulatory accounting for interest costs incurred during the construction of capital assets because these costs are consistent with the rate methodology and, as such, will continue to be amortized over the life of the associated capital assets. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, would have required these costs to be expensed in the period incurred if the Fund had not utilized regulatory accounting for these costs. In addition, the Fund also uses regulatory accounting for future reasonably estimable landfill post closure costs and cleanup costs related to remediation of the South Park Bus Barn site located near the South Park Landfill.

Other charges – Other charges primarily include costs related to the Comprehensive Solid Waste plan which directs the Fund's future operations. The Fund amortizes these charges over a 5 to 30-year period.

Capital assets – Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct materials, labor, and indirect costs such as engineering, supervision, payroll taxes, pension benefits, and interest relating to the financing of projects under construction. The cost of current repairs and maintenance is charged to expense, while the cost of improvements is capitalized. SPU's policy is to capitalize assets with a cost of \$5,000 or more.

Construction in progress – Capitalizable costs incurred on projects that are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

Other property – Other property is stated at cost, or if contributed, the fair value at the date of contribution. In 1990, the Fund purchased 350 acres of land surrounding the Kent-Highlands landfill, which became part of the landfill area. Other property also includes artwork acquired through the City's "One Percent for Art" program, which supports the City ordinance established to direct the inclusion of works of art in public spaces within the City.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Depreciation – Capital assets are depreciated on the straight-line method over estimated useful lives as follows:

Buildings	10–75 years
Transfer stations, scale houses, and related improvements	5–33 years
Machinery and equipment	3–20 years
Structures	10–15 years
Computer systems	3–11 years

Asset depreciation begins in the month the asset is placed in service.

Deferred outflows/inflows of resources – In addition to assets, the statements of net position, when applicable, will report a separate section for deferred outflows of resources. It represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Fund had deferred loss on refunding debt, which qualified for reporting in this category. A deferred loss on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Fund has also recorded deferred outflows/inflows of resources for certain pension and other post-employment benefit activities including, the difference between projected and actual experience, the difference between projected and actual earnings on investments, and contributions made subsequent to the measurement date (Notes 5 and 8).

In addition to liabilities, the statements of net position, when applicable, will report a separate section for deferred inflows of resources. It represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Fund has deferred gain on refunding debt, which qualifies for reporting in this category. A deferred gain on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In 2024, the Rate Stabilization Account earned interest totaling \$1.5 million. However, the Fund did not deposit any additional funds into the rate stabilization account in 2024 or 2023. The Fund has also recorded deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions (Notes 5 and 8).

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

Seattle Public Utilities – Solid Waste Fund **(An Enterprise Fund of the City of Seattle)** **Notes to Financial Statements**

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

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

Most pollution remediation outlays do not qualify for capitalization and the Fund does not anticipate significant capitalized costs in the future. More information about environmental liabilities can be found in Note 10 of this report.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Seattle City Employees' Retirement System (SCERS) are reported on the same basis as reported by SCERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the benefit have been determined on the same basis as they are reported by the City. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Compensated absences – Employees earn vacation based upon their date of hire and years of service and may accumulate vested vacation up to a maximum of 480 hours. Unused vacation at retirement or upon leaving city employment, is payable to the employee, in cash or a noncash settlement, such as conversion to defined postemployment benefits. Earned but unused vacation is accrued as a liability of the Fund using the employees' current pay rate. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit.

Employees who submit the required documentation when represented by the Coalition of City Unions are paid 35% of the value of unused sick leave upon retirement as part of the Health Reimbursement Arrangement – Voluntary Employees' Beneficiary Association (HRA-VEBA) program. If the employee fails to submit the required documentation by their last working day of employment, their sick leave balance is forfeited.

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Notes to Financial Statements

Retiring employees who are ineligible to participate in the HRA-VEBA program may elect to receive 25% of the value of unused sick leave upon retirement or defer receipt of 35% of the value of their sick leave balance to the City's 457 Plan and Trust, subject to the year-to-date or life-to-date limitations on deferrals and contributions. If the 35% value of the sick leave balance exceeds the maximum amount deferred to the City's 457 Plan and Trust, the employee shall receive a taxable cash payment. The cash payment is equal to the amount by which the 25% value of the sick leave balance exceeds the 35% that was allowed to be deferred. The Fund records a liability for estimated sick leave based on an analysis of the amount management deems is more likely than not to be used or settled in cash or noncash means.

Operating revenues – Revenues are recorded through cycle billings rendered to customers monthly or bimonthly. Amounts billed but not earned at year-end are recorded as unearned revenues on the Fund's statement of net position. The Fund accrues and records unbilled collection service revenues in the financial statements for services provided from the date of the last billing to year end.

Other operating revenues include revenues generated from the Fund's two transfer stations. Transfer station revenues are collected from self-haul customers who deliver their garbage, yard waste, wood waste, appliances, and tires for a fee to the two transfer stations.

Operating expenses – The Fund's operating expenses include the cost of sales and services, administrative expenses, depreciation on capital assets and amortization of deferred assets.

Taxes – The Fund paid 14.2% City utility tax on residential and commercial revenues, net of yard waste, recycling, and other costs related to waste reduction. The Fund also is charged a tax by the City based on solid waste tonnage for operating transfer stations and for collecting garbage within the City of Seattle. The City tonnage tax rate of \$13.27 per ton remained the same as 2021. In addition, the Fund paid a 1.75% business and occupation tax, a 0.484% wholesale tax, and a 0.471% retail tax to the state on the services provided to residential, commercial, and transfer station customers. The rates remained the same as 2022. The state refuse tax rate of 3.60% remained the same as 2022.

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

Net position – The statements of net position reports all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation.

The Fund's restricted net position relates to certain restricted assets that are offset by related liabilities.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

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

Arbitrage rebate requirement – The Fund is subject to the Internal Revenue Code (IRC), Section 148(f), related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed be surrendered to the Internal Revenue Service. As such, the Fund would record such a rebate as a liability. The Fund had no arbitrage liability as of December 31, 2024 and 2023.

Accounting standard changes – In June 2022, GASB issued Statement No. 100 (GASB 100), *Accounting Changes and Error Corrections*, and it was effective for reporting periods beginning after June 15, 2023. This standard prescribes the accounting and financial reporting requirements for accounting changes and error corrections. There is no impact to the Fund as a result of adopting this standard.

In June 2022, GASB issued Statement No. 101 (GASB 101), *Compensated Absences*, and it was effective for reporting periods beginning after December 15, 2023. This standard requires the Fund to record a liability for leave that accumulates, is attributable to services already rendered, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. There is no impact to the Fund as a result of adopting this standard.

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Estimates and assumptions are used to record landfill closure and post closure costs, unbilled collection services, allowance for doubtful accounts, fair value of cash and equity in pooled investments, accrued sick leave, capitalized interest, intangible lease and subscription assets and liabilities, depreciation and amortization, environmental liabilities, risk liabilities, pension liability, and other contingencies. Changes in these estimates and assumptions may have a material impact on the financial statements.

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

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

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Note 2 – Cash and Equity in Pooled Investments

Per Seattle Municipal Code, SMC 5.06.010 Investment Authority, the City's Director of Finance and Administrative Services (FAS) is authorized to invest all moneys in the City Treasury. Cash resources of the Fund are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of FAS. Under the City's investment policy, all temporary cash surpluses in the pool are invested. The Fund's share of the pool is included on the statements of net position as Cash and Equity in Pooled Investments or as restricted assets. The pool operates like a demand deposit account in that all departments, including the Fund, may deposit cash at any time and can also withdraw cash, out of the pool, up to the amount of the Fund's balance, without prior notice or penalty. Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments.

Custodial credit risk – deposits – Custodial credit risk of deposits is the risk that in the event of bank failure for one of the City's depository institutions, the City's deposits or related collateral securities may not be returned in a timely manner.

As of December 31, 2024 and 2023, the City did not have custodial credit risk. The City's deposits are covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Association (NCUA) as well as protection provided by the Washington State Public Deposit Protection Commission (PDPC) as established in RCW 39.58. The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks, credit unions, and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. This secures public treasurers' deposits when they exceed the amount insured by the FDIC or NCUA by requiring banks, credit unions, and thrifts to pledge securities as collateral.

As of December 31, 2024 and 2023, the City held sufficient cash in its vault for operations. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's \$250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's Consolidated Cash Pooled Investment Portfolio (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Custodial credit risk – investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. The City maintains a custody relationship with Principal Custody Solutions under the State of Washington's statewide custody provider program arranged by the State Treasurer's Office. 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.

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Notes to Financial Statements

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Some of the City’s pooled investments have credit risk from holdings in commercial paper, corporate notes, and taxable municipal bonds. The City may not hold more than 50% of the Pool’s total assets in these credit sensitive sectors.

State statute defines the investments in commercial paper and corporate notes as a “credit portfolio”. The credit portfolio may not exceed 25 percent of the Pool’s market value. Credit investments must be diversified by sector and industry. No single issuer shall exceed 3 percent of the Pool’s market value.

Commercial Paper investments may not have maturities exceeding 270 days and must hold the highest short-term credit rating by all the major credit rating agencies that rate the issuer at the time of purchase.

Corporate notes must mature within 5.5 years from the time of purchase and must be rated at least weak single-A or better by all the major rating agencies that rate the note at the time of purchase. No single issuer rated AA or better may exceed 3 percent of the Pool’s market value. No single issuer rated in the single-A category may exceed 2 percent of the Pool’s market value.

Municipal bonds must have a credit rating of weak single-A or better by all the major rating agencies that rate the issuer at the time of purchase. No single issuer may exceed 5 percent of the Pool’s market value.

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

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

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

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

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Notes to Financial Statements

Investments – The Fund’s cash resources may be invested by FAS separate from the cash and investments pool. Investments are managed in accordance with the City’s Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Fund. As of December 31, 2024 and 2023, the Fund did not have any dedicated investments. The City’s Statement of Investment Policy was modified on January 1, 2018, with an effective date of March 8, 2018. There have been no subsequent changes to the policy.

The City of Seattle has three objectives in managing its investments that define its risk profile and guide implementation of its investment strategy. In order of importance, they are Safety of Principal, Maintenance of Liquidity, and Return on Investment.

The City follows a set of Standards of Care when it comes to its investments that include the following:

- ***Social Policies:*** A City social policy shall take precedence over furthering the City’s financial objectives when expressly authorized by City Council resolution, except where otherwise provided by law or trust principles.
- ***Ethics and Conflict of Interest:*** Investment officers shall comply with the City’s Ethics Code (SMC 4.16.080) and annually submit a Financial Interest Statement to the City’s Ethics & Elections Commission that identifies any potential financial interest that could be related to the performance of the City’s investment portfolio.

Delegation of authority – The City Finance Director and City Finance has delegated management responsibility for the City’s investment program to the Director of Finance who has designated day to day management responsibility to investment officers under the supervision of the City’s Treasury Services Director. No persons may engage in an investment transaction except as provided under the terms of the City Statement of Investment Policy and the procedures established therein.

Fair value of pooled investments – The City reports investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value of the City’s pooled investments fluctuates with changes in interest rates and the underlying size of the pooled investment portfolio. To mitigate interest rate risk in the City’s pooled investment portfolio, the City typically holds its investments to maturity and manages its maturities to ensure sufficient monthly cash flow to meet its liquidity requirements.

As of December 31, 2024 and 2023, the City held \$468.3 million and \$406.4 million, respectfully on deposit in the Washington State LGIP managed by the Office of the Washington State Treasurer. The City’s investments in the LGIP are reported at amortized cost which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor’s Office.

Seattle Public Utilities – Solid Waste Fund

(An Enterprise Fund of the City of Seattle)

Notes to Financial Statements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction amongst market participants at the measurement date (an exit price). Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique.

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

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

The City is authorized by Seattle Municipal Code Section 5.06.010 and Chapter 43.250 of the Revised Code of Washington to participate in the State of Washington 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 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 fair value.

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

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

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

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

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

As of December 31, 2024, the City's pooled investments were categorized within the fair value hierarchy as follows (in thousands):

Investments	Fair Value as of December 31, 2024	Fair Value Measurements Using			Weighted Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
U.S. Government Agency Securities	\$ 784,234	\$ -	\$ 784,234	\$ -	599
U.S. Treasury and U.S. Government-Backed Securities	1,924,517	1,924,517	-	-	710
Local Government Investment Pool	468,340	468,340	-	-	-
U.S. Government Agency Mortgage-Backed Securities	290,315	-	290,315	-	1,508
Municipal Bonds	94,385	-	94,385	-	591
Commercial Paper	48,995	-	48,995	-	164
Corporate Bonds	32,863	-	32,863	-	544
International Bank for Reconstruction and Development	130,251	-	130,251	-	942
Repurchase Agreements	11,256	11,256	-	-	9,131
	<u>\$ 3,785,156</u>	<u>\$ 2,404,113</u>	<u>\$ 1,381,043</u>	<u>\$ -</u>	

Weighted Average Maturity of the City's Pooled Investments

682

The City's investments in US Treasuries are valued as Level 1. The City's remaining investments are valued as Level 2 or measured at amortized cost. The City does not invest in securities that require Level 3 inputs.

As of December 31, 2023, the City's pooled investments were categorized within the fair value hierarchy as follows (in thousands):

Investments	as of December 31, 2023	Fair Value Measurements Using			Average Maturity (Days)
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
U.S. Government Agency Securities	\$ 1,417,009	\$ -	\$ 1,417,009	\$ -	404
U.S. Treasury and U.S. Government-Backed Securities	1,240,539	1,240,539	-	-	679
Local Government Investment Pool	406,431	406,431	-	-	-
U.S. Government Agency Mortgage-Backed Securities	312,777	-	312,777	-	1,754
Municipal Bonds	150,811	-	150,811	-	772
Corporate Bonds	67,267	-	67,267	-	537
International Bank for Reconstruction and Development	48,924	-	48,924	-	247
Repurchase Agreements	17,297	17,297	-	-	9,497
	<u>\$ 3,661,055</u>	<u>\$ 1,664,267</u>	<u>\$ 1,996,788</u>	<u>\$ -</u>	

Weighted Average Maturity of the City's Pooled Investments

626

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

As of December 31, 2024 and 2023, the Fund's share of the City Pool was as follows:

	2024	2023
Cash and equity in pooled investments	\$ 190,675,495	\$ 198,363,789
Restricted cash and equity in pooled investments	48,151,572	48,523,219
	<u>\$ 238,827,067</u>	<u>\$ 246,887,008</u>
Balance as a percentage of City Pool cash and investments	6.3%	6.7%

Concentration of credit risk – Concentration risk is the risk of loss attributed to the magnitude of investments in a single issuer. The City manages concentration risk by limiting its investments in any one issuer in accordance with the City's investment policy and state statutes. The policy limits vary for each investment category. 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 bank notes and corporate notes.

The City's investments in which five percent or more is invested in any single issuer, as of December 31 are as follows (in thousands):

Issuer	2024		2023	
	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
United States Government	\$1,924,517	51%	\$ 1,240,539	34%
Federal Home Loan Bank	193,947	5%	572,730	16%
Local Government Investment Pool	468,340	12%	406,431	11%
Federal National Mortgage Association	280,777	7%	293,713	8%
Federal Farm Credit Bank	219,703	6%	291,404	8%
Federal Home Loan Mortgage Corp	215,628	6%	287,136	8%
Federal Agriculture Mortgage Corp	-	-	248,019	7%

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Note 3 – Capital Assets

Capital assets activity for the year ended December 31, 2024, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 140,220,629	\$ -	\$ -	\$ 140,220,629
Structures	13,837,233	-	-	13,837,233
Machinery and equipment	61,066,406	1,740,066	(3,494,056)	59,312,416
Computer systems	34,978,146	150,950	(2,275,102)	32,853,994
Intangible right-to-use	144,515	81,097	-	225,612
Total capital assets, excluding land	250,246,929	1,972,113	(5,769,158)	246,449,884
Less accumulated depreciation and amortization	(96,941,675)	(10,784,597)	5,596,933	(102,129,339)
	153,305,254	(8,812,485)	(172,225)	144,320,545
Construction in progress	6,076,834	7,687,097	(2,070,113)	11,693,818
Land and land rights	26,882,856	-	-	26,882,856
Artwork	1,358,666	17,418	(87,090)	1,288,994
Property held for future use	1,529,982	-	-	1,529,982
Capital assets, net	<u>\$ 189,153,592</u>	<u>\$ (1,107,970)</u>	<u>\$ (2,329,428)</u>	<u>\$ 185,716,195</u>

Capital assets activity for the year ended December 31, 2023, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	\$ 140,220,629	\$ -	\$ -	\$ 140,220,629
Structures	13,837,233	-	-	13,837,233
Machinery and equipment	59,345,014	3,596,884	(1,875,492)	61,066,406
Computer systems	33,795,552	1,210,064	(27,470)	34,978,146
Intangible right-to-use	45,715	98,800	-	144,515
Total capital assets, excluding land	247,244,143	4,905,748	(1,902,962)	250,246,929
Less accumulated depreciation and amortization	(87,657,305)	(11,185,574)	1,901,204	(96,941,675)
	159,586,838	(6,279,825)	(1,758)	153,305,254
Construction in progress	5,330,853	6,365,860	(5,619,879)	6,076,834
Land and land rights	26,882,856	-	-	26,882,856
Artwork	1,315,436	43,230	-	1,358,666
Property held for future use	1,529,982	-	-	1,529,982
Capital assets, net	<u>\$ 194,645,965</u>	<u>\$ 129,266</u>	<u>\$ (5,621,637)</u>	<u>\$ 189,153,592</u>

During 2024 and 2023, the Fund capitalized interest costs as a regulatory asset relating to construction of \$221,784 and \$169,601, respectively.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

The Fund, as lessee, has entered into various leases for building and equipment with lease terms expiring in 2025. Leases that have a maximum possible lease term that are noncancelable by both lessee and lessor, have a term of more than 12 months, and a present value greater than \$5,000 are considered to be “right to use” assets. Unless explicitly stated in the lease agreement, the discount rate used to calculate lease right-of-use assets and liabilities in which the Fund acts as lessee is the City’s incremental borrowing rate based on the expiring date. The rate used for leases during the years ended December 31, 2024 and 2023, was 0.38%.

The Fund has two software-based information technology arrangements (SBITAs) with terms ending in 2027. Any software arrangement that is negotiated by Seattle IT that is for the benefit of multiple departments, will be accounted for at the City level by Seattle IT and is excluded by the Fund. The discount rate used for the software arrangements during the years ended December 31, 2024 and 2023, was 2.70%.

Minimum payments under the leases and SBITA’s are as follows:

Years Ending December 31,	Principal	Interest	Total
2025	\$ 48,598	\$ 2,136	\$ 50,734
2026	40,387	1,695	42,082
2027	20,533	545	21,078
	<u>\$ 109,518</u>	<u>\$ 4,376</u>	<u>\$ 113,894</u>

Note 4 – Revenue Bonds

The Fund issues bonds to provide financing for capital improvements. Payment of debt service on the bonds is derived solely from the revenues generated by the Fund. The Fund has set aside \$6,200,743 in a debt service reserve fund and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2024, were \$81,195,000.

Revenue bonds outstanding as of December 31, 2024 and 2023, consisted of the following Solid Waste bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding	
					2024	2023
2014 Improvement and Refunding Bonds	6/12/2014	2015-2039	2.0 - 5.0%	\$ 95,350,000	\$ -	\$ 65,435,000
2015 Improvement Bonds	6/25/2015	2016-2040	2.0 - 5.0%	35,830,000	27,510,000	28,645,000
2016 Improvement and Refunding Bonds	6/30/2016	2017-2041	4.0 - 5.0%	35,335,000	31,710,000	32,245,000
2021 Improvement and Refunding Bonds	7/1/2021	2021-2036	4.0 - 5.0%	25,670,000	21,975,000	23,300,000
				<u>\$ 192,185,000</u>	<u>\$ 81,195,000</u>	<u>\$ 149,625,000</u>

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

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

Year Ending December 31,	Principal	Interest	Total
2025	\$ 3,155,000	\$ 3,460,681	\$ 6,615,681
2026	3,315,000	3,300,681	6,615,681
2027	3,470,000	3,142,481	6,612,481
2028	3,630,000	2,985,019	6,615,019
2029	3,795,000	2,817,575	6,612,575
2030 - 2034	39,845,000	9,156,622	49,001,622
2035 - 2039	19,510,000	2,787,369	22,297,369
2040 - 2044	4,475,000	132,900	4,607,900
	<u>\$ 81,195,000</u>	<u>\$ 27,783,328</u>	<u>\$ 108,978,328</u>

Defeasance of debt – Subsequent to year end, on January 16, 2025, the Fund used \$27.5 million in operating cash to defease the remaining 2015 bonds. The amount of the defeased bonds are included in revenue bonds due within one year on the accompanying statements of net position. The schedule above reflects minimum required debt service payments.

The following table shows the revenue bond activity during the year ended December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	\$ 149,625,000	\$ -	\$ (68,430,000)	\$ 81,195,000	\$ 3,155,000
Add (deduct) deferred amounts					
Issuance premiums	19,220,018	-	(8,310,673)	10,909,345	-
Total bonds payable	<u>\$ 168,845,018</u>	<u>\$ -</u>	<u>\$ (76,740,673)</u>	<u>\$ 92,104,345</u>	<u>\$ 3,155,000</u>

The following table shows the revenue bond activity during the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	\$ 157,385,000	\$ -	\$ (7,760,000)	\$ 149,625,000	\$ 8,160,000
Add (deduct) deferred amounts					
Issuance premiums	20,511,851	-	(927,447)	19,220,018	-
Total bonds payable	<u>\$ 177,896,851</u>	<u>\$ -</u>	<u>\$ (8,687,447)</u>	<u>\$ 168,845,018</u>	<u>\$ 8,160,000</u>

Financial covenants – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain Reserve Subaccount at the least of (i) Maximum Annual Debt Service on all parity bonds outstanding at the time of calculation, (ii) 1.25 times adjusted annual debt service on all parity bonds outstanding at the calculation, or (iii) the sum of 10% of the proceeds of each series of parity bonds then outstanding. Management believes the Fund was in compliance with all debt covenants as of December 31, 2024. For more information, see Other Information (page 52).

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Note 5 – Postemployment Benefit Plans

Deferred compensation – The City offers all of its employees a deferred compensation plan (the Plan) created in accordance with IRC Section 457. The Plan permits employees to defer a portion of their salaries until future years. The deferred compensation is paid to employees upon termination, retirement, death, or unforeseen emergency.

The Plan is an eligible deferred compensation plan under Section 457 of the IRC of 1986, as amended, and a trust exempt from tax under IRC Sections 457(g) and 501(a). The Plan is operated for the exclusive benefit of participants and their beneficiaries. No part of the corpus or income of the Plan shall revert to the City or be used for, or diverted to, purposes other than the exclusive benefit of participants and their beneficiaries. The Plan is not reported in the financial statements of the City or the Fund.

It is the opinion of the City's legal counsel that the City has no liability for investment losses under the Plan. Under the Plan, participants select investments from alternatives offered by the Plan Administrator, who is under contract with the City to manage the Plan. Investment selection by a participant may be changed from time to time. The City does not manage any of the investment selections. By making the selection, participants accept and assume all risks inherent in the Plan and its administration.

Other postemployment benefits plan description – Health care plans for active and retired employees are administered by the City of Seattle as single-employer defined benefit public employee health care plans.

Employees retiring under the City may continue their health insurance coverage under the City's health insurance plans for active employees. When a retired participant dies, the spouse remains fully covered until age 65 and covered by the Medicare supplement plan thereafter. Employees who retire with disability retirement under the City may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates which were established by including the experience of retirees with the experience of active employees for underwriting purposes. The postemployment benefit provisions are established and may be amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020. The City provides an implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Based on the latest biennial actuarial valuation date, the significant methods and assumptions are as follows:

Actuarial data and assumptions – The demographic assumptions of mortality, termination, retirement, and disability are set equal to the assumptions used for City pension actuarial valuations based on a Seattle City Employees’ Retirement System Experience Report for the period 2018–2021.

Actuarial data and assumptions	2024
Valuation date	January 1, 2024
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	3.26%
Health care cost trend rates – medical	6.47% in 2024, increasing to 8.00% in 2025 and decreasing by varying amounts until 2035 thereaf
Health care cost trend rates – Rx	7.56% in 2024 and 13.00% in 2025 and decreasing by varying amounts until 2035 thereaf
Participation	25% of active employees who retire participate

Mortality

General Service (Actives)

PubG-2010 Employee Table multiplied by 95%

Rates are projected generationally using Scale MP-2021 ultimate rates

General Service (Retirees)

PubG-2010 Retired Mortality Table multiplied by 95%

Rates are projected generationally using Scale MP-2021 ultimate rates

Marital status – 25% of members electing coverage: married or have a registered domestic partner. Male spouses two years older than their female spouses.

Health care claims development – The sample per capita claim cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for the City of Seattle’s sponsored postretirement benefits and costs.

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

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

The average medical and prescription drug per capita claims costs were developed from 2024 calendar year self-funded premium rates. Premium-equivalent rates were provided by City of Seattle's health pricing actuary. The average medical and prescription drug per capita "adult-equivalent" claims costs were based on the respective pre-65 enrollment weighted average of the 2024 four-tier rate structure including the add-on cost of dependent children and trended back from 2024 to 2023 to be centered at the mid-point of the annual period following the valuation date. Average medical/Rx per capita claims costs were then age-adjusted based on the demographics of the rating population, and the assumed health care aging factors shown in the table below.

Models are used to estimate underlying per capita medical and drug claims costs, subsequently utilized as assumption inputs for valuation models used to develop the liabilities for the 2023 and future valuations. The Aon consulting team leveraged expertise of Health experts within Aon as it relates to reviewing the models used for development of the per capita claims costs and future trend rates.

Morbidity factors – The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age	Medical	Rx	Composite
40–44	3.0%	4.8%	3.3%
45–49	3.7%	4.7%	3.8%
50–54	4.2%	4.7%	4.3%
55–59	4.4%	4.6%	4.4%
60–64	3.7%	4.6%	3.8%

Other considerations – Active employees with current spouse and/or dependent coverage elect the same plan and coverage. After retirement, it is assumed that children will have aged off coverage and will have \$0 liability.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

OPEB liability – The Fund reported an OPEB liability of approximately \$1.4 million in 2024 and \$0.9 million in 2023. The Fund's proportionate share of the change in the OPEB liability was 1.36% and 1.26% for the years ended December 31, 2024 and 2023, respectively. Based on the actuarial valuation date of January 1, 2024, details regarding the Fund's Total OPEB Liability as of December 31, are shown below.

	Total OPEB Liability at December 31,	
	2024	2023
Changes recognized for the fiscal year:		
Service cost	\$ 35,313	\$ 44,996
Interest on the total OPEB liability	26,082	15,102
Differences between expected and actual experience	(16,645)	-
Changes of assumptions	490,280	(101,150)
Contributions from the employer	(33,496)	(30,765)
Other changes	(6,602)	(8,577)
Net changes	494,932	(80,394)
Balance recognized at December 31, 2023	899,459	979,853
Balance recognized at December 31, 2024	\$ 1,394,391	\$ 899,459

The Fund recorded an expense for OPEB of \$61,110 in 2024 and \$11,556 in 2023. The Health Care Subfund of the General Fund is reported in The City of Seattle's Annual Comprehensive Financial Report.

Discount rate and healthcare cost trend rates – The discount rate used to measure the total OPEB liability is 3.26% for 2024 and 3.72% for 2023. The following tables present the sensitivity of total OPEB liability calculation to a 1% increase and a 1% decrease in the discount rate used to measure the total OPEB liability:

Discount Rate Sensitivity		OPEB Liability at December 31,	
		2024	2023
Discount rate			
1% decrease	\$	1,509,353	\$ 958,391
Current discount rate		1,394,391	899,459
1% increase		1,289,990	846,073

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

The following table presents the sensitivity of total Health Plan OPEB liability calculation to a 1% increase and a 1% decrease in the healthcare cost trend rates used to measure the total Health Plan OPEB liability:

		OPEB Liability at December 31,	
		2024	2023
Discount rate			
1% decrease	\$	1,258,826	\$ 825,998
Trend rate		1,394,391	899,459
1% increase		1,555,614	986,952

Deferred outflows of resources and deferred inflows of resources related to OPEB – The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Fund at December 31, 2024.

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 125,466	\$ 181,205
Assumption changes	469,434	302,145
Contributions made in 2024 after measurement date	45,919	-
Total	<u>\$ 640,819</u>	<u>\$ 483,350</u>

The following table presents information about the OPEB-related deferred outflows of resources and deferred inflows of resources for the Fund at December 31, 2023.

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ 157,031	\$ 191,741
Assumption changes	38,929	369,697
Contributions made in 2023 after measurement date	31,002	-
Total	<u>\$ 226,962</u>	<u>\$ 561,438</u>

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

The Fund's contributions made in 2024 in the amount of \$45,919 are reported as deferred outflows of resources and will be recognized as a reduction of the total OPEB liability in the year ending December 31, 2025. Other deferred inflows and outflows related to OPEB will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Years Ending December 31,	<u>Amortization</u>
2025	\$ (208)
2026	(208)
2027	8,406
2028	12,353
2029	14,025
Thereafter	<u>77,182</u>
Total	<u>\$ 111,550</u>

The Health Care Subfund of the General Fund is reported in the City's Annual Comprehensive Financial Report which can be obtained by writing the Department of Finance, City of Seattle, PO Box 94747, Seattle, WA 98124-4747 or www.seattle.gov/investor-relations.

Note 6 – Claims Payable

The City and the Fund are self-insured for certain losses arising from personal and property damage claims by third parties and for casualty losses to the Fund's property. Liabilities for identified claims and claims incurred but not reported have been recorded by the Fund.

For 2024 and 2023, liabilities for workers' compensation claims as well as other claims are discounted over a 15-year period at the City's rate of return on investments, 3.61% and 3.12%, respectively. Claims expected to be paid within one year are \$273,175 and \$296,007 as of December 31, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Beginning liability, discounted	\$ 852,278	\$ 814,149
Payments	(385,138)	(346,704)
Incurred claims and change in estimate	<u>219,015</u>	<u>384,833</u>
Ending liability, discounted	<u>\$ 686,155</u>	<u>\$ 852,278</u>

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

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Note 7 – Compensated Absences

The Fund has recorded a liability for vested but unused compensatory and vacation leave, as well as estimated sick leave payments calculated based on the economic resources measurement focus for leave that is more likely than not to be settled by cash payments or noncash settlement, such as conversion to defined postemployment benefits. The schedules below show the compensated absences activity during the years ended December 31, 2024 and 2023:

	2024	2023
Beginning liability	\$ 1,574,704	\$ 1,898,694
Net Additions/Reductions	441,221	(323,990)
Ending liability	<u>\$ 2,015,925</u>	<u>\$ 1,574,704</u>

Note 8 – Pension Benefit Plan

Plan description – The Seattle City Employees' Retirement System (the System) is a cost-sharing multiple employer pension plan covering employees of the City of Seattle and is administered in accordance with Chapter 4.36 of the Seattle Municipal Code.

The System is governed by the Retirement System Board of Administration (the Board). The Board consists of seven members including the Chair of the Finance Committee of the Seattle City Council, the City of Seattle Finance Director, the City of Seattle Personnel Director, two active members and one retired member of the System who are elected by other System members, and one outside board member who is appointed by the other six board members. Elected and appointed board members serve for three-year terms.

Beginning with employees with hire dates of January 1, 2017, or later, all new members are enrolled in SCERS Plan II, which has contribution and benefit calculation rates different than the original SCERS I Plan. All Fund employees are eligible to participate in the system.

System benefits – Service retirement benefits are calculated on the basis of age, salary, and service credit.

SCERS I – The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after ten years of service. Members are eligible for retirement benefits after 30 years of service; at age 52 after 20 years of service; at age 57 after ten years of service; and at age 62 after five years of service. Annual retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

SCERS II – Members are eligible for retirement benefits at age 55 after 20 years of service, at age 57 after 10 years of service, and at age 60 after 5 years of service. Annual retirement benefits are calculated as 1.75% multiplied by years of creditable service, multiplied by average salary, based on the highest 60 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after 5 years of credited service.

Member and employer contributions – member and employer contributions are:

	YEAR	SCERS I	SCERS II
Member Contribution	2024	10.03%	7.00%
	2023	10.03%	7.00%
Employer Contribution	2024	15.31%	14.91%
	2023	15.91%	15.56%

Member and employer rates are established by the Seattle Municipal Code Chapter 4.36. The Fund's contributions to the System for the years ended December 31, 2024 and 2023, were \$3,151,190 and \$2,691,877 respectively.

The System issues stand-alone financial statements, which may be obtained by writing to the Seattle City Employees' Retirement System, 720 Third Avenue, Suite 900, Seattle, Washington, 98104, and telephone: (206) 386-1293, or email at retirecity@seattle.gov, or online <https://www.seattle.gov/retirement/forms-and-publications/publications>.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2024 and 2023, the Fund reported a liability of \$26,949,882 and \$30,515,947, respectively, its proportionate share of the Systems' net pension liability. The net pension liability was measured as of December 31, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 and 2023. The Fund's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating parties, actuarially determined. At December 31, 2024 and 2023, the Fund's proportion was 1.66% and 1.56%, respectively.

For the years ended December 31, 2024 and 2023, the Fund recognized pension expense of approximately \$2,146,000 and \$2,961,000, respectively.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 150,046	\$ 319,490
Change of assumptions	1,504,686	-
Net difference between projected and actual earnings	1,832,655	-
Contributions made subsequent to measurement date	3,151,190	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	976,544
	<u>-</u>	<u>976,544</u>
Total	<u>\$ 6,638,577</u>	<u>\$ 1,296,034</u>

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 44,939	\$ 463,750
Change of assumptions	2,112,286	-
Net difference between projected and actual earnings	4,129,713	-
Contributions made subsequent to measurement date	2,691,877	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	622,813
	<u>-</u>	<u>622,813</u>
Total	<u>\$ 8,978,815</u>	<u>\$ 1,086,563</u>

The Fund's contributions made subsequent to the measurement date are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts currently reported as deferred outflows of resources relate to the difference in actual earnings on pension investments from projected earnings and will be recognized in pension expense as follows for years ending December 31:

Year	Amortization
2025	\$ 219,809
2026	1,170,209
2027	1,810,470
2028	(750,029)
2029	(259,106)
	<u>(259,106)</u>
Total	<u>\$ 2,191,353</u>

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Actuarial assumptions – The total pension liability as of December 31, 2024, was determined using the following actuarial assumptions:

Valuation date	January 1, 2023
Measurement date	December 31, 2023
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percent, Closed
Remaining amortization period	30 years as of January 1, 2013 valuation
Asset valuation method	5-Year Non-asymptotic
Inflation	2.60%
Investment rate of return	6.75% compounded annually, net of expenses
Discount rate	6.75%
Projected general wage inflation	2.6%
Postretirement benefit increases	1.5%
Mortality	Various rates based on PubG-2010 mortality tables and using generational projection of improvement using MP-2021 Ultimate projection scale. See 2022 Investigation of Experience report for details.

The actuarial assumptions that determined the net pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2018, – December 31, 2021.

The discount rate used to measure the pension liability is based on a projection of cash flows assuming that plan member contributions will be made at the current contribution rate and that participating employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payments to determine total pension liability.

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2024, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity: Public	4.70%
Equity: Private	7.50%
Fixed Income: Broad	2.30%
Fixed Income: Credit	5.80%
Real Assets: Real Estate	4.20%
Real Assets: Infrastructure	4.50%

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 6.75%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
\$ 33,414,755	\$ 26,949,882	\$ 12,886,466

Note 9 – 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 \$100,256,935 in 2024 and \$94,330,244 in 2023.

The City contracts with Waste Management of Washington, Inc. (formerly known as Washington Waste Systems), for rail-haul and disposal of nonrecyclable City waste. The disposal contract began in 1990 and is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause beginning on March 31, 2024. Total payments under the terms of this contract for waste disposal were \$21,657,319 in 2024 and \$18,758,472 in 2023.

The City contracts with Lenz Enterprises, Inc., and Cedar Grove Composting, Inc. to process yard and food waste into marketable products. The Lenz processing contract began in 2014 and the Cedar Grove processing contract began in 2017. Both contracts are scheduled to end on March 31, 2024. Total payments under the terms of these contracts were \$ 5,301,531 in 2024 and \$5,045,159 in 2023.

The City contracts with Rabanco, LTD., to process recyclables and marketing those commodities. The Rabanco processing contract began in 2016 and was scheduled to end on March 31, 2024, with a City option to extend to March 31, 2027. Total payments, net of recycling revenue, were \$1,152,510 in 2024 and \$2,953,319 in 2023. This variance resulted from fluctuations in recycling commodity pricing.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

Note 10 – Environmental Liabilities

The City of Seattle and a private developer are under an agreed order and interim action and a consent decree with the Washington State 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 paused the project in 2020 to re-define the project scope. The scope change 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. In 2024, the site's Agreed Order, which described the interim action requiring redevelopment on the City's property was amended to reflect the current plan for the interim action. Additional scope changes in 2024 were added to the project that have caused further delay; however, these scope changes do not require changes to the Consent Decree or Agreed Order. Ecology has been in negotiations with three additional parties, Centerpoint, the new owner of the South Park Property Development (SPPD) parcel, King County and Schnitzer, with the goal to add these parties to the Consent Decree.

As of March 2023, a redefined scope has been approved by SPU. Amendments to the Consent Decree and Cleanup Action Plan have been drafted. Both documents were scheduled to go out for public comment in November 2023; however, one party (Schnitzer) is currently still negotiating with Ecology on their Cleanup Action Plan. Following any additional revisions, the documents will be finalized, and the Consent Decree Amendment will be entered following a public comment period. Design of SPU's Project is underway, and construction is anticipated to start in 2025 with completion in 2028.

In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. In 2015, the developer completed Ecology-approved interim cleanup action on its portion of the site. A similar agreement is likely between the City and one additional property owner.

In 2007, the City entered into an agreement with King County and SPPD to share costs regarding the work necessary to complete a Remedial Investigation and Feasibility Study required under an agreed order with Ecology. In 2010 this cost sharing agreement was amended to modify the cost-sharing arrangement. In 2015, SPPD completed the Ecology-approved interim cleanup action on its portion of the site.

The Fund has included in its estimated liability those portions of the environmental remediation work that are deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique. Estimated outlays were based on current cost and no adjustments were made for discounting or inflation. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions.

Costs were calculated on a weighted average that was based on the probabilities of each scenario being selected and reflected cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; as new information becomes available, estimates may vary significantly due to price increases or reductions, technology, or applicable laws or regulations.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Notes to Financial Statements

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

	<u>2024</u>	<u>2023</u>
Beginning environmental liability, net of recoveries	\$ 19,731,553	\$ 18,255,983
Payments or amortization	(2,505,000)	(3,696,268)
Change in estimated liability	<u>1,462,529</u>	<u>5,171,838</u>
Ending environmental liability, net of recoveries	<u><u>\$ 18,689,082</u></u>	<u><u>\$ 19,731,553</u></u>

The following table represents the current and long-term positions of the environmental liability:

	<u>2024</u>	<u>2023</u>
Environmental liability, current	\$ 305,000	\$ 2,810,000
Environmental liability, noncurrent	<u>18,384,082</u>	<u>16,921,553</u>
Ending liability	<u><u>\$ 18,689,082</u></u>	<u><u>\$ 19,731,553</u></u>

Note 11 – Landfill Closure and Post Closure Care

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

As of December 31, 2024, accrued landfill closure and post closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to regional transit and I-5 improvement projects. It is the City Council's policy to include the Fund's share of all landfill closure and post closure costs in the revenue requirements used to set future solid waste rates. Therefore, the Fund uses regulatory accounting and total estimated landfill closure, and post closure care costs are accrued and also reflected as a future cost in the accompanying financial statements, in accordance with generally accepted accounting principles. These costs are being amortized as they are recovered from rate payers and will be fully amortized in 2030. Actual costs for closure and post closure care may be higher due to inflation, changes in technology, or changes in regulations. Such amounts would be added to the liability and accrued when identified. Landfill closure costs were fully amortized in 2009 and landfill postclosure costs will continue to amortize until 2030.

Required Supplementary Information

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Required Supplementary Information

Schedule of Seattle Public Utilities’ Proportionate Share of the Net Pension Liability

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Employer’s proportion of the net pension liability	13.81%	14.21%	14.76%	14.62%	14.33%	14.55%	14.73%	15.13%	16.37%	16.96%
Employer’s proportionate share of the net pension liability	\$ 185,271,435	\$ 214,988,644	\$ 122,309,887	\$ 143,163,797	\$ 180,105,232	\$ 221,049,893	\$ 163,086,154	\$ 197,454,529	\$ 212,671,200	\$ 187,919,945
Employer’s covered payroll	\$ 129,935,333	\$ 127,869,634	\$ 126,830,347	\$ 127,584,358	\$ 112,528,955	\$ 111,973,027	\$ 107,715,383	\$ 106,696,535	\$ 105,031,141	\$ 102,783,473
Employer’s proportionate share of the net pension liability as a percentage of its covered payroll	142.59%	168.13%	96.44%	112.21%	160.05%	197.41%	151.40%	185.06%	202.48%	182.83%
Plan fiduciary net position as a percentage of the total pension liability	74.93%	70.63%	83.31%	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%	67.70%

Schedule of Seattle Public Utilities’ Pension Contributions

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$ 20,748,200	\$ 20,632,427	\$ 20,589,068	\$ 20,654,175	\$ 17,041,133	\$ 17,103,559	\$ 16,466,270	\$ 16,354,089	\$ 16,487,154	\$ 15,170,276
Contributions in relation to the contractually required employer contribution	(20,748,200)	(20,632,427)	(20,589,068)	(20,654,175)	(17,041,133)	(17,103,559)	(16,466,270)	(16,354,089)	(16,487,154)	(15,170,276)
Employer contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer’s covered payroll	\$ 129,935,333	\$ 127,869,634	\$ 126,830,347	\$ 127,584,358	\$ 112,528,955	\$ 111,973,027	\$ 107,715,383	\$ 106,696,535	\$ 105,031,141	\$ 102,783,473
Employer contributions as a percentile of covered payroll	15.97%	16.14%	16.23%	16.19%	15.14%	15.27%	15.29%	15.33%	15.70%	14.76%

See report of independent auditors.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Required Supplementary Information

Schedule of the City's Total OPEB Liability and Related Ratios

	<u>December 31, 2024</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Total OPEB Liability							
Normal cost	\$ 2,588,171	\$ 3,563,210	\$ 4,514,549	\$ 4,015,249	\$ 3,378,925	\$ 3,842,152	\$ 3,821,876
Interest	1,911,611	1,195,910	1,553,119	1,813,401	2,586,942	2,195,238	2,583,105
Differences between expected and actual experience	(1,219,914)	-	(16,026,625)	-	6,956,579	-	13,491,865
Changes in assumptions	35,933,709	(8,009,946)	(1,556,412)	3,738,597	(7,760,776)	(3,886,702)	(22,126,182)
Benefit payment	(2,455,021)	(2,436,239)	(3,039,800)	(2,933,774)	(2,484,320)	(2,333,610)	(2,289,000)
Total OPEB liability – beginning of year	<u>50,015,500</u>	<u>55,702,565</u>	<u>70,257,734</u>	<u>63,624,261</u>	<u>60,946,911</u>	<u>61,129,833</u>	<u>65,648,115</u>
Total OPEB liability – end of year	<u><u>\$ 86,774,056</u></u>	<u><u>\$ 50,015,500</u></u>	<u><u>\$ 55,702,565</u></u>	<u><u>\$ 70,257,734</u></u>	<u><u>\$ 63,624,261</u></u>	<u><u>\$ 60,946,911</u></u>	<u><u>\$ 61,129,779</u></u>
Covered-employee payroll	\$ 1,335,721,665	\$ 1,145,862,502	\$ 1,145,862,502	\$ 1,124,692,046	\$ 1,124,692,046	\$ 1,015,097,334	\$ 1,015,097,334
Total OPEB liability as percentage of covered-employee payroll	6.50%	4.36%	4.86%	6.25%	5.66%	6.00%	6.02%

See report of independent auditors.

Other Information (Unaudited)

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Other Information (Unaudited)

Solid Waste Debt Service Coverage Calculation 2024

Operating Revenue

Residential Collection Services	\$ 172,038,628
Commercial Collection Services	75,509,638
Disposal and Other	<u>37,774,484</u>

Total Operating Revenue

285,322,750

Operating Expense

Solid Waste Contract Expense	133,111,212
Other Operations and Maintenance	50,519,468
City Taxes	32,046,821
State B&O Tax	<u>4,969,086</u>

Total Operating Expense

220,646,587

Net Operating Income

64,676,163

Adjustments

Less: DSRF Earnings	(68,477)
Add: City Taxes	32,046,821
Add: Environmental Liability Costs	1,462,529
Add: Investment Interest	7,401,351
Add: Net Proceeds from Sale on Assets	1,939
Add: Net Other Nonoperating Revenues	<u>73,319</u>

Total Adjustments

40,917,482

Net Revenue Available for Debt Service

\$ 105,593,645

Net Revenue Available for Debt Service (w/o City Taxes)

\$ 73,546,824

Annual Debt Service

Annual Debt Service	\$ 73,380,675
Less: DSRF Earnings	(68,477)
Less: Call of 2014 Bonds	<u>(60,270,000)</u>

Adjusted Annual Debt Service

\$ 13,042,199

Coverage	8.10
Coverage without taxes	5.64

See report of independent auditors.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Other Information (Unaudited)

Solid Waste Customers by Class

	2020	2021	2022	2023	2024
VARIABLE CANS					
No Can/Vacancy	1,938	2,199	2,456	2,518	2,619
12-Gallon Can	21,587	21,386	21,246	21,281	21,136
20-Gallon Can	49,023	50,021	50,210	50,430	50,358
32-Gallon Can	82,259	81,574	81,501	81,606	82,120
64-Gallon Can	8,348	9,635	10,168	10,835	11,476
96-Gallon Can	3,239	3,822	4,079	4,394	4,684
TOTAL VARIABLE CANS	166,394	168,637	169,660	171,064	172,393
Residential Dumpster Accounts	5,240	5,310	5,326	5,357	5,356
Commercial Accounts	8,214	8,164	8,157	8,153	8,007

Solid Waste Tonnage

	2018	2019	2020	2021	2022	2023	2024
GARBAGE							
Residential Collection	107,485	109,367	119,903	122,637	126,365	122,755	129,241
Self-Haul Garbage	100,828	101,506	97,320	109,046	114,840	118,079	127,049
Commercial Collection	138,009	134,816	109,891	113,997	117,061	116,532	133,332
Total tons disposed	346,322	345,689	327,114	345,680	358,266	357,366	389,622
RECYCLING							
Private Recycling ⁽¹⁾	262,249	257,010	183,659	183,659	200,074	213,588	263,720
Residential Curbside Recycling	53,582	50,505	55,133	50,677	49,976	52,235	44,910
Apartment Recycling	24,520	24,802	26,852	25,988	24,560	27,522	22,762
Residential Curb Yard & Food Waste	88,947	89,105	99,850	87,725	85,366	79,567	83,672
Self Haul Yard Waste	6,127	6,957	6,780	6,513	7,147	7,363	6,766
Self-Haul Wood Waste	1,040	893	655	655	628	661	752
Self-Haul Recycling ⁽¹⁾	4,567	4,879	4,109	3,776	4,593	4,416	4,618
Composting ⁽²⁾	9,450	9,450	9,450	9,450	9,450	9,450	9,450
Total tons recycled	450,482	443,601	386,488	368,443	381,794	394,802	436,650
Total tons generated	796,804	789,290	713,602	714,124	740,060	752,168	826,271
Garbage as a percentage of total tons generated	43%	44%	46%	48%	48%	48%	47%
Recycling as a percentage of total tons generated	57%	56%	54%	52%	52%	52%	53%

⁽¹⁾ Estimate for 2024

⁽²⁾ Composting figures are estimates based on surveys and include grasscycling and backyard food waste and yard waste composting. Surveys were conducted in 2005, 2010, and 2018.

See report of independent auditors.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Other Information (Unaudited)

Solid Waste Rate Schedule and Transfer Station Fees

2024 Monthly Residential Rate Schedule

Service unit	Rates (Effective April 1, 2024)	Rates (Effective April 1, 2025)
No can (minimum charge)	\$ 6.85	\$ 6.85
12-Gallon	27.55	28.25
20-Gallon	33.75	34.65
32-Gallon	43.9	45.05
64-Gallon	87.65	89.95
96-Gallon	131.65	135.05
Recycling	No charge	No charge
Non-Compacted Dumpster (one cubic yard, once/week, one container) ⁽²⁾	325.15	333.55
Compacted Dumpster (three cubic yards, once/week, one container) ⁽²⁾	939.15	939.15
Yard Waste Mini-Can	7.30	7.50
Yard Waste 32-Gallon Can	10.95	11.25
Yard Waste 96-Gallon Can	13.95	14.30

⁽¹⁾ Rates listed are for curb/alley service.

⁽²⁾ Dumpster rates vary based on size and number of containers as well as the frequency of collection. Dumpster rates shown include a \$49.50 monthly account fee.

2025 Commercial Collection Rates

Like other solid waste rates, the City sets commercial rates through ordinance. Commercial rates vary with the type and level of service. A typical commercial customer has 3 cubic yards of garbage collected once per week. As of April 1, 2025 the cost of this service is \$603.99 per month, including a monthly account fee of \$33.30.

2025 Transfer Station Fees

	Rates (Effective April 1, 2024)	Rates (Effective April 1, 2025)
Garbage		
Sedans, SUVs, and station wagons	\$35.00 per trip	\$35.00 per trip
All other self-haul vehicles with garbage	\$165.00 per ton (\$35.00 minimum charge)	\$165.00 per ton (\$35.00 minimum charge)
Yard and wood waste		
Sedans, SUVs, and station wagons	\$24.00 per trip	\$24.00 per trip
All other self-haul vehicles with yard waste	\$125.00 per ton (\$24.00 minimum charge)	\$125.00 per ton (\$24.00 minimum charge)

Regional Comparison of Transfer Station Rates

	2025		2024	
Garbage	Seattle	King County	Seattle	King County
Per Ton	\$ 165.00	\$ 217.20	\$ 165.00	\$ 198.00
Minimum Charge	\$ 35.00	\$ 36.00	\$ 35.00	\$ 33.00

See report of independent auditors.

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

To the Director of Seattle Public Utilities
Solid Waste Fund
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Seattle Public Utilities – Solid Waste Fund (the Fund) as of and for the year ended December 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, the noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Seattle, Washington
April 30, 2025