SEATTLE CITY COUNCIL

Transportation and Seattle Public Utilities

Agenda

Tuesday, May 17, 2022

9:30 AM

Remote Meeting. Call 253-215-8782; Meeting ID: 586 416 9164; or Seattle Channel online.

Alex Pedersen, Chair
Dan Strauss, Vice-Chair
Lisa Herbold, Member
Tammy J. Morales, Member
Kshama Sawant, Member

Chair Info: 206-684-8804; Alex.Pedersen@seattle.gov

Watch Council Meetings Live View Past Council Meetings

Council Chamber Listen Line: 206-684-8566

For accessibility information and for accommodation requests, please call 206-684-8888 (TTY Relay 7-1-1), email CouncilAgenda@Seattle.gov, or visit http://seattle.gov/cityclerk/accommodations.

SEATTLE CITY COUNCIL

Transportation and Seattle Public Utilities

Agenda

May 17, 2022 - 9:30 AM

Meeting Location:
Remote Meeting. Call 253-215-8782; Meeting ID: 586 416 9164; or Seattle Channel online.

Committee Website:
https://www.seattle.gov/council/committees/transportation-and-seattle-public-utilities

This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

Pursuant to Washington State Governor's Proclamation No. 20-28.15 and Senate Concurrent Resolution 8402, this public meeting will be held remotely. Meeting participation is limited to access by the telephone number provided on the meeting agenda, and the meeting is accessible via telephone and Seattle Channel online.

Register online to speak during the Public Comment period at the 9:30 a.m. Transportation and Seattle Public Utilities Committee meeting at http://www.seattle.gov/council/committees/public-comment.

Online registration to speak at the Transportation and Seattle Public Utilities Committee meeting will begin two hours before the 9:30 a.m. meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

Submit written comments to Councilmember Pedersen at
Alex.Pedersen@seattle.gov
Sign-up to provide Public Comment at the meeting at
http://www.seattle.gov/council/committees/public-comment
Watch live streaming video of the meeting at
http://www.seattle.gov/council/watch-council-live
Listen to the meeting by calling the Council Chamber Listen Line at
253-215-8782 Meeting ID: 586 416 9164
One Tap Mobile No. US: +12532158782,,5864169164#

Please Note: Times listed are estimated

A. Call To Order

B. Approval of the Agenda

C. Public Comment

D. Items of Business

1. CB 120300 **AN ORDINANCE, granting permission to 2001 Sixth L.L.C. to continue operating and maintaining a utility tunnel under the alley between 5th Avenue and 6th Avenue, north of Virginia Street; repealing Section 8 of Ordinance 119437; and providing acceptance of the permit and conditions.**

Supporting Documents:
Summary and Fiscal Note
Summary Att A - 2001 Sixth L.L.C. Tunnel Area Map
Summary Att B - 2001 Sixth L.L.C. Tunnel Fee Assessment
Central Staff Memo

Briefing, Discussion, and Possible Vote (10 minutes)

Presenters: Amy Gray, Seattle Department of Transportation; Lish Whitson, Council Central Staff

2. CB 120301 **AN ORDINANCE granting King County permission to continue maintaining and operating two pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street; repealing Section 8 of Ordinance 123842; and providing for acceptance of the permit and conditions.**

Supporting Documents:
Summary and Fiscal Note
Summary Att A – KC Harborview Tunnels Area Map
Summary Att B – KC Harborview Tunnels Photos
Summary Att C - KC Haborview Tunnels Fee Assessment
Central Staff Memo

Briefing, Discussion, and Possible Vote (10 minutes)

Presenter: Lish Whitson, Council Central Staff

3. CB 120302 **AN ORDINANCE granting Swedish Health Services permission to continue maintaining and operating an existing pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue; repealing Section 9 of Ordinance 123048; and providing for the acceptance of the permit and conditions.**

Supporting Documents:
Summary and Fiscal Note
Summary Att A - Swedish Cherry St Skybridge Area Map
Summary Att B - Swedish Cherry St Skybridge Photos
Summary Att C - Swedish Cherry St Skybridge Annual Fee Assessment Summary
Central Staff Memo

Briefing, Discussion, and Possible Vote (10 minutes)

Presenters: Amy Gray, Seattle Department of Transportation; Lish Whitson, Council Central Staff

4. Res 32053 **A RESOLUTION granting conceptual approval to construct, maintain, and operate private communication conduit under and across Latona Avenue Northeast, north of Northeast Northlake Way; as proposed by Dunn Lumber Company, as part of the construction of a new lumber warehouse in the Wallingford neighborhood.**

Supporting Documents:
Summary and Fiscal Note
Summary Att A – 3800 Latona Ave NE Communication Conduit Area Map
Central Staff Memo
Presentation

Briefing, Discussion, and Possible Vote (10 minutes)

Presenters: Amy Gray, Seattle Department of Transportation; Calvin Chow, Council Central Staff

5. **Seattle Public Utilities 2021 Audit Report**

Supporting Documents:
SPU Drainage & Wastewater 2021 Audit FS
SPU Solid Waste Fund 2021 Audit FS
SPU Water Fund 2021 Audit FS
Presentation - Report on 2021 Audits

Briefing and Discussion (15 minutes)

Presenters: Andrew Lee, General Manager and CEO, Seattle Public Utilities; Laurie Tish and Nicole Kiekmeier, Moss Adams

6. **Seattle Public Utilities Race and Social Justice Initiative (RSJI) Report**

Supporting Documents: Memo - Summary of 2021 RSJ Accomplishments

Presentation

Briefing and Discussion (40 minutes)

Presenters: Andrew Lee, General Manager and CEO, Todd Snyder, Nu'u Fuaval, Monica Lewis, and Leslie Webster, Seattle Public Utilities

E. Adjournment

File #: CB 120300, **Version:** 1

CITY OF SEATTLE

ORDINANCE __________________

COUNCIL BILL __________________

AN ORDINANCE, granting permission to 2001 Sixth L.L.C. to continue operating and maintaining a utility tunnel under the alley between 5th Avenue and 6th Avenue, north of Virginia Street; repealing Section 8 of Ordinance 119437; and providing acceptance of the permit and conditions.

WHEREAS, by Ordinance 119437, The City of Seattle granted Clise Properties, Inc. permission to construct, maintain, and operate a utility tunnel in the alley between 5th Avenue and 6th Avenue, north of Virginia Street; and

WHEREAS, 2001 Sixth L.L.C. purchased the property located at 2001 6th Avenue and 2000 5th Avenue in August 2007, and assumed ownership of the utility tunnel; and

WHEREAS, Ordinance 119437 was amended and renewed by Ordinance 123511; and

WHEREAS, the permission authorized by Ordinance 123511 was due for renewal on February 5, 2021; and

WHEREAS, since the adoption of Ordinance 119437, the City of Seattle has established a practice for the length of a permit to one 15-year term, renewable for one successive 15-year term; and

WHEREAS, reflective of this change, 2001 Sixth L.L.C. submitted an application to the Director of Transportation to renew the permission granted by Ordinance 119437 for a 15-year term; and

WHEREAS, the obligations of Ordinance 119437 remain in effect after the ordinance term expires until the encroachment is removed, or 2001 Sixth L.L.C. is relieved of the obligations by the Seattle Department of Transportation Director, or the Seattle City Council passes a new ordinance to renew the permission granted; and

WHEREAS, 2001 Sixth L.L.C. satisfied all the terms of the original authorizing ordinance and the Director of

Transportation recommends that the term permit be renewed for 15 years subject to the terms identified in this ordinance; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. **Permission**. Subject to the terms and conditions of this ordinance, the City of Seattle ("City") grants permission (also referred to in this ordinance as a permit) to 2001 Sixth L.L.C. and its successors and assigns as approved by the Director of the Seattle Department of Transportation ("Director") according to Section 14 of this ordinance (the party named above and each such approved successor and assign are referred to as "Permittee"), to continue maintaining and operating an existing utility tunnel under and across the alley between 5th Avenue and 6th Avenue, north of Virginia Street. The utility tunnel is adjacent in whole or in part to the properties legally described as:

> Lots 1, 2 & 3 (less portion for street), Block 15 of Addition to town of Seattle, as laid off by Heirs of Sarah A. Bell, deceased (commonly known as Heirs of Sarah A. Bell's Addition to the City of Seattle), as per plat recorded in Volume I of plats, page 103, records of King County, Washington.

Section 2. **Term**. The permission granted to the Permittee is for a term of 15 years starting on the effective date of this ordinance and ending at 11:59 p.m. on the last day of the fifteenth year. Upon written application made by the Permittee at least one year before expiration of the term, the Director or the City Council may renew the permit once, for a successive 15-year term, subject to the right of the City to require the removal of the utility tunnel, or to revise by ordinance any of the terms and conditions of the permission granted by this ordinance. The total term of the permission, including renewals, shall not exceed 30 years. The Permittee shall submit any application for a new permission no later than one year before the then-existing term expires. Any new application would be subject to the fees and criteria in place at the time of the new application.

Section 3. **Protection of utilities.** The permission granted is subject to the Permittee bearing the expense of any protection, support, or relocation of existing utilities deemed necessary by the owners of the utilities, and the Permittee being responsible for any damage to the utilities due to the construction, repair, reconstruction, maintenance, operation, or removal of the utility tunnel and for any consequential damages that may result from any damage to utilities or interruption in service caused by any of the foregoing.

Section 4. **Removal for public use or for cause.** The permission granted is subject to use of the street right-of-way or other public place (collectively, “public place”) by the City and the public for travel, utility purposes, and other public uses or benefits. The City expressly reserves the right to deny renewal, or terminate the permission at any time prior to expiration of the initial term or any renewal term, and require the Permittee to remove the utility tunnel, or any part thereof or installation on the public place, at the Permittee’s sole cost and expense in the event that:

A. The City Council determines by ordinance that the space occupied by the utility tunnel is necessary for any public use or benefit or that the utility tunnel interferes with any public use or benefit; or

B. The Director determines that use of the utility tunnel has been abandoned; or

C. The Director determines that any term or condition of this ordinance has been violated, and the violation has not been corrected by the Permittee by the compliance date after a written request by the City to correct the violation (unless a notice to correct is not required due to an immediate threat to the health or safety of the public).

A City Council determination that the space is needed for, or the utility tunnel interferes with, a public use or benefit is conclusive and final without any right of the Permittee to resort to the courts to adjudicate the matter.

Section 5. **Permittee’s obligation to remove and restore.** If the permission granted is not renewed at the expiration of a term, or if the permission expires without an application for a new permission being granted, or if the City terminates the permission, then within 90 days after the expiration or termination of the permission, or prior to any earlier date stated in an ordinance or order requiring removal of the utility tunnel, the Permittee shall, at its own expense, remove the utility tunnel and all of the Permittee’s equipment and property from the public place and replace and restore all portions of the public place that may have been disturbed for any part of the utility tunnel in as good condition for public use as existed prior to construction of the utility tunnel and in at least as good condition in all respects as the abutting portions of the public place as required by Seattle Department of Transportation (SDOT) right-of-way restoration standards.

Failure to remove the utility tunnel as required by this section is a violation of Chapter 15.90 of the Seattle Municipal Code (SMC) or successor provision; however, applicability of Chapter 15.90 does not eliminate any remedies available to the City under this ordinance or any other authority. If the Permittee does not timely fulfill its obligations under this section, the City may in its sole discretion remove the utility tunnel and restore the public place at the Permittee's expense, and collect such expense in any manner provided by law.

Upon the Permittee's completion of removal and restoration in accordance with this section, or upon the City's completion of the removal and restoration and the Permittee's payment to the City for the City's removal and restoration costs, the Director shall then issue a certification that the Permittee has fulfilled its removal and restoration obligations under this ordinance. Upon prior notice to the Permittee and entry of written findings that it is in the public interest, the Director may, in the Director's sole discretion, conditionally or absolutely excuse the Permittee from compliance with all or any of the Permittee's obligations under this section.

Section 6. **Repair or reconstruction.** The utility tunnel shall remain the exclusive responsibility of the Permittee and the Permittee shall maintain the utility tunnel in good and safe condition for the protection of the public. The Permittee shall not reconstruct or repair the utility tunnel except in strict accordance with plans and specifications approved by the Director. The Director may, in the Director's judgment, order the utility tunnel reconstructed or repaired at the Permittee's cost and expense because of: the deterioration of the utility tunnel; the installation, construction, reconstruction, maintenance, operation, or repair of any municipally-owned public utilities; or for any other cause.

Section 7. **Failure to correct unsafe condition.** After written notice to the Permittee and failure of the Permittee to correct an unsafe condition within the time stated in the notice, the Director may order the utility tunnel be removed at the Permittee's expense if the Director deems that the utility tunnel creates a risk of injury to the public. If there is an immediate threat to the health or safety of the public, a notice to correct is not required.

Section 8. **Continuing obligations.** Notwithstanding termination or expiration of the permission granted, or removal of the utility tunnel, the Permittee shall remain bound by all of its obligations under this ordinance until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance, or the Seattle City Council passes a new ordinance to renew the permission granted and/or establish a new term. Notwithstanding the issuance of that certification, the Permittee shall continue to be bound by the obligations in Section 9 of this ordinance and shall remain liable for any unpaid fees assessed under Section 15 and Section 17 of this ordinance.

Section 9. **Release, hold harmless, indemnification, and duty to defend.** The Permittee, by accepting the terms of this ordinance, releases the City, its officials, officers, employees, and agents from any and all claims, actions, suits, liability, loss, costs, expense, attorneys' fees, or damages of every kind and description arising out of or by reason of the utility tunnel, or this ordinance, including but not limited to claims resulting from injury, damage, or loss to the Permittee or the Permittee's property.

The Permittee agrees to at all times defend, indemnify, and hold harmless the City, its officials, officers, employees, and agents from and against all claims, actions, suits, liability, loss, costs, expense, attorneys' fees, or damages of every kind and description, excepting only damages that may result from the sole negligence of the City, that may accrue to, be asserted by, or be suffered by any person or property including, without limitation, damage, death or injury to members of the public or to the Permittee's officers, agents, employees, contractors, invitees, tenants, tenants' invitees, licensees, or successors and assigns, arising out of or by reason of:

A. The existence, condition, construction, reconstruction, modification, maintenance, operation, use, or removal of the utility tunnel;

B. Anything that has been done or may at any time be done by the Permittee by reason of this ordinance; or

C. The Permittee failing or refusing to strictly comply with every provision of this ordinance; or arising out of or by reason of the utility tunnel or this ordinance in any other way.

If any suit, action, or claim of the nature described above is filed, instituted, or begun against the City, the Permittee shall upon notice from the City defend the City, with counsel acceptable to the City, at the sole cost and expense of the Permittee, and if a judgment is rendered against the City in any suit or action, the Permittee shall fully satisfy the judgment within 90 days after the action or suit has been finally determined, if determined adversely to the City. If it is determined by a court of competent jurisdiction that Revised Code of Washington (RCW) 4.24.115 applies to this ordinance, then in the event claims or damages are caused by or result from the concurrent negligence of the City, its agents, contractors, or employees, and the Permittee, its agents, contractors, or employees, this indemnity provision shall be valid and enforceable only to the extent of the negligence of the Permittee or the Permittee's agents, contractors, or employees.

Section 10. **Insurance.** For as long as the Permittee exercises any permission granted by this ordinance and until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance, the Permittee shall obtain and maintain in full force and effect, at its own expense, insurance and/or self-insurance that protects the Permittee and the City from claims and risks of loss from perils that can be insured against under commercial general liability (CGL) insurance policies in conjunction with:

A. Construction, reconstruction, modification, operation, maintenance, use, existence, or removal of the utility tunnel, as well as restoration of any disturbed areas of the public place in connection with removal of the utility tunnel;

B. The Permittee's activity upon or the use or occupation of the public place described in Section 1 of this ordinance; and

C. Claims and risks in connection with activities performed by the Permittee by virtue of the permission granted by this ordinance.

Minimum insurance requirements are CGL insurance written on an occurrence form at least as broad as the Insurance Services Office (ISO) CG 00 01. The City requires insurance coverage to be placed with an insurer admitted and licensed to conduct business in Washington State or with a surplus lines carrier pursuant to chapter 48.15 RCW. If coverage is placed with any other insurer or is partially or wholly self-insured, such insurer(s) or self-insurance is subject to approval by the City's Risk Manager.

Minimum limits of liability shall be $5,000,000 per Occurrence; $10,000,000 General Aggregate; $5,000,000 Products/Completed Operations Aggregate, including Premises Operations; Personal/Advertising Injury; Contractual Liability. Coverage shall include the "City of Seattle, its officers, officials, employees and agents" as additional insureds for primary and non-contributory limits of liability subject to a Separation of Insureds clause.

Within 60 days after the effective date of this ordinance, the Permittee shall provide to the City, or cause to be provided, certification of insurance coverage including an actual copy of the blanket or designated additional insured policy provision per the ISO CG 20 12 endorsement or equivalent. The insurance coverage certification shall be delivered or sent to the Director or to SDOT at an address as the Director may specify in writing from time to time. The Permittee shall provide a certified complete copy of the insurance policy to the City promptly upon request.

If the Permittee is self-insured, a letter of certification from the Corporate Risk Manager may be submitted in lieu of the insurance coverage certification required by this ordinance, if approved in writing by the City's Risk Manager. The letter of certification must provide all information required by the City's Risk Manager and document, to the satisfaction of the City's Risk Manager, that self-insurance equivalent to the insurance requirements of this ordinance is in force. After a self-insurance certification is approved, the City may from time to time subsequently require updated or additional information. The approved self-insured

Permittee must provide 30 days' prior notice of any cancellation or material adverse financial condition of its self-insurance program. The City may at any time revoke approval of self-insurance and require the Permittee to obtain and maintain insurance as specified in this ordinance.

In the event that the Permittee assigns or transfers the permission granted by this ordinance, the Permittee shall maintain in effect the insurance required under this section until the Director has approved the assignment or transfer pursuant to Section 14 of this ordinance.

Section 11. **Contractor insurance.** The Permittee shall contractually require that any and all of its contractors performing work on any premises contemplated by this permit name the "City of Seattle, its officers, officials, employees and agents" as additional insureds for primary and non-contributory limits of liability on all CGL, Automobile and Pollution liability insurance and/or self-insurance. The Permittee shall also include in all contract documents with its contractors a third-party beneficiary provision extending to the City construction indemnities and warranties granted to the Permittee.

Section 12. **Performance bond.** Within 60 days after the effective date of this ordinance, the Permittee shall deliver to the Director for filing with the City Clerk a sufficient bond executed by a surety company authorized and qualified to do business in the State of Washington that is: in the amount of $10,000, and conditioned with a requirement that the Permittee shall comply with every provision of this ordinance and with every order the Director issues under this ordinance. The Permittee shall ensure that the bond remains in effect until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance. An irrevocable letter of credit approved by the Director in consultation with the City Attorney's Office may be substituted for the bond. In the event that the Permittee assigns or transfers the permission granted by this ordinance, the Permittee shall maintain in effect the bond or letter of credit required under this section until the Director has approved the assignment or transfer pursuant to Section 14 of this ordinance.

Section 13. **Adjustment of insurance and bond requirements.** The Director may adjust minimum liability insurance levels and surety bond requirements during the term of this permission. If the Director determines that an adjustment is necessary to fully protect the interests of the City, the Director shall notify the Permittee of the new requirements in writing. The Permittee shall, within 60 days of the date of the notice, provide proof of the adjusted insurance and surety bond levels to the Director.

Section 14. **Consent for and conditions of assignment or transfer.** When the Property is transferred, the permission granted by this ordinance shall be assignable and transferable by operation of law pursuant to Section 20 of this ordinance. Continued occupation of the right-of-way constitutes the Permittee's acceptance of the terms of this ordinance, and the new owner shall be conferred with the rights and obligations of Permittee by this ordinance. Other than a transfer to a new owner of the Property, Permittee shall not transfer, assign, mortgage, pledge or encumber the same without the Director's consent, which the Director shall not unreasonably refuse. The Director may approve assignment or transfer of the permission granted by this ordinance to a successor entity only if the successor or assignee has provided, at the time of the assignment or transfer, the bond and certification of insurance coverage required under this ordinance; and has paid any fees due under Section 15 and Section 17 of this ordinance. Upon the Director's approval of an assignment or transfer, the rights and obligations conferred on the Permittee by this ordinance shall be conferred on the successors and assigns. Any person or entity seeking approval for an assignment or transfer of the permission granted by this ordinance shall provide the Director with a description of the current and anticipated use of the utility tunnel.

Section 15. **Inspection fees.** The Permittee shall, as provided by SMC Chapter 15.76 or successor provision, pay the City the amounts charged by the City to inspect the utility tunnel during construction, reconstruction, repair, annual safety inspections, and at other times deemed necessary by the City. An inspection or approval of the utility tunnel by the City shall not be construed as a representation, warranty, or assurance to the Permittee or any other person as to the safety, soundness, or condition of the utility tunnel. Any failure by the City to require correction of any defect or condition shall not in any way limit the responsibility or liability of the Permittee.

Section 16. **Inspection reports.** The Permittee shall submit to the Director, or to SDOT at an address specified by the Director, an inspection report that:

A. Describes the physical dimensions and condition of all load-bearing elements;

B. Describes any damages or possible repairs to any element of the utility tunnel;

C. Prioritizes all repairs and establishes a timeframe for making repairs; and

D. Is stamped by a professional structural engineer licensed in the State of Washington.

A report meeting the foregoing requirements shall be submitted within 60 days after the effective date of the ordinance; subsequent reports shall be submitted every two years, provided that, in the event of a natural disaster or other event that may have damaged the utility tunnel, the Director may require that additional reports be submitted by a date established by the Director. The Permittee has the duty of inspecting and maintaining the utility tunnel. The responsibility to submit structural inspection reports periodically or as required by the Director does not waive or alter any of the Permittee’s other obligations under this ordinance. The receipt of any reports by the Director shall not create any duties on the part of the Director. Any failure by the Director to require a report, or to require action after receipt of any report, shall not waive or limit the obligations of the Permittee.

Section 17. **Annual fee.** Beginning on the effective date of this ordinance the Permittee shall pay an Issuance Fee, and annually thereafter, the Permittee shall promptly pay to the City, upon statements or invoices issued by the Director, an Annual Renewal Fee, and an Annual Use and Occupation fee of $3,340.80, or as adjusted annually thereafter, for the privileges granted by this ordinance.

Adjustments to the Annual Use and Occupation Fee shall be made in accordance with a term permit fee schedule adopted by the City Council and may be made every year. In the absence of a schedule, the Director may only increase or decrease the previous year's fee to reflect any inflationary changes so as to charge the fee in constant dollar terms. This adjustment will be calculated by adjusting the previous year’s fee by the percentage change between the two most recent year-end values available for the Consumer Price Index for the Seattle-Tacoma-Bellevue Area, All Urban Consumers, All Products, Not Seasonally Adjusted. Permittee shall pay any other applicable fees, including fees for reviewing applications to renew the permit after expiration of the first term. All payments shall be made to the City Finance Director for credit to the Transportation Fund.

Section 18. **Compliance with other laws.** Permittee shall construct, maintain, and operate the utility tunnel in compliance with all applicable federal, state, County and City laws and regulations. Without limitation, in all matters pertaining to the utility tunnel, the Permittee shall comply with the City's laws prohibiting discrimination in employment and contracting including Seattle's Fair Employment Practices Ordinance, Chapter 14.04, and Fair Contracting Practices code, Chapter 14.10 (or successor provisions).

Section 19. **Acceptance of terms and conditions.** The Permittee shall provide evidence of insurance coverage required by Section 10 of this ordinance, the bond as required by Section 12 of this ordinance, and the covenant agreement required by Section 20 of this ordinance within 60 days after the effective date of this ordinance. Continued occupation of the right-of-way constitutes the Permittee's acceptance of the terms of this ordinance.

Section 20. **Obligations run with the Property.** The obligations and conditions imposed on the Permittee by and through this ordinance are covenants that run with the land and bind subsequent owners of the property adjacent to the utility tunnel, and legally described in Section 1 of this ordinance (the "Property"), regardless of whether the Director has approved assignment or transfer of the permission granted herein to such subsequent owner(s). At the request of the Director, Permittee shall provide to the Director a current title report showing the identity of all owner(s) of the Property and all encumbrances on the Property. The Permittee shall, within 60 days of the effective date of this ordinance, and prior to conveying any interest in the Property, deliver to the Director upon a form to be supplied by the Director, a covenant agreement imposing the obligations and conditions set forth in this ordinance, signed and acknowledged by the Permittee and any other owner(s) of the Property and recorded with the King County Recorder's Office. The Director shall file the recorded covenant agreement with the City Clerk. The covenant agreement shall reference this ordinance by its ordinance number. At the request of the Director, Permittee shall cause encumbrances on the Property to be subordinated to the covenant agreement.

Section 21. **Section titles.** Section titles are for convenient reference only and do not modify or limit the text of a section.

Section 22. **Repeal of Section 8 of Ordinance 119437.** Section 8 of Ordinance 119437 is repealed.

Section 23. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ________ day of _________________________, 2022, and signed by me in open session in authentication of its passage this _____ day of _________________________, 2022.

____

President ____________ of the City Council

Approved / returned unsigned / vetoed this _____ day of _________________, 2022.

____

Bruce A. Harrell, Mayor

Filed by me this ________ day of _________________________, 2022.

____

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle Department of Transportation	Amy Gray/206-386-4638	Christie Parker/206-684-5211

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE, granting permission to 2001 Sixth L.L.C. to continue operating and maintaining a utility tunnel under the alley between 5th Avenue and 6th Avenue, north of Virginia Street; repealing Section 8 of Ordinance 119437; and providing acceptance of the permit and conditions.

Summary and Background of the Legislation: This legislation allows 2001 Sixth L.L.C. to continue maintaining and operating the existing utility tunnel under the alley between 5th Avenue and 6th Avenue, north of Virginia Street. The utility tunnel is for a period of 15 years, commencing on the effective date of the ordinance. 2001 Sixth L.L.C. may apply to renew the permit once for a successive 15-year term. The legislation specifies the conditions under which permission is granted.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes _X__ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? _X__ Yes ___ No

	General Fund $		Other $	
Appropriation change ($):	**2022**	**2023**	**2022**	**2023**
	Revenue to General Fund		**Revenue to Other Funds**	
Estimated revenue change ($):	**2022**	**2023**	**2022**	**2023**
			$3,340.80	**TBD**
	No. of Positions		**Total FTE Change**	
Positions affected:	**2022**	**2023**	**2022**	**2023**

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
No.

Are there financial costs or other impacts of *not* implementing the legislation?
If the legislation is not enacted by City Council, the City of Seattle will not receive the 2022 fee of $3,340.80 and future annual fees.

3.a. Appropriations

___ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

_X__ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2022 Revenue	2023 Estimated Revenue
Transportation Fund (13000)	SDOT	Annual Fee	$3,340.80	TBD
		TOTAL	**$3,340.80**	**TBD**

Is this change one-time or ongoing?
Ongoing.

Revenue/Reimbursement Notes:
The 2022 fee is based on the 2022 assessed land value by King County.

3.c. Positions

___ **This legislation adds, changes, or deletes positions.**

4. OTHER IMPLICATIONS

a. **Does this legislation affect any departments besides the originating department?**
No.

b. **Is a public hearing required for this legislation?**
No.

c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

d. Does this legislation affect a piece of property?
Yes, the 2001 Sixth L.L.C. property legally described in Section 1 of the Council Bill.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?
This legislation does not have any implications for the principles of the Race and Social Justice Initiative and does not impact vulnerable or historically disadvantaged communities.

f. Climate Change Implications

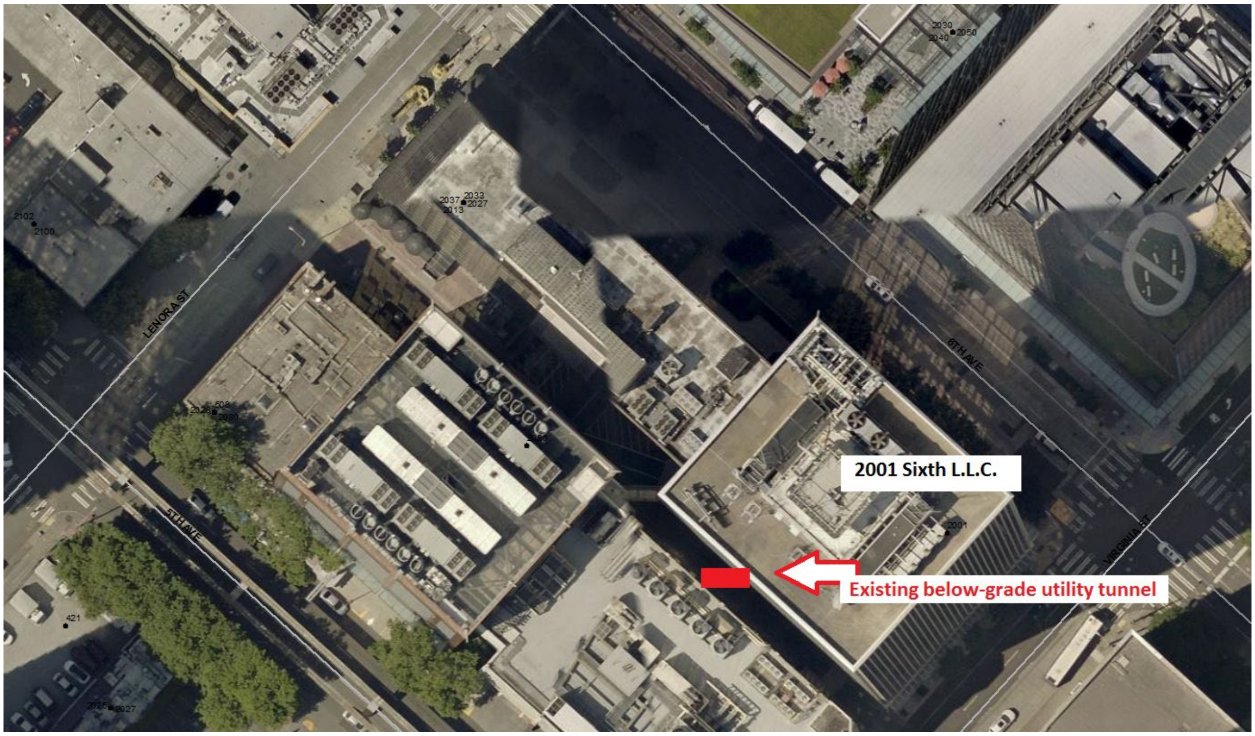
1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
   No.

2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
   No.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?
N/A

Summary Attachments:
Summary Attachment A – 2001 Sixth L.L.C. Tunnel Area Map
Summary Attachment B – 2001 Sixth L.L.C. Annual Fee Assessment

2001 Sixth L.L.C. Tunnel Area Map



Map is for informational purposes only and is not intended to modify or supplement the legal description(s) in the Ordinance.

Annual Fee Assessment Summary

STREET USE ANNUAL FEE ASSESSMENT

Date: 1/13/2022

Summary:
2022 Land Value:
$1,450/SF

Permit Fee:
$3,340.80

I. Property Description:

Existing below-grade utility tunnel under the alley between 5th Ave and 6th Ave, north of Virginia St. The utility tunnel connects the buildings located at 2001 6th Ave 2010 5th Ave. The use area is **96 square feet**.

Applicant:
2001 Sixth L.L.C.

Abutting Parcels, Property Size, Assessed Value:

2022

Parcel 0659000890; Lot size: 19,440 square feet
Tax year 2022 Appraised Land Value: $28,188,000 ($1,450/square foot)

Parcel 0659000950; Lot size: 12,960 square feet
Tax year 2022 Appraised Land Value: $18,792,000 ($1,450/square foot)

Average 2022 Tax Assessed Land Value $1,450/SF

II. Annual Fee Assessment:

The 2022 permit fee is calculated as follows:

($1,450/SF) X (96 SF) X (30%) X (8%) = $3,340.80 where 30% is the degree of alienation for below-grade utility tunnel; and 8% is the annual rate of return.

Fee methodology authorized under Ordinance 123485, as amended by Ordinances 123585, 12390, and 126159.

SEATTLE CITY COUNCIL
CENTRAL STAFF

May 10, 2022

MEMORANDUM

To:	Transportation and Seattle Public Utilities Committee
From:	Lish Whitson, Analyst
Subject:	Council Bill 120300 – 2001 6th Avenue Tunnel

On May 17, 2022, the Transportation and Seattle Public Utilities Committee (Committee) will discuss and possibly vote on Council Bill (CB) 120300, which would renew and extend approval to 2001 Sixth, LLC, to maintain a utility tunnel under the alley on the block between Virginia and Lenora streets between 5th and 6th avenues (Council District 7). The tunnel connects the Westin Building Exchange at 2001 6th Avenue to a parking garage on the northeast corner of 5th Avenue and Virginia Street. The legislation would renew an existing permit for a 15-year term, which could be renewed once.

This memorandum describes the term permit renewal process and the utility tunnel.

Significant Structure Term Permit Renewals

Significant structures are structures that have "a long-anticipated duration of encroachment, impede the City's or public's flexibility in the use of the public place, or are necessary for the functioning of other property of the permittee." Examples include tunnels below streets that provide utility, pedestrian, or vehicular access between private properties; public art placed in right-of-way; and overhead structures attached to buildings. Seattle Municipal Code (SMC) Chapter 15.65 establishes the procedures and criteria for approval of and renewal of term permits for significant structures.

SMC 15.65.073 states:

> *If the Director of Transportation determines at term renewal that the authorizing ordinance requires an amendment, the Director shall provide a recommendation to City Council as to whether an application for a significant structure term permit renewal should be granted or denied with the appropriate terms and conditions, and the Council shall decide on the renewal and establish the terms and conditions of that renewal consistent with Section 15.65.080. Approval of an amended term renewal for a significant structure term permit shall be granted only by ordinance.*

Section 15.65.080 provides the terms and conditions that may be included in a term permit ordinance. These include, but are not limited to:

- the term of years that permission is granted and renewal periods, if any;
- provision for regular inspection of and procedures for closure or removal of the structure;

- requirements for performance bonds, public liability insurance, indemnification, conformance with other laws, and annual fees;
- prohibition against assignment without City consent;
- a requirement for execution and recording of a covenant ensuring that obligations and conditions imposed on the permittee run with the land, where applicable;
- public benefit mitigation elements; and
- timely acceptance of permission.

The current practice of the Seattle Department of Transportation (SDOT) is to recommend longer terms for significant structure term permits and skybridge permits. Instead of a 10-year permit that may be renewed for two additional 10-year terms, SDOT recommends issuing permits for 15-year terms, renewable once. This shift responds to the volume of term permits, the amount of work required to process a permit renewal, and the rarity of significant changes to approvals during term permit renewals.

2001 6th Avenue Utility Tunnel

The Westin Building, a 34-story office tower, opened in 1981 across the street to the north of the Westin Hotel. At the time of its opening, it served as the headquarters of the Westin Hotel chain. Currently called the Westin Building Exchange, the building is predominantly used as a co-location data center, with approximately 30 percent of its floor area remaining in office use.

A utility tunnel connects the building to the parking garage to the west across the alley. In addition, a skybridge provides a pedestrian connection between the garage and the Westin Building Exchange. That skybridge is the subject of a separate term permit.

Permission to build and use the utility tunnel was first granted in 1999 through Ordinance 119437. In 2011, Ordinance 123511 permitted the tunnel for an additional 10 years, eligible to be renewed for one additional 10-year term, ending in 2031. CB 120300 would amend Ordinance 119437 and renew the permit with a 15-year term, ending in 2037. This could be renewed for one additional 15-year term ending in 2052, after which the permit holder would need to apply to repermit the utility tunnel. This would result in a 50-year term for the permit first issued under Ordinance 119437.

Next Steps

If the Committee recommends approval of CB 120300 at its May 17 meeting, it could be considered by the City Council as early as May 24.

cc: Aly Pennucci, Deputy Director
Yolanda Ho, Lead Analyst

File #: CB 120301, **Version:** 1

CITY OF SEATTLE

ORDINANCE ___________________

COUNCIL BILL __________________

AN ORDINANCE granting King County permission to continue maintaining and operating two pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street; repealing Section 8 of Ordinance 123842; and providing for acceptance of the permit and conditions.

WHEREAS, by Ordinance 123842, The City of Seattle granted King County permission to continue maintaining and operating two pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street, for a 10-year term, renewable for two successive 10-year terms; and

WHEREAS, the permission authorized by Ordinance 123842 was due for renewal on April 19, 2021; and

WHEREAS, since the adoption of Ordinance 123842, the City of Seattle has established a practice for the length of permit to one 15-year term, renewable for one successive 15-year term; and

WHEREAS, reflective of this change King County submitted an application to the Director of Transportation to renew the permission granted by Ordinance 123842 for a 15-year term; and

WHEREAS, the obligations of Ordinance 123842 remain in effect after the ordinance term expires until the encroachment is removed, or King County is relieved of the obligations by the Seattle Department of Transportation Director, or the Seattle City Council passes a new ordinance to renew the permission granted; and

WHEREAS, King County satisfied all the terms of the original authorizing ordinance and the Director of Transportation recommends that the term permit be renewed for 15 years subject to the terms identified in this ordinance; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. **Permission.** Subject to the terms and conditions of this ordinance, the City of Seattle ("City") grants permission (also referred to in this ordinance as a permit) to King County, and its successors and assigns as approved by the Director of the Seattle Department of Transportation ("Director") according to Section 14 of this ordinance (the party named above and each such approved successor and assign are referred to as "Permittee"), to continue maintaining and operating two existing pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street. The two pedestrian tunnels are adjacent in whole or in part to the properties legally described as:

> Lots 2, 3, 6, and 7, Block 66, together with vacated Terrace Street per Vacation Ordinance No. 58470, Terry's First Addition to the City of Seattle; and Lots 1, 4, 5, and 8, Block 83, together with vacated Terrace Street per Vacation Ordinance No. 58470, Terry's Second Addition to the City of Seattle.

Section 2. **Term.** The permission granted to the Permittee is for a second and final renewed term of 15 years starting on the effective date of this ordinance and ending at 11:59 p.m. on the fifteenth year. The total term of the permission, including renewals, shall not exceed 30 years. The Permittee shall submit any application for a new permission no later than one year prior to the expiration of the then-existing term.

Section 3. **Protection of utilities.** The permission granted is subject to the Permittee bearing the expense of any protection, support, or relocation of existing utilities deemed necessary by the owners of the utilities, and the Permittee being responsible for any damage to the utilities due to the construction, repair, reconstruction, maintenance, operation, or removal of the existing pedestrian tunnels and for any consequential damages that may result from any damage to utilities or interruption in service caused by any of the foregoing.

Section 4. **Removal for public use or for cause.** The permission granted is subject to use of the street right-of-way or other public place (collectively, "public place") by the City and the public for travel, utility purposes, and other public uses or benefits. The City expressly reserves the right to deny renewal, or terminate the permission at any time prior to expiration of the initial term or any renewal term, and require the Permittee to remove the existing pedestrian tunnels, or any part thereof or installation on the public place, at the Permittee's sole cost and expense in the event that:

A. The City Council determines by ordinance that the space occupied by the existing pedestrian tunnels is necessary for any public use or benefit or that the existing pedestrian tunnels interferes with any public use or benefit; or

B. The Director determines that use of the existing pedestrian tunnels has been abandoned; or

C. The Director determines that any term or condition of this ordinance has been violated, and the violation has not been corrected by the Permittee by the compliance date after a written request by the City to correct the violation (unless a notice to correct is not required due to an immediate threat to the health or safety of the public).

A City Council determination that the space is needed for, or the existing pedestrian tunnels interferes with, a public use or benefit is conclusive and final without any right of the Permittee to resort to the courts to adjudicate the matter.

Section 5. **Permittee's obligation to remove and restore.** If the permission granted is not renewed at the expiration of a term, or if the permission expires without an application for a new permission being granted, or if the City terminates the permission, then within 90 days after the expiration or termination of the permission, or prior to any earlier date stated in an ordinance or order requiring removal of the existing pedestrian tunnels, the Permittee shall, at its own expense, remove the existing pedestrian tunnels and all of the Permittee's equipment and property from the public place and replace and restore all portions of the public place that may have been disturbed for any part of the existing pedestrian tunnels in as good condition for public use as existed prior to construction of the existing pedestrian tunnels and in at least as good condition in all respects as the abutting portions of the public place as required by Seattle Department of Transportation (SDOT) right-of-way restoration standards.

Failure to remove the existing pedestrian tunnels as required by this section is a violation of Chapter 15.90 of the Seattle Municipal Code (SMC) or successor provision; however, applicability of Chapter 15.90 does not eliminate any remedies available to the City under this ordinance or any other authority. If the

Permittee does not timely fulfill its obligations under this section, the City may in its sole discretion remove the existing pedestrian tunnels and restore the public place at the Permittee's expense and collect such expense in any manner provided by law.

Upon the Permittee's completion of removal and restoration in accordance with this section, or upon the City's completion of the removal and restoration and the Permittee's payment to the City for the City's removal and restoration costs, the Director shall then issue a certification that the Permittee has fulfilled its removal and restoration obligations under this ordinance. Upon prior notice to the Permittee and entry of written findings that it is in the public interest, the Director may, in the Director's sole discretion, conditionally or absolutely excuse the Permittee from compliance with all or any of the Permittee's obligations under this section.

Section 6. **Repair or reconstruction.** The existing pedestrian tunnels shall remain the exclusive responsibility of the Permittee and the Permittee shall maintain the existing pedestrian tunnels in good and safe condition for the protection of the public. The Permittee shall not reconstruct or repair the existing pedestrian tunnels except in strict accordance with plans and specifications approved by the Director. The Director may, in the Director's judgment, order the existing pedestrian tunnels reconstructed or repaired at the Permittee's cost and expense: because of the deterioration of the existing pedestrian tunnels; because of the installation, construction, reconstruction, maintenance, operation, or repair of any municipally-owned public utilities; or for any other cause.

Section 7. **Failure to correct unsafe condition.** After written notice to the Permittee and failure of the Permittee to correct an unsafe condition within the time stated in the notice, the Director may order the existing pedestrian tunnels be removed at the Permittee's expense if the Director deems that the existing pedestrian tunnels create a risk of injury to the public. If there is an immediate threat to the health or safety of the public, a notice to correct is not required.

Section 8. **Continuing obligations.** Notwithstanding termination or expiration of the permission granted, or removal of the existing pedestrian tunnels, the Permittee shall remain bound by all of its obligations under this ordinance until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance, or the Seattle City Council passes a new ordinance to renew the permission granted and/or establish a new term. Notwithstanding the issuance of that certification, the Permittee shall continue to be bound by the obligations in Section 9 of this ordinance and shall remain liable for any unpaid fees assessed under Section 15 and Section 17 of this ordinance.

Section 9. **Release, hold harmless, indemnification, and duty to defend.** The Permittee, by accepting the terms of this ordinance, releases the City, its officials, officers, employees, and agents from any and all claims, actions, suits, liability, loss, costs, expense, attorneys' fees, or damages of every kind and description arising out of or by reason of the existing pedestrian tunnels or this ordinance, including but not limited to claims resulting from injury, damage, or loss to the Permittee or the Permittee's property.

The Permittee agrees to at all times defend, indemnify, and hold harmless the City, its officials, officers, employees, and agents from and against all claims, actions, suits, liability, loss, costs, expense, attorneys' fees, or damages of every kind and description, excepting only damages that may result from the sole negligence of the City, that may accrue to, be asserted by, or be suffered by any person or property including, without limitation, damage, death or injury to members of the public or to the Permittee's officers, agents, employees, contractors, invitees, tenants, tenants' invitees, licensees, or successors and assigns, arising out of or by reason of:

A. The existence, condition, construction, reconstruction, modification, maintenance, operation, use, or removal of the existing pedestrian tunnels;

B. Anything that has been done or may at any time be done by the Permittee by reason of this ordinance; or

C. The Permittee failing or refusing to strictly comply with every provision of this ordinance; or arising out of or by reason of the existing pedestrian tunnels or this ordinance in any other way.

If any suit, action, or claim of the nature described above is filed, instituted, or begun against the City, the Permittee shall upon notice from the City defend the City, with counsel acceptable to the City, at the sole cost and expense of the Permittee, and if a judgment is rendered against the City in any suit or action, the Permittee shall fully satisfy the judgment within 90 days after the action or suit has been finally determined, if determined adversely to the City. If it is determined by a court of competent jurisdiction that Revised Code of Washington (RCW) 4.24.115 applies to this ordinance, then in the event claims or damages are caused by or result from the concurrent negligence of the City, its agents, contractors, or employees, and the Permittee, its agents, contractors, or employees, this indemnity provision shall be valid and enforceable only to the extent of the negligence of the Permittee or the Permittee's agents, contractors, or employees.

Section 10. **Insurance.** For as long as the Permittee exercises any permission granted by this ordinance and until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance, the Permittee shall obtain and maintain in full force and effect, at its own expense, insurance and/or self-insurance that protects the Permittee and the City from claims and risks of loss from perils that can be insured against under commercial general liability (CGL) insurance policies in conjunction with:

A. Construction, reconstruction, modification, operation, maintenance, use, existence, or removal of the existing pedestrian tunnels, as well as restoration of any disturbed areas of the public place in connection with removal of the existing pedestrian tunnels;

B. The Permittee's activity upon or the use or occupation of the public place described in Section 1 of this ordinance; and

C. Claims and risks in connection with activities performed by the Permittee by virtue of the permission granted by this ordinance.

Minimum insurance requirements are CGL insurance written on an occurrence form at least as broad as the Insurance Services Office (ISO) CG 00 01. The City requires insurance coverage to be placed with an insurer admitted and licensed to conduct business in Washington State or with a surplus lines carrier pursuant to chapter 48.15 RCW. If coverage is placed with any other insurer or is partially or wholly self-insured, such insurer(s) or self-insurance is subject to approval by the City's Risk Manager.

Minimum limits of liability shall be $5,000,000 per Occurrence; $10,000,000 General Aggregate; $5,000,000 Products/Completed Operations Aggregate, including Premises Operations; Personal/Advertising Injury; Contractual Liability. Coverage shall include the "City of Seattle, its officers, officials, employees and agents" as additional insureds for primary and non-contributory limits of liability subject to a Separation of Insureds clause.

Within 60 days after the effective date of this ordinance, the Permittee shall provide to the City, or cause to be provided, certification of insurance coverage including an actual copy of the blanket or designated additional insured policy provision per the ISO CG 20 12 endorsement or equivalent. The insurance coverage certification shall be delivered or sent to the Director or to SDOT at an address as the Director may specify in writing from time to time. The Permittee shall provide a certified complete copy of the insurance policy to the City promptly upon request.

If the Permittee is self-insured, a letter of certification from the Corporate Risk Manager may be submitted in lieu of the insurance coverage certification required by this ordinance, if approved in writing by the City's Risk Manager. The letter of certification must provide all information required by the City's Risk Manager and document, to the satisfaction of the City's Risk Manager, that self-insurance equivalent to the insurance requirements of this ordinance is in force. After a self-insurance certification is approved, the City may from time to time subsequently require updated or additional information. The approved self-insured Permittee must provide 30 days' prior notice of any cancellation or material adverse financial condition of its self-insurance program. The City may at any time revoke approval of self-insurance and require the Permittee to obtain and maintain insurance as specified in this ordinance.

In the event that the Permittee assigns or transfers the permission granted by this ordinance, the Permittee shall maintain in effect the insurance required under this section until the Director has approved the assignment or transfer pursuant to Section 14 of this ordinance.

Section 11. **Contractor insurance.** The Permittee shall contractually require that any and all of its contractors performing work on any premises contemplated by this permit name the "City of Seattle, its officers, officials, employees and agents" as additional insureds for primary and non-contributory limits of liability on all CGL, Automobile and Pollution liability insurance and/or self-insurance. The Permittee shall also include in all contract documents with its contractors a third-party beneficiary provision extending to the City construction indemnities and warranties granted to the Permittee.

Section 12. **Performance bond.** In the event that the Permittee seeks to assign or transfer the permission granted by this ordinance, the Director in consultation with the City Attorney's Office, may determine that a performance bond is necessary to adequately protect the City's interests, in which case the successor entity shall deliver to the Director for filing with the City Clerk, as a condition of approval of the assignment or transfer within 60 days of notification of such determination, a sufficient bond executed by a surety company authorized and qualified to do business in the State of Washington that is in the amount determined by the Director in consultation with the City Attorney's Office, and conditioned with a requirement that the successor entity shall comply with every provision of this ordinance and with every order the Director issues under this ordinance. The successor entity shall ensure that the bond remains in effect until the Director has issued a certification that the successor entity has fulfilled its removal and restoration obligations under Section 5. An irrevocable letter of credit approved by the SDOT Director in consultation with the City Attorney's Office may be substituted for the bond.

Section 13. **Adjustment of insurance and bond requirements.** The Director may adjust minimum liability insurance levels and surety bond requirements during the term of this permission. If the Director determines that an adjustment is necessary to fully protect the interests of the City, the Director shall notify the Permittee of the new requirements in writing. The Permittee shall, within 60 days of the date of the notice, provide proof of the adjusted insurance and surety bond levels to the Director.

Section 14. **Consent for and conditions of assignment or transfer.** When the Property is transferred, the permission granted by this ordinance shall be assignable and transferable by operation of law pursuant to Section 20 of this ordinance. Continued occupation of the right-of-way constitutes the Permittee's acceptance of the terms of this ordinance, and the new owner shall be conferred with the rights and obligations of the Permittee by this ordinance. Other than a transfer to a new owner of the Property, the Permittee shall not transfer, assign, mortgage, pledge or encumber the same without the Director's consent, which the Director shall not unreasonably refuse. The Director may approve assignment or transfer of the permission granted by this ordinance to a successor entity only if the successor or assignee has provided, at the time of the assignment or transfer, the bond and certification of insurance coverage required under this ordinance; and has paid any fees due under Section 15 and Section 17 of this ordinance. Upon the Director's approval of an assignment or transfer, the rights and obligations conferred on the Permittee by this ordinance shall be conferred on the successors and assigns. Any person or entity seeking approval for an assignment or transfer of the permission granted by this ordinance shall provide the Director with a description of the current and anticipated use of the existing pedestrian tunnels.

Section 15. **Inspection fees.** The Permittee shall, as provided by SMC Chapter 15.76 or successor provision, pay the City the amounts charged by the City to inspect the existing pedestrian tunnels during construction, reconstruction, repair, annual safety inspections, and at other times deemed necessary by the City. An inspection or approval of the existing pedestrian tunnels by the City shall not be construed as a representation, warranty, or assurance to the Permittee or any other person as to the safety, soundness, or condition of the existing pedestrian tunnels. Any failure by the City to require correction of any defect or condition shall not in any way limit the responsibility or liability of the Permittee.

Section 16. **Inspection reports.** The Permittee shall submit to the Director, or to SDOT at an address specified by the Director, an inspection report that:

A. Describes the physical dimensions and condition of all load-bearing elements;

B. Describes any damages or possible repairs to any element of the existing pedestrian tunnels;

C. Prioritizes all repairs and establishes a timeframe for making repairs; and

D. Is stamped by a professional structural engineer licensed in the State of Washington.

A report meeting the foregoing requirements shall be submitted within 60 days after the effective date of this ordinance; subsequent reports shall be submitted every two years, provided that, in the event of a natural disaster or other event that may have damaged the existing pedestrian tunnels, the Director may require that additional reports be submitted by a date established by the Director. The Permittee has the duty of inspecting and maintaining the existing pedestrian tunnels. The responsibility to submit structural inspection reports periodically or as required by the Director does not waive or alter any of the Permittee's other obligations under this ordinance. The receipt of any reports by the Director shall not create any duties on the part of the Director. Any failure by the Director to require a report, or to require action after receipt of any report, shall not waive or limit the obligations of the Permittee.

Section 17. **Annual fee.** Beginning on the effective date of this ordinance the Permittee shall pay an Issuance Fee, and annually thereafter, the Permittee shall promptly pay to the City, upon statements or invoices issued by the Director, an Annual Renewal Fee, and an Annual Use and Occupation fee of $7,508, or as adjusted annually thereafter, for the privileges granted by this ordinance.

Adjustments to the Annual Use and Occupation Fee shall be made in accordance with a term permit fee schedule adopted by the City Council and may be made every year. In the absence of a schedule, the Director may only increase or decrease the previous year's fee to reflect any inflationary changes so as to charge the fee in constant dollar terms. This adjustment will be calculated by adjusting the previous year's fee by the percentage change between the two most recent year-end values available for the Consumer Price Index for the Seattle-Tacoma-Bellevue Area, All Urban Consumers, All Products, Not Seasonally Adjusted. Permittee shall pay any other applicable fees, including fees for reviewing applications to renew the permit after expiration of the first term. All payments shall be made to the City Finance Director for credit to the Transportation Fund.

Section 18. **Compliance with other laws.** The Permittee shall construct, maintain, and operate the existing pedestrian tunnels in compliance with all applicable federal, state, County, and City laws and regulations. Without limitation, in all matters pertaining to the existing pedestrian tunnel, the Permittee shall comply with the City's laws prohibiting discrimination in employment and contracting including Seattle's Fair Employment Practices Ordinance, Chapter 14.04, and Fair Contracting Practices code, Chapter 14.10 (or successor provisions).

Section 19. **Acceptance of terms and conditions.** The Permittee shall provide evidence of insurance coverage required by Section 10 of this ordinance, the bond as required by Section 12 of this ordinance, and the covenant agreement required by Section 20 of this ordinance within 60 days after the effective date of this ordinance. Continued occupation of the right-of-way constitutes the Permittee's acceptance of the terms of this ordinance.

Section 20. **Obligations run with the Property.** The obligations and conditions imposed on the Permittee by and through this ordinance are covenants that run with the land and bind subsequent owners of the property adjacent to the existing pedestrian tunnels and legally described in Section 1 of this ordinance (the "Property"), regardless of whether the Director has approved assignment or transfer of the permission granted herein to such subsequent owner(s). At the request of the Director, the Permittee shall provide to the Director a current title report showing the identity of all owner(s) of the Property and all encumbrances on the Property. The Permittee shall, within 60 days of the effective date of this ordinance, and prior to conveying any interest in the Property, deliver to the Director upon a form to be supplied by the Director, a covenant agreement imposing the obligations and conditions set forth in this ordinance, signed and acknowledged by the Permittee and any other owner(s) of the Property and recorded with the King County Recorder's Office. The Director shall file the recorded covenant agreement with the City Clerk. The covenant agreement shall reference this ordinance by its ordinance number. At the request of the Director, Permittee shall cause encumbrances on the Property to be subordinated to the covenant agreement.

Section 21. **Section titles.** Section titles are for convenient reference only and do not modify or limit the text of a section.

Section 22. **Repeal of Section 8 of Ordinance 123842.** Section 8 of Ordinance 123842 is repealed.

Section 23. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ________ day of _________________________, 2022, and signed by me in open session in authentication of its passage this _____ day of _________________________, 2022.

____

President ____________ of the City Council

Approved / returned unsigned / vetoed this _____ day of _________________, 2022.

____

Bruce A. Harrell, Mayor

Filed by me this ________ day of _________________________, 2022.

____

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle Department of Transportation	Amy Gray/206-386-4638	Christie Parker/206-684-5211

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE granting King County permission to continue maintaining and operating two pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street; repealing Section 8 of Ordinance 123842; and providing for acceptance of the permit and conditions.

Summary and Background of the Legislation: This legislation allows King County to continue maintaining and operating a two pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street. The pedestrian tunnels permit is for a period of 15 years, commencing on the effective date of the ordinance. The legislation specifies the conditions under which permission is granted.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes _X__ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? _X__ Yes ___ No

.

	General Fund $		Other $	
Appropriation change ($):	**2022**	**2023**	**2022**	**2023**
	Revenue to General Fund		**Revenue to Other Funds**	
Estimated revenue change ($):	**2022**	**2023**	**2022**	**2023**
			$7,508	**TBD**
	No. of Positions		**Total FTE Change**	
Positions affected:	**2022**	**2023**	**2022**	**2023**

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
No.

Are there financial costs or other impacts of *not* implementing the legislation?
If the legislation is not enacted by the City Council, the City of Seattle would not receive the 2022 annual fee of $7,508 and future annual fees.

3.a. Appropriations

___ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

_X__ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2022 Revenue	2023 Estimated Revenue
Transportation Fund (13000)	SDOT	Annual Fee	$7,508	TBD
		TOTAL	**$7,508**	**TBD**

Is this change one-time or ongoing?
Ongoing

Revenue/Reimbursement Notes:
The 2022 Annual Fee is based on the 2022 land value as assessed by King County.

3.c. Positions

___ **This legislation adds, changes, or deletes positions.**

4. OTHER IMPLICATIONS

a. **Does this legislation affect any departments besides the originating department?**
No.

b. **Is a public hearing required for this legislation?**
No.

c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

d. **Does this legislation affect a piece of property?**
Yes, the King County property legally described in Section 1 of the Council Bill.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?
This legislation does not have any implications for the principles of the Race and Social Justice Initiative and does not impact vulnerable or historically disadvantaged communities.

f. Climate Change Implications

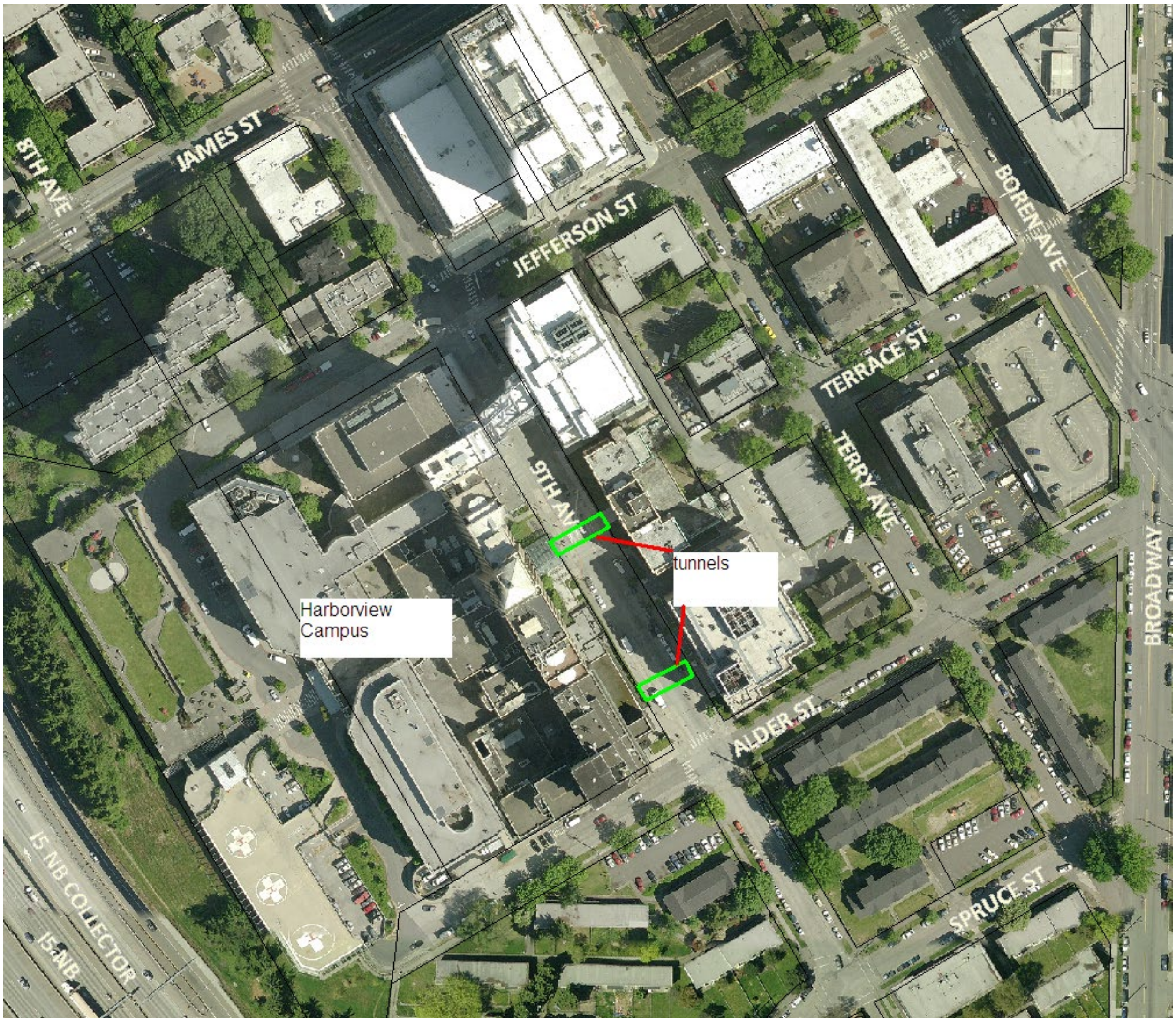
1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
   No.

2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
   No.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?
N/A

Summary Attachments:
Summary Attachment A – King County Harborview Tunnels Area Map
Summary Attachment B – King County Harborview Tunnels Photos
Summary Attachment C – Annual Fee Assessment Summary

Attachment A – King County Harborview Tunnels Area Map



Map is for informational purposes only and is not intended to modify or supplement the legal description(s) in the Ordinance.

King County Harborview Tunnels Photos

Tunnel under 9th ave connecting Research & Training Building to East Clinic

Tunnel under 9th ave connecting Maleng Building to Center Tower

Attachment C - Annual Fee Assessment Summary

STREET USE ANNUAL FEE ASSESSMENT

Date: 1/12/2022

Summary:
Land Value: $568.77/SF
2022 Permit Fee:
$7,508

I. Property Description:

Two existing pedestrian tunnels under and across 9th Avenue, between Alder Street and Jefferson Street. The combined area of both tunnels is **660 square feet**.

Applicant:
King County

Abutting Parcels, Property Size, Assessed Value:

2022

Parcel 8590400755; Lot size: 14,344 square feet
Tax year 2022 Appraised Land Value $8,427,800 ($587.55/square foot)

Parcel 8590901045; Lot size: 7,200 square feet
Tax year 2022 Appraised Land Value $3,960,000 ($550/square foot)

Average 2022 Tax Assessed Land Value: $568.77/SF

II. Annual Fee Assessment:

The 2022 permit fee is calculated as follows:

Private parking area:
($568.77/SF) X (660 SF) X (25%) X (8%) = $7,508 where 30% is the degree of alienation for below-grade tunnels and 8% is the annual rate of return.

Fee methodology authorized under Ordinance 123485, as amended by Ordinances 123585, 123907, and 124532.

May 10, 2022

M E M O R A N D U M

To:	Transportation and Seattle Public Utilities Committee
From:	Lish Whitson, Analyst
Subject:	Council Bill 120301 – Harborview Medical Center Tunnels

On May 17, 2022, the Transportation and Seattle Public Utilities Committee (Committee) will discuss and possibly vote on Council Bill (CB) 120301, which would renew approval to King County to maintain two pedestrian tunnels under 9th Avenue between Jefferson and Alder streets (Council District 3). The tunnels connect the main Harborview Hospital to Harborview's Maleng and Research and Training buildings. The legislation would renew approval granted under Ordinance 123842 for a 15-year term, after which King County would need to apply for a new term permit.

This memorandum describes the term permit renewal process and criteria and the pedestrian tunnels.

Significant Structure Term Permit Renewals

Significant structures are structures that have "a long-anticipated duration of encroachment, impede the City's or public's flexibility in the use of the public place, or are necessary for the functioning of other property of the permittee." Examples include tunnels below streets that provide utility, pedestrian, or vehicular access between private properties; public art placed in right-of-way; and overhead structures attached to buildings. Seattle Municipal Code (SMC) Chapter 15.65 establishes the procedures and criteria for approval of and renewal of term permits for significant structures.

SMC 15.65.073 states:

> *If the Director of Transportation determines at term renewal that the authorizing ordinance requires an amendment, the Director shall provide a recommendation to City Council as to whether an application for a significant structure term permit renewal should be granted or denied with the appropriate terms and conditions, and the Council shall decide on the renewal and establish the terms and conditions of that renewal consistent with Section 15.65.080. Approval of an amended term renewal for a significant structure term permit shall be granted only by ordinance.*

Section 15.65.080 provides the terms and conditions that may be included in a term permit ordinance. These include, but are not limited to:

- the term of years that permission is granted and renewal periods, if any;
- provision for regular inspection of and procedures for closure or removal of the structure;

- requirements for performance bonds, public liability insurance, indemnification, conformance with other laws, and annual fees;
- prohibition against assignment without City consent;
- a requirement for execution and recording of a covenant ensuring that obligations and conditions imposed on the permittee run with the land, where applicable;
- public benefit mitigation elements; and
- timely acceptance of permission.

The current practice of the Seattle Department of Transportation (SDOT) is to recommend longer terms for significant structure term permits and skybridge permits. Instead of a 10-year permit that may be renewed for two additional 10-year terms, SDOT recommends issuing permits for 15-year terms, renewable once. This shift responds to the volume of term permits, the amount of work required to process a permit renewal, and the rarity of significant changes to approvals during term permit renewals.

Harborview Tunnels

Harborview Medical Center is a comprehensive medical center, including inpatient and outpatient facilities. It serves as the regional trauma and burn referral center for four states and the disaster preparedness and control hospital for Seattle and King County. Its facilities are owned by King County and managed by the University of Washington. The core of the campus sits above Interstate 5 on First Hill, along 9th Avenue between Alder and James streets.

Harborview Medical Center opened on First Hill in 1931. In 1930, in advance of its opening, King County received a permit under Ordinance 59584 for a pedestrian tunnel under 9th Avenue to connect the new hospital to Harborview Hall, which provided housing for nursing students. As the hospital grew – its South Wing opened in 1955 – it sought to create more grade-separated connections between its facilities. In 1956 when the first permit was up for renewal, the County received approval for two tunnels under Ordinance 84995. That permit was reissued in 1981 under Ordinance 109975 and 2012 under Ordinance 123842.

Ordinance 123842 allowed for three potential 10-year terms. Instead of renewing the permit for 10 years with a second possible 10-year renewal, King County has applied for a 15-year renewal of the permit, which would end in 2037, after which time King County would need to apply to repermit the tunnels.

Next Steps

If the Committee recommends approval of CB 120301 at its May 17 meeting, it could be considered by the City Council as early as May 24.

cc: Aly Pennucci, Deputy Director
Yolanda Ho, Lead Analyst

File #: CB 120302, **Version:** 1

CITY OF SEATTLE

ORDINANCE __________________

COUNCIL BILL __________________

AN ORDINANCE granting Swedish Health Services permission to continue maintaining and operating an existing pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue; repealing Section 9 of Ordinance 123048; and providing for the acceptance of the permit and conditions.

WHEREAS, by Ordinance 123048, The City of Seattle granted permission to Swedish Health Services to construct, maintain, and operate a pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue, and

WHEREAS, since the adoption of Ordinance 123048, the City of Seattle has established a practice for the length of permit to one 15-year term, renewable for one successive 15-year term; and

WHEREAS, reflective of this change Swedish Health Services submitted an application to the Director of Transportation to renew the permission granted by Ordinance 123048 for a 15-year term; and

WHEREAS, the permission authorized by Ordinance 123048 was due for renewal on June 15, 2018; and

WHEREAS, the pedestrian skybridge provides an above-grade connection for patients, staff, physicians, and visitors between the Swedish First Hill Medical Center and the Swedish Orthopedic Institute, and the skybridge also provides a connection for sensitive hospital equipment between the facilities; and

WHEREAS, the obligations of Ordinance 123048 remain in effect after the ordinance term expires until the encroachment is removed, or Swedish Health Services is relieved of the obligations by the Seattle Department of Transportation Director, or the Seattle City Council passes a new ordinance to renew the permission granted; and

WHEREAS, Swedish Health Services has satisfied all the terms of the original authorizing ordinance and the Director of Transportation recommends that the term permit be renewed for 15 years subject to the terms identified in this ordinance; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. **Permission.** Subject to the terms and conditions of this ordinance, the City of Seattle ("City") grants permission (also referred to in this ordinance as a permit) to Swedish Health Services, and its successors and assigns as approved by the Director of the Seattle Department of Transportation ("Director") according to Section 14 of this ordinance (the party named above and each such approved successor and assign are referred to as "Permittee"), to continue maintaining and operating an existing pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue. The pedestrian skybridge is adjacent in whole or in part to the properties legally described as:

> Lot 1 through 8 in block 100 of Terry's 2nd Addition to the City of Seattle, as per plat recorded in Volume 1 of plats, page 87, records of King County, Washington; together with the alley in said block, vacated by Ordinance No. 5956, of the City of Seattle; situate in the City of Seattle, County of King, State of Washington.

Section 2. **Term.** The permission granted to the Permittee is for a second and final renewed term of 15 years starting on the effective date of this ordinance, and ending at 11:59 p.m. on last day of the fifteenth year. This second and final term shall not exceed 30 years total from the term authorized in Ordinance 123048, subject to the right of the City to require the removal of the pedestrian skybridge or to revise by ordinance any of the terms and conditions of the permission granted by this ordinance. The Permittee shall submit any application for a new permission no later than one year prior to the expiration of the then-existing term.

Section 3. **Protection of utilities.** The permission granted is subject to the Permittee bearing the expense of any protection, support, or relocation of existing utilities deemed necessary by the owners of the utilities, and the Permittee being responsible for any damage to the utilities due to the construction, repair, reconstruction, maintenance, operation, or removal of the pedestrian skybridge and for any consequential damages that may result from any damage to utilities or interruption in service caused by any of the foregoing.

Section 4. **Removal for public use or for cause.** The permission granted is subject to use of the street right-of-way or other public place (collectively, "public place") by the City and the public for travel, utility purposes, and other public uses or benefits. The City expressly reserves the right to deny renewal, or terminate the permission at any time prior to expiration of the initial term or any renewal term, and require the Permittee to remove the pedestrian skybridge, or any part thereof or installation on the public place, at the Permittee's sole cost and expense if:

A. The City Council determines by ordinance that the space occupied by the pedestrian skybridge is necessary for any public use or benefit or that the pedestrian skybridge interferes with any public use or benefit; or

B. The Director determines that use of the pedestrian skybridge has been abandoned; or

C. The Director determines that any term or condition of this ordinance has been violated, and the violation has not been corrected by the Permittee by the compliance date after a written request by the City to correct the violation (unless a notice to correct is not required due to an immediate threat to the health or safety of the public). A City Council determination that the space is needed for, or the pedestrian skybridge interferes with, a public use or benefit is conclusive and final without any right of the Permittee to resort to the courts to adjudicate the matter.

Section 5. **Permittee's obligation to remove and restore.** If the permission granted is not renewed at the expiration of a term, or if the permission expires without an application for a new permission being granted, or if the City terminates the permission, then within 90 days after the expiration or termination of the permission, or prior to any earlier date stated in an ordinance or order requiring removal of the pedestrian skybridge, the Permittee shall, at its own expense, remove the pedestrian skybridge and all of the Permittee's equipment and property from the public place and replace and restore all portions of the public place that may have been disturbed for any part of the pedestrian skybridge in as good condition for public use as existed prior to construction of the pedestrian skybridge and in at least as good condition in all respects as the abutting portions of the public place as required by Seattle Department of Transportation (SDOT) right-of-way restoration standards.

Failure to remove the pedestrian skybridge as required by this section is a violation of Chapter 15.90 of the Seattle Municipal Code (SMC) or successor provision; however, applicability of Chapter 15.90 does not eliminate any remedies available to the City under this ordinance or any other authority. If the Permittee does not timely fulfill its obligations under this section, the City may in its sole discretion remove the pedestrian skybridge and restore the public place at the Permittee's expense and collect such expense in any manner provided by law.

Upon the Permittee's completion of removal and restoration in accordance with this section, or upon the City's completion of the removal and restoration and the Permittee's payment to the City for the City's removal and restoration costs, the Director shall then issue a certification that the Permittee has fulfilled its removal and restoration obligations under this ordinance. Upon prior notice to the Permittee and entry of written findings that it is in the public interest, the Director may, in the Director's sole discretion, conditionally or absolutely excuse the Permittee from compliance with all or any of the Permittee's obligations under this section.

Section 6. **Repair or reconstruction.** The pedestrian skybridge shall remain the exclusive responsibility of the Permittee and the Permittee shall maintain the pedestrian skybridge in good and safe condition for the protection of the public. The Permittee shall not reconstruct or repair the pedestrian skybridge except in strict accordance with plans and specifications approved by the Director. The Director may, in the Director's judgment, order the pedestrian skybridge reconstructed or repaired at the Permittee's cost and expense: because of the deterioration of the pedestrian skybridge; because of the installation, construction, reconstruction, maintenance, operation, or repair of any municipally-owned public utilities; or for any other cause.

Section 7. **Failure to correct unsafe condition.** After written notice to the Permittee and failure of the Permittee to correct an unsafe condition within the time stated in the notice, the Director may order the pedestrian skybridge be removed at the Permittee's expense if the Director deems that the pedestrian skybridge creates a risk of injury to the public. If there is an immediate threat to the health or safety of the public, a notice to correct is not required.

Section 8. **Continuing obligations.** Notwithstanding termination or expiration of the permission granted, or removal of the pedestrian skybridge, the Permittee shall remain bound by all of its obligations under this ordinance until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance, or the Seattle City Council passes a new ordinance to renew the permission granted and/or establish a new term. Notwithstanding the issuance of that certification, the Permittee shall continue to be bound by the obligations in Section 9 of this ordinance and shall remain liable for any unpaid fees assessed under Section 15 and Section 17 of this ordinance.

Section 9. **Release, hold harmless, indemnification, and duty to defend.** The Permittee, by accepting the terms of this ordinance, releases the City, its officials, officers, employees, and agents from any and all claims, actions, suits, liability, loss, costs, expense, attorneys' fees, or damages of every kind and description arising out of or by reason of the pedestrian skybridge or this ordinance, including but not limited to claims resulting from injury, damage, or loss to the Permittee or the Permittee's property.

The Permittee agrees to at all times defend, indemnify, and hold harmless the City, its officials, officers, employees, and agents from and against all claims, actions, suits, liability, loss, costs, expense, attorneys' fees, or damages of every kind and description, excepting only damages that may result from the sole negligence of the City, that may accrue to, be asserted by, or be suffered by any person or property including, without limitation, damage, death or injury to members of the public or to the Permittee's officers, agents, employees, contractors, invitees, tenants, tenants' invitees, licensees, or successors and assigns, arising out of or by reason of:

A. The existence, condition, construction, reconstruction, modification, maintenance, operation, use, or removal of the pedestrian skybridge, or any portion thereof, or the use, occupation, or restoration of the public place or any portion thereof by the Permittee or any other person or entity;

B. Anything that has been done or may at any time be done by the Permittee by reason of this ordinance; or

C. The Permittee failing or refusing to strictly comply with every provision of this ordinance; or arising out of or by reason of the pedestrian skybridge or this ordinance in any other way.

If any suit, action, or claim of the nature described above is filed, instituted, or begun against the City, the Permittee shall upon notice from the City defend the City, with counsel acceptable to the City, at the sole cost and expense of the Permittee, and if a judgment is rendered against the City in any suit or action, the Permittee shall fully satisfy the judgment within 90 days after the action or suit has been finally determined, if determined adversely to the City. If it is determined by a court of competent jurisdiction that Revised Code of Washington (RCW) 4.24.115 applies to this ordinance, then in the event claims or damages are caused by or result from the concurrent negligence of the City, its agents, contractors, or employees, and the Permittee, its agents, contractors, or employees, this indemnity provision shall be valid and enforceable only to the extent of the negligence of the Permittee or the Permittee's agents, contractors, or employees.

Section 10. **Insurance.** For as long as the Permittee exercises any permission granted by this ordinance and until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance, the Permittee shall obtain and maintain in full force and effect, at its own expense, insurance and/or self-insurance that protects the Permittee and the City from claims and risks of loss from perils that can be insured against under commercial general liability (CGL) insurance policies in conjunction with:

A. Construction, reconstruction, modification, operation, maintenance, use, existence, or removal of the pedestrian skybridge, or any portion thereof, as well as restoration of any disturbed areas of the public place in connection with removal of the pedestrian skybridge;

B. The Permittee's activity upon or the use or occupation of the public place described in Section 1 of this ordinance; and

C. Claims and risks in connection with activities performed by the Permittee by virtue of the permission granted by this ordinance.

Minimum insurance requirements are CGL insurance written on an occurrence form at least as broad as the Insurance Services Office (ISO) CG 00 01. The City requires insurance coverage to be placed with an insurer admitted and licensed to conduct business in Washington State or with a surplus lines carrier pursuant to chapter 48.15 RCW. If coverage is placed with any other insurer or is partially or wholly self-insured, such insurer(s) or self-insurance is subject to approval by the City's Risk Manager.

Minimum limits of liability shall be $5,000,000 per Occurrence; $10,000,000 General Aggregate; $5,000,000 Products/Completed Operations Aggregate, including Premises Operations; Personal/Advertising Injury; Contractual Liability. Coverage shall include the "City of Seattle, its officers, officials, employees and agents" as additional insureds for primary and non-contributory limits of liability subject to a Separation of Insureds clause.

Within 60 days after the effective date of this ordinance, the Permittee shall provide to the City, or cause to be provided, certification of insurance coverage including an actual copy of the blanket or designated additional insured policy provision per the ISO CG 20 12 endorsement or equivalent. The insurance coverage certification shall be delivered or sent to the Director or to SDOT at an address as the Director may specify in writing from time to time. The Permittee shall provide a certified complete copy of the insurance policy to the City promptly upon request.

If the Permittee is self-insured, a letter of certification from the Corporate Risk Manager may be submitted in lieu of the insurance coverage certification required by this ordinance, if approved in writing by the City's Risk Manager. The letter of certification must provide all information required by the City's Risk Manager and document, to the satisfaction of the City's Risk Manager, that self-insurance equivalent to the insurance requirements of this ordinance is in force. After a self-insurance certification is approved, the City may from time to time subsequently require updated or additional information. The approved self-insured Permittee must provide 30 days' prior notice of any cancellation or material adverse financial condition of its self-insurance program. The City may at any time revoke approval of self-insurance and require the Permittee to obtain and maintain insurance as specified in this ordinance.

In the event that the Permittee assigns or transfers the permission granted by this ordinance, the Permittee shall maintain in effect the insurance required under this section until the Director has approved the assignment or transfer pursuant to Section 14 of this ordinance.

Section 11. **Contractor insurance.** The Permittee shall contractually require that any and all of its contractors performing work on any premises contemplated by this permit name the "City of Seattle, its officers, officials, employees and agents" as additional insureds for primary and non-contributory limits of liability on all CGL, Automobile and Pollution liability insurance and/or self-insurance. The Permittee shall also include in all contract documents with its contractors a third-party beneficiary provision extending to the City construction indemnities and warranties granted to the Permittee.

Section 12. **Performance bond.** Within 60 days after the effective date of this ordinance, the Permittee shall deliver to the Director for filing with the City Clerk a sufficient bond executed by a surety company authorized and qualified to do business in the State of Washington, in the amount of $150,000 and conditioned with a requirement that the Permittee shall comply with every provision of this ordinance and with every order the Director issues under this ordinance. The Permittee shall ensure that the bond remains in effect until the Director has issued a certification that the Permittee has fulfilled its removal and restoration obligations under Section 5 of this ordinance. An irrevocable letter of credit approved by the Director in consultation with the City Attorney's Office may be substituted for the bond. In the event that the Permittee assigns or transfers the permission granted by this ordinance, the Permittee shall maintain in effect the bond or letter of credit required under this section until the Director has approved the assignment or transfer pursuant to Section 14 of this ordinance.

Section 13. **Adjustment of insurance and bond requirements.** The Director may adjust minimum liability insurance levels and surety bond requirements during the term of this permission. If the Director determines that an adjustment is necessary to fully protect the interests of the City, the Director shall notify the Permittee of the new requirements in writing. The Permittee shall, within 60 days of the date of the notice, provide proof of the adjusted insurance and surety bond levels to the Director.

Section 14. **Consent for and conditions of assignment or transfer.** When the Property is transferred, the permission granted by this ordinance shall be assignable and transferable by operation of law pursuant to Section 20 of this ordinance. Continued occupation of the right-of-way constitutes the Permittee's acceptance of the terms of this ordinance, and the new owner shall be conferred with the rights and obligations of the Permittee by this ordinance. Other than a transfer to a new owner of the Property, the Permittee shall not transfer, assign, mortgage, pledge or encumber the same without the Director's consent, which the Director shall not unreasonably refuse. The Director may approve assignment or transfer of the permission granted by this ordinance to a successor entity only if the successor or assignee has provided, at the time of the assignment or transfer, the bond and certification of insurance coverage required under this ordinance; and has paid any fees due under Section 15 and Section 17 of this ordinance. Upon the Director's approval of an assignment or transfer, the rights and obligations conferred on the Permittee by this ordinance shall be conferred on the successors and assigns. Any person or entity seeking approval for an assignment or transfer of the permission granted by this ordinance shall provide the Director with a description of the current and anticipated use of the pedestrian skybridge.

Section 15. **Inspection fees.** The Permittee shall, as provided by SMC Chapter 15.76 or successor provision, pay the City the amounts charged by the City to inspect the pedestrian skybridge during construction, reconstruction, repair, annual safety inspections, and at other times deemed necessary by the City. An inspection or approval of the pedestrian skybridge by the City shall not be construed as a representation, warranty, or assurance to the Permittee or any other person as to the safety, soundness, or condition of the pedestrian skybridge. Any failure by the City to require correction of any defect or condition shall not in any way limit the responsibility or liability of the Permittee.

Section 16. **Inspection reports.** The Permittee shall submit to the Director, or to SDOT at an address specified by the Director, an inspection report that:

A. Describes the physical dimensions and condition of all load-bearing elements;

B. Describes any damages or possible repairs to any element of the pedestrian skybridge;

C. Prioritizes all repairs and establishes a timeframe for making repairs; and

D. Is stamped by a professional structural engineer licensed in the State of Washington.

A report meeting the foregoing requirements shall be submitted within 60 days after the effective date of this ordinance; subsequent reports shall be submitted every two years, provided that, in the event of a natural disaster or other event that may have damaged the pedestrian skybridge, the Director may require that additional reports be submitted by a date established by the Director. The Permittee has the duty of inspecting and maintaining the pedestrian skybridge. The responsibility to submit structural inspection reports periodically or as required by the Director does not waive or alter any of the Permittee's other obligations under this ordinance. The receipt of any reports by the Director shall not create any duties on the part of the Director. Any failure by the Director to require a report, or to require action after receipt of any report, shall not waive or limit the obligations of the Permittee.

Section 17. **Annual fee.** Beginning on the effective date of this ordinance the Permittee shall pay an Issuance Fee, and annually thereafter, the Permittee shall promptly pay to the City, upon statements or invoices issued by the Director, an Annual Renewal Fee, and an Annual Use and Occupation fee of $22,809.51, or as adjusted annually thereafter, for the privileges granted by this ordinance.

Adjustments to the Annual Use and Occupation Fee shall be made in accordance with a term permit fee schedule adopted by the City Council and may be made every year. In the absence of a schedule, the Director may only increase or decrease the previous year's fee to reflect any inflationary changes so as to charge the fee in constant dollar terms. This adjustment will be calculated by adjusting the previous year's fee by the percentage change between the two most recent year-end values available for the Consumer Price Index for the Seattle-Tacoma-Bellevue Area, All Urban Consumers, All Products, Not Seasonally Adjusted. Permittee shall pay any other applicable fees, including fees for reviewing applications to renew the permit after expiration of the first term. All payments shall be made to the City Finance Director for credit to the Transportation Fund.

Section 18. **Compliance with other laws.** The Permittee shall construct, maintain, and operate the pedestrian skybridge in compliance with all applicable federal, state, County, and City laws and regulations. Without limitation, in all matters pertaining to the pedestrian skybridge, the Permittee shall comply with the City's laws prohibiting discrimination in employment and contracting including Seattle's Fair Employment Practices Ordinance, Chapter 14.04, and Fair Contracting Practices code, Chapter 14.10 (or successor provisions).

Section 19. **Acceptance of terms and conditions.** The Permittee shall provide evidence of insurance coverage required by Section 10 of this ordinance, the bond as required by Section 12 of this ordinance, and the covenant agreement required by Section 20 of this ordinance within 60 days after the effective date of this ordinance. Continued occupation of the right-of-way constitutes the Permittee's acceptance of the terms of this ordinance.

Section 20. **Obligations run with the Property.** The obligations and conditions imposed on the Permittee by and through this ordinance are covenants that run with the land and bind subsequent owners of the property adjacent to the pedestrian skybridge and legally described in Section 1 of this ordinance (the "Property"), regardless of whether the Director has approved assignment or transfer of the permission granted herein to such subsequent owner(s). At the request of the Director, the Permittee shall provide to the Director a current title report showing the identity of all owner(s) of the Property and all encumbrances on the Property. The Permittee shall, within 60 days of the effective date of this ordinance, and prior to conveying any interest in the Property, deliver to the Director upon a form to be supplied by the Director, a covenant agreement imposing the obligations and conditions set forth in this ordinance, signed and acknowledged by the Permittee and any other owner(s) of the Property and recorded with the King County Recorder's Office. The Director shall file the recorded covenant agreement with the City Clerk. The covenant agreement shall reference this ordinance by its ordinance number. At the request of the Director, Permittee shall cause encumbrances on the Property to be subordinated to the covenant agreement.

Section 21. **Repeal of Section 9 of Ordinance 123048.** Section 9 of Ordinance 123048 is repealed.

Section 22. **Section titles.** Section titles are for convenient reference only and do not modify or limit the text of a section.

Section 23. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ________ day of _________________________, 2022, and signed by me in open session in authentication of its passage this _____ day of _________________________, 2022.

____

President ____________ of the City Council

Approved / returned unsigned / vetoed this _____ day of _________________, 2022.

____

Bruce A. Harrell, Mayor

Filed by me this ________ day of _________________________, 2022.

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle Department of Transportation	Amy Gray/206-386-4638	Christie Parker/206-684-5211

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE granting Swedish Health Services permission to continue maintaining and operating an existing pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue; repealing Section 9 of Ordinance 123048; and providing for the acceptance of the permit and conditions.

Summary and Background of the Legislation:
This legislation allows Swedish Health Services to continue maintaining and operating a pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue. The skybridge permit is for a period of 15 years, commencing on the effective date of the ordinance. The legislation specifies the conditions under which permission is granted.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes _X_ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? _X_ Yes ___ No

	General Fund $		Other $	
Appropriation change ($):	**2022**	**2023**	**2022**	**2023**
	$0	**$0**	**$0**	**$0**
	Revenue to General Fund		**Revenue to Other Funds**	
Estimated revenue change ($):	**2022**	**2023**	**2022**	**2023**
	$0	**$0**	**Annual Fee: $22,809.51**	**TBD**
	No. of Positions		**Total FTE Change**	
Positions affected:	**2022**	**2023**	**2022**	**2023**
	0	**0**	**0**	**0**

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
No.

Are there financial costs or other impacts of *not* implementing the legislation?
If the legislation is not enacted by the City Council, the City of Seattle would not receive the 2022 annual fee of $22,809.51, and future annual fees.

3.a. Appropriations

___ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

_X_ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2022 Revenue	2023 Estimated Revenue
Transportation Fund (13000)	SDOT	Annual Fee	$22,809.51	TBD
		TOTAL	**$22,809.51**	**TBD**

Is this change one-time or ongoing?
Ongoing

Revenue/Reimbursement Notes:
The 2022 fee is based on the 2022 land value as assessed by King County.

3.c. Positions

___ **This legislation adds, changes, or deletes positions.**

4. OTHER IMPLICATIONS

a. **Does this legislation affect any departments besides the originating department?**
No.

b. **Is a public hearing required for this legislation?**
No.

c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

d. **Does this legislation affect a piece of property?**
Yes, the Swedish Health Services property legally described in Section 1 of the Council Bill.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?
This legislation does not have any implications for the principles of the Race and Social Justice Initiative and does not impact vulnerable or historically disadvantaged communities.

f. Climate Change Implications

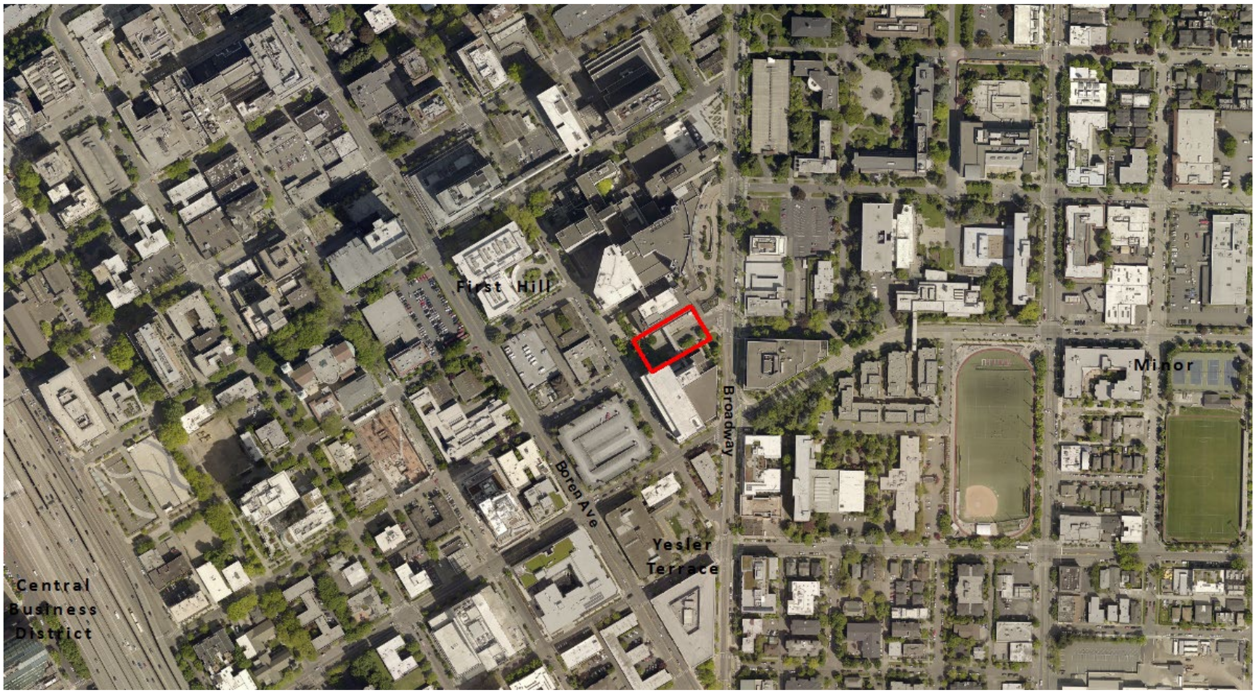
1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
   No.

2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
   No.

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?
N/A

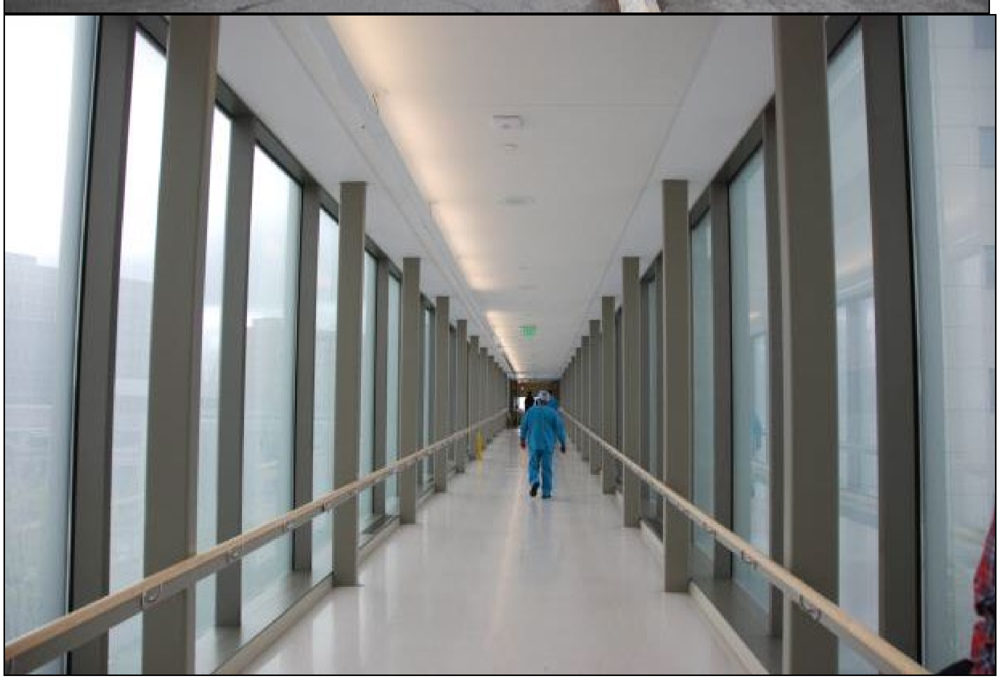
Summary Attachments:
Summary Attachment A – Swedish Cherry Street Skybridge Area Map
Summary Attachment B – Swedish Cherry Street Skybridge Photos
Summary Attachment C – Annual Fee Assessment Summary

Swedish Cherry St Skybridge Area Map



Map is for informational purposes only and is not intended to modify or supplement the legal description(s) in the Ordinance.

Swedish Cherry St Skybridge Photos



STREET USE ANNUAL FEE ASSESSMENT

Date: 1/14/2022

Summary:
Land Value: $480/SF
2022 Permit Fee:
$22,809.51

I. Property Description:

An existing pedestrian skybridge over and across Cherry Street, west of Broadway and east of Minor Avenue. The skybridge provides a pedestrian connection Swedish First Hill Medical Center and the Swedish Orthopedic Institute. The skybridge total area is 792 square feet.

Applicant:
Swedish Health Services

Abutting Parcels, Property Size, Assessed Value:

2022

Parcel 8590900970; Lot size: 36,125
Tax year 2022 Appraised Land Value $14,450,000 ($400/sq ft)

Parcel 7803970000; Lot size: 49,358
Tax year 2022 Appraised Land Value $27,640,300 ($560/sq ft)

II. Annual Fee Assessment:

The 2022 permit fee is calculated as follows:

($480/SF) X (792 SF) X (75%) X (8%) = $22,809.51 where 75% is the degree of alienation for semi-public skybridge and 8% is the annual rate of return.

Fee methodology authorized under Ordinance 123485, as amended by Ordinances 123585, 123907, and 124532.

SEATTLE CITY COUNCIL
CENTRAL STAFF

May 10, 2022

MEMORANDUM

To: Transportation and Seattle Public Utilities Committee
From: Lish Whitson, Analyst
Subject: Council Bill 120302 – Swedish Cherry Street Skybridge

On May 17, 2022, the Transportation and Seattle Public Utilities Committee (Committee) will discuss and possibly vote on Council Bill (CB) 120302, which would renew and extend approval to maintain a skybridge across Cherry Street between Broadway and Minor Avenue on First Hill (Council District 3). The skybridge connects Swedish Orthopedic Institute (SOI) to the rest of the Swedish First Hill Campus. The legislation would extend approval previously granted in 2009 under Ordinance 123048 for a 15-year term.

This memorandum describes the skybridge permit renewal process and the Swedish Cherry Street skybridge.

Skybridge Permit Renewals

Property owners who seek to build a new pedestrian bridge that would encroach over and above a public place[1] must seek skybridge permit approval from the City Council under Seattle Municipal Code (SMC) Chapter 15.64. The code allows for renewals of a skybridge permit only if permitted in the original ordinance. SMC 15.64.083 provides authority to the Director of the Seattle Department of Transportation (SDOT) to recommend amendments at term renewal. Amendments may only be made if consistent with SMC 15.64.090 and are made via ordinance.

SMC 15.64.090 provides the terms and conditions that may be included in a term permit ordinance. These include, but are not limited to:

- the term of years that permission is granted and renewal periods, if any;
- provision for regular inspection of and procedures for closure or removal of the skybridge;
- requirements for performance bonds, public liability insurance, indemnification, conformance with other laws, and annual fees;
- prohibition against assignment without City consent;
- a requirement for execution and recording of a covenant ensuring that obligations and conditions imposed on the permittee run with the land, where applicable;
- public benefit mitigation elements; and
- timely acceptance of permission.

[1] A "public place" is defined as: "public right-of-way and the space above or beneath its surface, whether or not opened or improved, including streets, avenues, ways, boulevards, drives, places, alleys, sidewalks, planting strips, squares, triangles, and plazas that are not privately owned." (SMC 16.02.046)

The current practice of the Seattle Department of Transportation (SDOT) is to recommend longer terms for significant structure term permits and skybridge permits. Instead of a 10-year permit that may be renewed for two additional 10-year terms, SDOT recommends issuing permits for 15-year terms, renewable once. This shift responds to the volume of term permits, the amount of work required to process a permit renewal, and the rarity of significant changes to approvals during term permit renewals.

Swedish First Hill Campus

The Swedish First Hill Major Institution Master Plan was adopted in 2005. The plan authorized the development of the SOI. SOI provides inpatient and outpatient orthopedic surgery and care. A skybridge connects SOI across Cherry Street to the rest of the Swedish First Hill Campus, allowing for the movement of patients and staff between buildings.

CB 120302 would amend Ordinance 123048, which granted approval to operate the skybridge from 2009 to 2019, with the possibility of renewing this permit for a maximum of two additional 10-year terms. Instead of renewing the permit for 10 years with a second possible 10-year renewal, Swedish has applied for a 15-year renewal of the permit which would end in 2037, after which time Swedish would need to apply to repermit the skybridge.

Next Steps

If the Committee recommends approval of CB 120302 at its May 17 meeting, it could be considered by the City Council as early as May 24.

cc: Aly Pennucci, Deputy Director
Yolanda Ho, Lead Analyst

File #: Res 32053, **Version:** 1

CITY OF SEATTLE

RESOLUTION __________________

A RESOLUTION granting conceptual approval to construct, maintain, and operate private communication conduit under and across Latona Avenue Northeast, north of Northeast Northlake Way; as proposed by Dunn Lumber Company, as part of the construction of a new lumber warehouse in the Wallingford neighborhood.

WHEREAS, Dunn Lumber Company applied for permission to construct, maintain, and operate private communication conduits under and across Latona Avenue Northeast, north of Northeast Northlake Way ("Communication Conduit"); and

WHEREAS, in making a recommendation, the Director of the Seattle Department of Transportation considered the plans and application materials submitted by Dunn Lumber Company to construct the Communication Conduit and recommends that conceptual approval be granted; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The City Council finds that the private communication conduits under and across Latona Avenue Northeast, north of Northeast Northlake Way ("Communication Conduit"), as proposed by Dunn Lumber Company are in accordance with and in the public interest.

Section 2. As conditions for obtaining permission to construct the Communication Conduit, under and across Latona Avenue Northeast, north of Northeast Northlake Way, Dunn Lumber Company shall:

A. Provide engineering and utility plans for additional review and permitting by the Seattle Department of Transportation ("SDOT"), which the Director of SDOT ("Director") will circulate to other City departments and any public and private utilities affected by the installation of the Communication Conduit;

B. Provide a surety bond, covenant agreement, and public liability insurance naming the City as an additional insured or self-insurance, as approved by the City's Risk Manager;

C. Pay all City permit fees;

D. Obtain all necessary permits;

E. Maintain and inspect the Communication Conduit; and

F. Remove the Communication Conduit and restore the right-of-way to in as good condition for public use as existed prior to construction of the Communication Conduit and in at least as good condition in all respects as the abutting portions of the public place as required by SDOT right-of-way restoration standards upon expiration of the term permit, or at the direction of the Director or City Council in accordance with the provisions of the term permit ordinance.

Section 3. After this resolution is adopted, SDOT will present to the Council a draft term permit ordinance identifying the conditions under which permission may be granted for the use of the right-of-way for the Communication Conduit. Permission to use the right-of-way is subject to the Council's decision to approve, deny, or modify the draft term permit ordinance presented by the Director.

Section 4. As recommended by the Director and the Mayor, conceptual approval for construction of the Communication Conduit under and across Latona Avenue Northeast, north of Northeast Northlake Way is GRANTED.

Adopted by the City Council the ________ day of _________________________, 2022, and signed by me in open session in authentication of its adoption this ________ day of _________________________, 2022.

____

President ____________ of the City Council

The Mayor concurred the ________ day of _________________________, 2022.

____

Bruce A. Harrell, Mayor

Filed by me this ________ day of _________________________, 2022.

____

Monica Martinez Simmons, City Clerk

(Seal)

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle Department of Transportation	Amy Gray/206-386-4638	Christie Parker/206-684-5211

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title:
A RESOLUTION granting conceptual approval to construct, maintain, and operate private communication conduit under and across Latona Avenue Northeast, north of Northeast Northlake Way; as proposed by Dunn Lumber Company, as part of the construction of new a lumber warehouse in the Wallingford neighborhood.

Summary and Background of the Legislation: This resolution grants conceptual approval for a new communication conduit and outlines certain conditions for obtaining permission to construct the conduit. After this resolution is adopted, a draft term permit ordinance specifying all of the permit conditions will be submitted to the City Council by SDOT.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes __X_ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes __X_ No

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
No.

Are there financial costs or other impacts of *not* implementing the legislation?
No.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?
No.

b. Is a public hearing required for this legislation?
No.

c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
No.

d. Does this legislation affect a piece of property?
Yes, the property located at 3800 Latona Avenue Northeast.

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?
There are no perceived implications of the Race and Social Justice Initiative.

f. Climate Change Implications

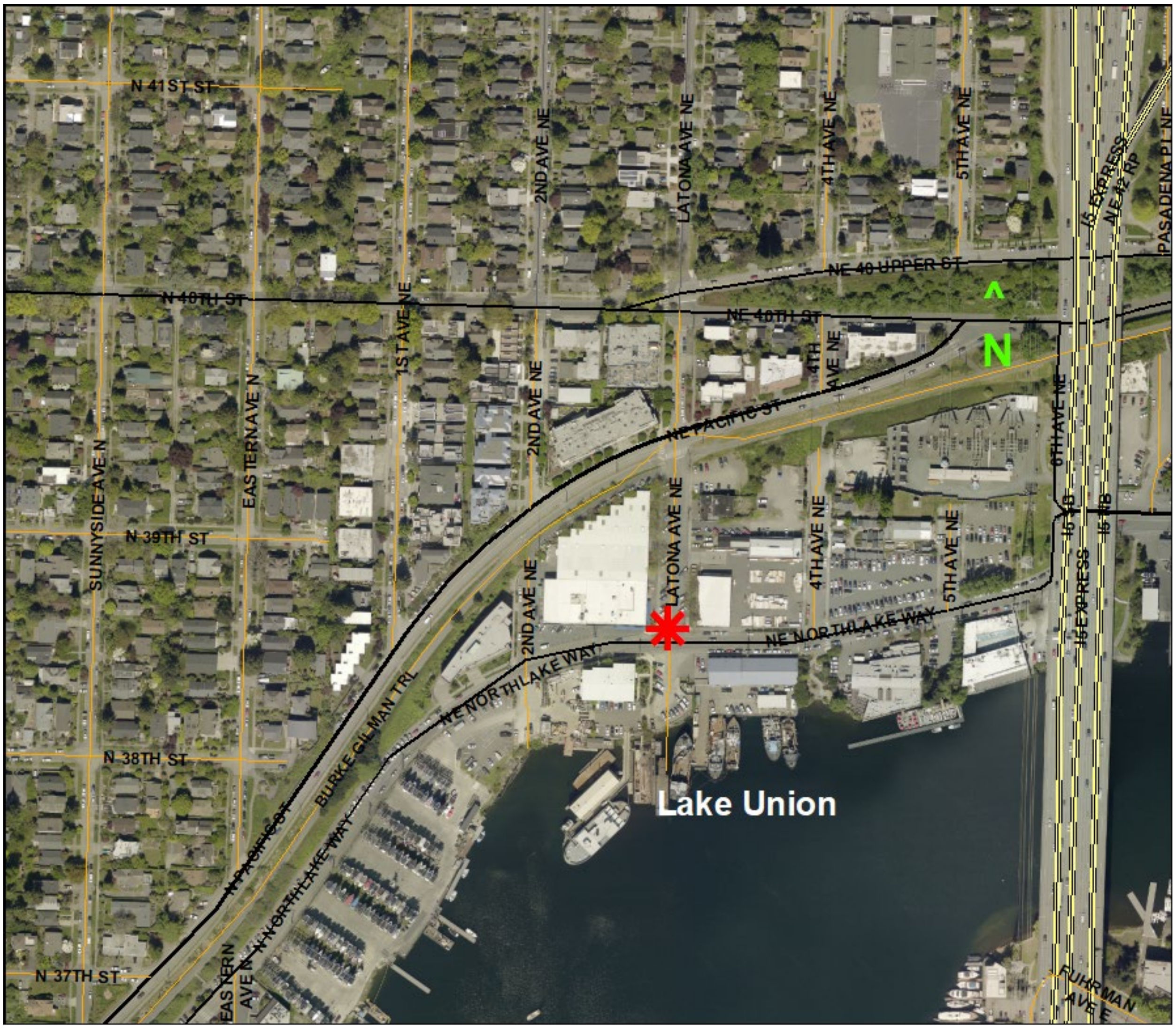
1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
No.

2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**
N/A

g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?
N/A

Summary Attachments:
Summary Attachment A – 3800 Latona Ave NE Communication Conduit Area Map

3800 Latona Ave NE Communication Conduit Area Map



Map is for informational purposes only and is not intended to modify or supplement the legal description(s) in the Ordinance.

SEATTLE CITY COUNCIL
CENTRAL STAFF

May 10, 2022

MEMORANDUM

To: Transportation and Seattle Public Utilities Committee
From: Calvin Chow, Analyst
Subject: Dunn Lumber Term Permit Resolution

On Tuesday, May 17, 2022, the Transportation and Seattle Public Utilities Committee will consider Resolution 32053, which would grant conceptual approval for Dunn Lumber Company to construct a communication conduit under and across Latona Avenue Northeast in District 4. The proposed conduit would allow for private communication between Dunn Lumber Company's facilities, including a new warehouse to be constructed at 3800 Latona Avenue Northeast. The conduit would be wholly underground while within the street right-of-way.

Because the conduit would exist within street right-of-way, the proposal requires a Significant Structure Term Permit administered through the Seattle Department of Transportation (SDOT). Pursuant to Seattle Municipal Code (SMC) Chapter 15.65, a significant structure is a structure that has "a long-anticipated duration of encroachment, impede the City's or public's flexibility in the use of the public place, or are necessary for the functioning of other property of the permittee." Examples include tunnels below streets that provide access to utility, pedestrian, or vehicular access; public art placed in right-of-way; and overhead structures attached to buildings. Conceptual approval of the proposal by resolution is the first step of Council's engagement in the term permit process.

SMC 15.65.040.C identifies ten issues that are considered when reviewing whether to approve a significant structure:

1. Adequacy of horizontal, vertical, and other clearances;
2. View blockage and impacts due to reduction of natural light;
3. Construction review is at 60 percent conceptual approval;
4. Interruption or interference with existing streetscape or another street amenities;
5. Effect on pedestrian activity;
6. Effect on commerce and enjoyment of neighboring land uses;
7. Availability of reasonable alternatives;
8. Effect on traffic and pedestrian safety;
9. Accessibility for the elderly and handicapped; and
10. The public benefit mitigation elements provided by the proposal, to the extent required based on the nature of the structure.

SDOT has reviewed Dunn Lumber Company's term permit petition and has transmitted Resolution 32053 to the City Council to authorize conceptual approval. In reviewing the proposed legislation, the Council should consider the ten items noted on page one in order to determine whether the structure is in the public interest and that no reasonable alternative to the structure exists. The Council may provide conceptual approval, conditional conceptual approval or deny the term permit by resolution.

Resolution 32053 would also establish the following conditions on Dunn Lumber Company:

1. Provide engineering and utility plans for additional review and permitting by the Seattle Department of Transportation ("SDOT"), which the Director of SDOT ("Director") will circulate to other City departments and any public and private utilities affected by the installation of the Communication Conduit;
2. Provide a surety bond, covenant agreement, and public liability insurance naming the City as an additional insured or self-insurance, as approved by the City's Risk Manager;
3. Pay all City permit fees;
4. Obtain all necessary permits;
5. Maintain and inspect the Communication Conduit; and
6. Remove the Communication Conduit and restore the right-of-way to in as good condition for public use as existed prior to construction of the Communication Conduit and in at least as good condition in all respects as the abutting portions of the public place as required by SDOT right-of-way restoration standards upon expiration of the term permit, or at the direction of the Director or City Council in accordance with the provisions of the term permit ordinance.

If conditional approval is granted, and once SDOT determines that the construction plans are consistent with the Council's approval or conditional approval in the resolution, SDOT will transmit a bill to the City Council for a final decision to grant or deny the application for the new structure permit.

cc: Aly Pennucci, Deputy Director
Brian Goodnight, Lead Analyst

Dunn Lumber Company
Private Communication Conduit Resolution

Council Transportation & Seattle Public Utilities Committee

Council Transportation & Seattle Public Utilities Committee
Amy Gray, SDOT
May 17, 2022

City of Seattle

Presentation overview

- Dunn Lumber Company is seeking conceptual approval for a private communication conduit under Latona Ave NE, north of NE Northlake Way

- The communication conduit will connect the existing Dunn Lumber office and warehouse with the new warehouse

- SDOT recommends conceptual approval

New conduit for fiber optic cabling to connect the existing Dunn facility with the new Dunn Warehouse and Showroom

Significant Structures- Seattle Municipal Code 15.65

- Definition:
  - The structure will be in the right-of-way for a long duration
  - It impedes the City's or public's flexibility in using the right-of-way
  - Is necessary for the functioning of the business

Term permit process – new permits

Two Step Process

Step 1 – Adoption of the resolution provides conceptual approval for the private use in the right-of-way, subject to the terms and conditions to be established in the term permit ordinance

Step 2 - Passage of the ordinance details the obligations of the permit, including annual fee, maintenance obligations, indemnification, insurance, and bond requirements

Proposal

- Dunn Lumber Company is proposing to construct and maintain private communication conduit under Latona Ave NE, north of NE Northlake Way

- The private communication conduit provides connectivity between the existing Dunn Lumber office and warehouse and the new warehouse across the street.

Proposed location

New conduit for fiber optic cabling to connect the existing Dunn facility with the new Dunn Warehouse and Showroom

Existing Dunn facility
west of new building

Entrance to
Dunn
Showroom

Dunn Lumber
Warehouse
entrance

Project neighborhood – Wallingford

Requested action

- We seek Council adoption of this resolution for conceptual approval of the private communication conduit

- If the resolution is adopted, we will prepare the term permit ordinance

- If the ordinance is approved, the permit will be in place for 15 years, with one renewable 15-year term

Questions?

amy.gray@seattle.gov | (206) 472-5788

www.seattle.gov/transportation

600 Fourth Ave. 2nd Floor
Seattle, WA 98104

Legislation Text

File #: Inf 2056, **Version:** 1

Seattle Public Utilities 2021 Audit Report

REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

SEATTLE PUBLIC UTILITIES – DRAINAGE AND WASTEWATER FUND (AN ENTERPRISE FUND OF THE CITY OF SEATTLE)

December 31, 2021 and 2020

MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–3
Management's Discussion and Analysis	4–12
Financial Statements	
Statements of net position	13–14
Statements of revenues, expenses, and changes in net position	15
Statements of cash flows	16–17
Notes to financial statements	18–51
Required Supplementary Information	
Schedule of Seattle Public Utilities' proportionate share of the net pension liability	52
Schedule of Seattle Public Utilities' contributions	52
Schedule of Seattle Public Utilities' proportionate share of the OPEB liability and related ratios	53
Other Information (Unaudited)	
Drainage Wastewater debt service coverage calculation 2021	54
Wastewater system operating statistics and 2021 accounts and billed revenues	55
Major Wastewater customers – 2021 annual billed revenues and volumes	56
Major Drainage customers – 2021 annual billed revenues and acreage	56
Wastewater and Drainage rates	57

MOSSADAMS

Report of Independent Auditors

To the Director of Seattle Public Utilities
Drainage and Wastewater Fund
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seattle Public Utilities – Drainage and Wastewater Fund (the Fund), which comprise the statements of net position as of December 31, 2021 and 2020, 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 the Fund as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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, 2021 and 2020, 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' contributions, and the schedule of Seattle Public Utilities' proportionate share of the OPEB liability and related ratios (collectively, required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information as listed in the table of contents. The other information comprises the debt service coverage calculation, wastewater system operating statistics and billed revenues, major wastewater customers annual billed revenues and volumes, major drainage customers annual billed revenues and acreage, and wastewater and drainage rates but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, 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.

Moss Adams LLP

Seattle, Washington
April 29, 2022

As management of Seattle Public Utilities (SPU), a department of the City of Seattle (the City), we offer readers of SPU's financial statements this narrative overview and analysis of the financial activities of the Drainage and Wastewater Fund (the Fund) for the fiscal years ended December 31, 2021 and 2020. The revenues, expenses, assets, deferred outflows and inflows of resources, and liabilities of the City of Seattle's drainage and wastewater system are recorded in the Fund, the functions of which are primarily supported by user fees and charges to customers. The financial situation of other aspects of Seattle City government, including other utility services and general government operations, are reported elsewhere.

Overview of the Financial Statements

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

Basic financial statements – The basic financial statements of the Fund report information similar to the presentation used by private sector companies. These statements offer short-term and long-term financial information about its activities. The basic financial statements begin on page 13 of this report and are comprised of three components: (1) statements of net position, (2) statements of revenues, expenses, and changes in net position, and (3) statements of cash flows.

The statements of net position present information, as of December 31, 2021 and 2020, on all of the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources), and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund's net position for the years ended December 31, 2021 and 2020. 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 credit worthiness and its ability to successfully 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, 2021 and 2020. 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 18 of this report.

Financial Analysis

Increases or decreases in net position may serve over time as a useful indicator of whether the Fund's financial position is improving or deteriorating. At December 31, 2021 and 2020, the Fund's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, resulting in a net position of $642.8 million and $535.7 million, respectively. In 2021, the Fund's overall net position increased $107.1 million (20.0%) as compared to an increase in net position of $83.9 million (18.6%) in 2020.The following summary statements of net position present the assets and deferred outflows of resources of the Fund and show the mix of liabilities, deferred inflows of resources, and net position used to acquire these assets and deferred outflows of resources:

Statements of Net Position

	2021	2020	2019
ASSETS			
Current assets	$ 298,624,077	$ 290,290,608	$ 292,633,791
Capital assets, net	1,458,311,283	1,340,766,313	1,222,123,319
Other	169,476,374	94,755,675	146,614,940
Total assets	1,926,411,734	1,725,812,596	1,661,372,050
DEFERRED OUTFLOWS OF RESOURCES	18,797,831	19,742,729	28,726,503
Total assets and deferred outflows of resources	$ 1,945,209,565	$ 1,745,555,325	$ 1,690,098,553
LIABILITIES			
Current liabilities	$ 86,365,059	$ 81,095,767	$ 78,747,523
Revenue bonds	836,446,999	792,616,317	823,179,448
Other	354,816,463	320,602,583	327,655,004
Total liabilities	1,277,628,521	1,194,314,667	1,229,581,975
DEFERRED INFLOWS OF RESOURCES	24,735,164	15,544,036	8,677,263
NET POSITION			
Net investment in capital assets	630,159,592	531,961,816	448,542,091
Restricted	22,186,974	21,150,712	22,384,553
Unrestricted	(9,500,686)	(17,415,906)	(19,087,329)
Total net position	642,845,880	535,696,622	451,839,315
Total liabilities, deferred inflows of resources, and net position	$ 1,945,209,565	$ 1,745,555,325	$ 1,690,098,553

Financial Analysis (continued)

2021 Compared to 2020

Assets – Current assets increased $8.3 million (2.9%) over the prior year primarily due to a $7.5 million increase in accounts receivable, net of allowance for doubtful accounts; a $7.8 million increase in unbilled revenue; and a $0.5 million increase in operating cash and equity in pooled investments. These increases were offset by a decrease of $7.5 million in due from other governments.

Capital assets increased by $117.5 million (8.8%) from 2020. Construction in progress and plant assets increased $146.4 million; the increase is mostly due to infrastructure, rehabilitation, and improvements. Other property, net increased $2.2 million. The capital asset increase was offset by a $31.1 million increase in accumulated depreciation (Note 3).

Other assets increased by $74.7 million (78.9%) from 2020. This is mostly attributable to a $78.2 million increase in restricted cash and equity in pooled investments resulting from issuing 2021 Drainage and Wastewater System Improvement and Refunding Revenue Bonds (Note 4).The increase was offset by a $3.2 million reduction in other charges and a $0.3 million reduction in external infrastructure costs, net.

Deferred outflows of resources – Deferred outflows of resources decreased by $0.9 million (-4.8%) from 2020. This decrease is attributable to a $0.8 million reduction in pension contributions and changes in assumptions related to pension and other post-employment benefits (OPEB), and to a $0.1 million reduction in unamortized loss on refunded debt.

Liabilities – Current liabilities increased by $5.3 million (6.5%) from 2020. This is mostly attributable to a $2.2 million increase in the current portion of bonds payable, a $1.2 million increase in the current portion of loans payable, a $1.2 million increase in claims payable, a $0.8 million increase in environmental liabilities, and a $0.8 million increase in interest payable. This increase was offset by a decrease of $0.5 million in salaries, benefits, and payroll taxes payable; and a $0.5 million decrease in other current liabilities.

Noncurrent liabilities increased by $78.0 million (7.0%) from 2020. This increase is mostly attributable to an increase of $43.8 million in revenue bonds and related liabilities due from issuing a new bond, and a $44.1 million increase in loans. Additional increases are a $3.4 million increase in long-term environmental liabilities because of changes in estimates, a $3.2 million increase in claims payable, a $0.7 million increase in compensated absences payable and a $0.4 million increase in unfunded other post-employment benefits. The increases were offset by a $17.4 million decrease in net pension liability (Note 9) because of contributions and changes in assumptions, and by a $0.2 million decrease in other noncurrent liabilities.

Deferred inflows of resources – Deferred inflow of resources increased by $9.2 million (59.1%) from 2020. This increase is mostly due to assumptions related to pension accounting and the difference between expected and actual expense in other post-employment benefits (OPEB).

Financial Analysis (continued)

Net position – The largest portion of the Fund's net position ($630.2 million or 98.0%) reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2021, net investment in capital assets increased by $98.2 million from 2020 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position ($22.2 million or 3.5%) represents resources that are subject to restrictions on how they may be used. This portion of net position increased by $1.0 million from 2020.

The remaining portion of the Fund's net position (negative $9.5 million or -1.5%) represents resources that are unrestricted. The unrestricted portion of net position increased by $7.9 million from the prior year.

2020 Compared to 2019

Assets – Current assets decreased $2.3 million (-0.8%) over the prior year primarily due to a $11.9 million decrease in operating cash and equity in pooled investments, a $4.7 million decrease in due from other funds, and a $3.3 million decrease in unbilled revenue. These decreases were offset by increases of $12.9 million in due from other governments and $4.6 million in accounts receivable, net of allowance for doubtful accounts. The decrease in operating cash is primarily due to capital spending increases.

Capital assets increased by $118.6 million (9.7%) from 2019. Construction in progress and other plant assets increased $150.5 million; the increase is mostly due to infrastructure, rehabilitation, and improvements. This change was offset by $31.9 million increase in accumulated depreciation (Note 3).

Other assets decreased by $51.9 million (-35.4%) from 2019. This is mostly attributable to a $49.9 million reduction in restricted cash and equity in pooled investments used to fund capital projects, a $3.7 million reduction in other charges, a $0.3 million reduction in external infrastructure costs, and a $0.3 million reduction in regulatory assets-bond issue costs. The decreases were offset by an increase of a $2.4 million long-term receivable due from another city department.

Deferred outflows of resources – Deferred outflows of resources decreased by $9.0 million (-31.3%) from 2019. This change resulted mainly from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits (OPEB).

Liabilities – Current liabilities increased by $2.3 million (3.0%) from 2019. This is mostly attributable to a $5.4 million increase in accounts payable and a $1.1 million increase in environmental liabilities. This increase was offset by a decrease of $4.0 million in salaries, benefits, and payroll taxes payable, and a $0.3 million decrease in revenue bonds due within one year.

Financial Analysis (continued)

Noncurrent liabilities decreased by $37.6 million (-3.3%) from 2019. This decrease is mostly attributable to a decrease of $30.6 million in revenue bonds and related liabilities, a $19.2 million decrease in net pension liability (Note 9) because of contributions and changes in assumptions, a $1.2 million decrease in long-term environmental liabilities because of changes in estimates, and a $0.4 million decrease in claims payable. The decrease was offset by a $11.0 million increase in loan debt, a $1.6 million increase in other noncurrent liabilities, and a $1.1 million increase in compensated absences payable.

Deferred inflows of resources – Deferred inflow of resources increased by $6.9 million (79.1%) from 2019. This increase is due to assumptions related to pension accounting and the difference between expected and actual expense in other post-employment benefits (OPEB).

Net position – The largest portion of the Fund's net position ($532.0 million or 99.3%) 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. In 2020, net investment in capital assets increased by $83.4 million from 2019 due to an increase in capital assets placed in service, net of depreciation offset by the related debt.

The Fund's restricted net position ($21.2 million or 3.9%) represents resources that are subject to restrictions on how they may be used. This portion of net position decreased by $1.2 million from 2019.

The remaining portion of the Fund's net position (negative $17.4 million or -3.3%) represents resources that are unrestricted. The unrestricted portion of net position increased by $1.7 million from the prior year.

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

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

	2021	2020	2019
Operating revenues	$ 502,517,146	$ 460,295,464	$ 454,381,865
Operating expenses	(387,224,204)	(385,937,282)	(370,768,095)
Net operating income	115,292,942	74,358,182	83,613,770
Non-operating revenues and expenses	(1,341,557)	12,564,569	(2,005,208)
Environmental remediation	(6,802,127)	(3,065,444)	(8,902,462)
Change in net position	$ 107,149,258	$ 83,857,307	$ 72,706,100

Financial Analysis (continued)

2021 Compared to 2020

The current year operating revenues increased by $42.2 million (9.2%) from 2020. This is due to an average rate increase of 7.2% for wastewater and 7.4% for drainage, resulting in additional revenues of $31.1 million and $9.8 million, respectively. Other operating revenues increased $1.4 million.

The current year operating expenses increased by $1.3 million (0.3%) from 2020. The increase can be attributed to $7.5 million increase in services expenses, $2.0 million increase in intergovernmental payments, $1.6 million increase in depreciation and amortization, and $0.4 million increase in supplies. These increases were offset by a $5.8 million decrease in other operating expenses and by a $4.4 million decrease in salaries, wages, and personnel benefits.

Nonoperating revenues net of expenses in 2021 decreased by $13.9 million compared to 2020. There was a $9.5 million decrease in contributions and grants and a $10.3 million decrease in investment income. The decreases were offset by a $3.4 million increase in interest expense and $2.5 million increase in other, net.

The Fund had an environmental remediation expense of $6.8 million in 2021 compared to $3.1 million in 2020 (Note 10), resulting from changes in estimated costs for remediation management and construction.

2020 Compared to 2019

The current year operating revenues increased by $5.9 million (1.3%) from 2019. Drainage has additional revenues of $11.6 million due to an average rate increase of 8.0%. Sewerage has an average rate increase of 7.4%, but due to the impacts of COVID-19, sewer revenue decreased by $5.8 million. Other operating revenues increased by $0.8 million.

The current year operating expenses increased by $15.2 million (4.1%) from 2019. The increase can be attributed to $8.7 million increase in other operating expenses; $3.1 million increase in intergovernmental payments; $2.1 million for services; $1.5 million for depreciation and amortization; and $0.3 million in salaries, wages, and personnel benefits. Of the $8.7 million increase in other operating expenses, $7.8 million is due to increase in capital outlays, $1.2 million due to one-time natural resource damage (NRD) settlement, offset by $0.2 million decrease in other miscellaneous operating expense. For the $3.1 million increase in intergovernmental payments, it consists of $1.7 million for city and state taxes and $1.4 million for wastewater treatment. These increases were offset by a decrease in supplies by $0.5 million.

Nonoperating revenues net expenses in 2020 increased by $14.6 million as compared to 2019. There was a $15.3 million increase in contributions and grants and a $3.9 million decrease in investment income, while there was a $3.2 million reduction in interest expense.

The Fund had an environmental remediation expense of $3.1 million for 2020 as compared to $8.9 million in 2019 (Note 10), resulting from changes in estimated costs for remediation management and construction.

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation, by major asset category:

Summary of Capital Assets, Net of Accumulated Depreciation

	2021	2020	2019
Land and land rights	$ 46,662,046	$ 46,644,353	$ 40,330,875
Buildings	13,827,790	14,909,819	14,294,425
Infrastructure	957,421,593	936,517,320	893,366,112
Machinery and equipment	59,128,903	61,984,467	65,786,979
Computer systems	19,898,976	21,622,034	22,083,185
Construction in progress	356,932,019	256,896,036	184,069,459
Artwork	4,439,956	2,192,284	2,192,284
Capital assets, net of accumulated depreciation	$ 1,458,311,283	$ 1,340,766,313	$ 1,222,123,319

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

2021 Compared to 2020

The Fund's investment in capital assets, net of accumulated depreciation, for the year ended December 31, 2021, was $1.5 billion. This represented an increase of approximately $117.5 million (8.8%) compared to 2020.

Highlights of the Fund's major capital assets placed in service during 2021 include the following:

- $12.0 million for pipe rehabilitation and improvement
- $8.9 million for stations and force main upgrade in East Montlake
- $3.0 million for pipe replacement
- $2.2 million for artwork projects
- $24.2 million for various other small construction projects

Highlights of the Fund's major construction projects in progress at the end of 2021 include the following:

- $172.7 million for construction of a combined sewer overflow storage facility for the Ballard, Fremont, and Wallingford combined sewer overflow basins (Ship Canal Water Quality Project)
- $43.6 million for sewer and storm water system improvements and rehabilitations
- $26.8 million for combined sewer overflow control
- $26.5 million for building a pump station facility near 7th Street and Riverside in South Park
- $13.3 million for Natural Drainage Systems
- $10.5 million for improvements to Taylor Creek downstream from Rainier Ave South
- $9.0 million for infrastructure improvements in South Park
- $4.8 million for upgrading the core Oracle utilities applications

Capital Assets (continued)

- $3.7 million for the South Park Stormwater Treatment Facility
- $3.1 million for replacing the 45th Ave SW culvert
- $3.0 million for construction project artwork
- $2.3 million for relocating existing drainage and sewer mains as necessary to accommodate SDOT's Waterfront Seattle Program

2020 Compared to 2019

The Fund's investment in capital assets, net of accumulated depreciation, for the year ended December 31, 2020, was $1.3 billion. This represented an increase of approximately $118.6 million (9.7%) compared to 2019.

Highlights of the Fund's major capital assets placed in service during 2020 included the following:

- $14.4 million for pipe rehabilitation and improvement
- $14.2 million for pump station improvement
- $8.4 million for environmental remediation
- $4.2 million for combine sewer outfall pipeline and structures improvement
- $3.9 million for culvert replacement
- $3.4 million for drainage pipeline and sewer pipeline
- $3.3 million for combined sewer valve and equipment
- $20.6 million for various other small construction projects

Highlights of the Fund's major construction projects in progress at the end of 2020 include the following:

- $112.1 million for construction of a combined sewer overflow storage facility for the Ballard, Fremont, and Wallingford combined sewer overflow basins (Ship Canal Water Quality Project)
- $20.8 million for sewer and storm water system improvement
- $16.2 million to build a pump station facility near 7th Street and Riverside in South Park
- $16.0 million for the Alaskan Way Viaduct and Waterfront combined sewer overflow control
- $8.6 million for pipe improvements in the Alaska Way Viaduct Battery Street Tunnel project
- $7.9 million for improvements to Taylor Creek downstream from Rainier Ave South
- $6.2 million for upgrading pump stations and force main in East Montlake
- $4.9 million for construction project artwork
- $4.4 million for infrastructure improvements in South Park
- $4.2 million for raingardens, cisterns and other national drainage improvements
- $4.1 million for roadside bioretention for Longfellow Creek
- $3.3 million for the Delridge 168/169 combined sewer overflow control
- $3.2 million for the South Park Stormwater Treatment Facility
- $2.7 million for building 15-18 blocks of bioretention systems in Thornton Creek
- $2.5 million for upgrading the core Oracle utilities applications
- $2.2 million for replacing the 45th Ave SW culvert

Debt Administration

The Fund's debt primarily consists of bonded debt and loans. Bonded debt is secured solely by drainage and wastewater revenues and provides financing for capital improvements. Loans issued by various Washington State Agencies for certain capital improvements are unsecured. The Fund's credit ratings on its bonds were Aa1 and AA+ by Moody's Investors Service Inc. and Standard & Poor's Rating Services, respectively. Additional details about the Fund's revenue bonds and loans are in Notes 4 and 11 of this report.

2021 Compared to 2020

At the end of 2021, the Fund had $769.9 million in bonded debt, as compared to $742.0 million in 2020, all of which was secured solely by drainage and wastewater system revenues. This increase of $27.9 million is attributed to the issuance of a new revenue and refunding bond, defeasance of old bonds (Note 4) and payment of debt principal.

At the end of 2021, the Fund had an outstanding loan balance of $101.3 million compared to $56.1 million in 2020. This increase is due to a total of $41.0 million drawdowns from loans with the Washington State Department of Ecology and a $7.3 million drawdown from a new loan with the Washington State Department of Commerce. The increase was offset by a $4.0 million payment of debt principal.

2020 Compared to 2019

At the end of 2020, the Fund had $742.0 million in bonded debt, as compared to $769.6 million in 2019, all of which was secured solely by drainage and wastewater system revenues. This decrease of $27.6 million is attributed to payment of debt principal.

At the end of 2020, the Fund had an outstanding loan balance of $56.1 million compared to $45.0 million in 2019. This increase is due to a $12.2 million drawdown from a loan with the Washington State Department of Ecology and a $1.6 million draw drawdown from a new loan with the Washington State Department of Commerce. The increase is offset by a $2.8 million payment of debt principal.

Requests for Information

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

Seattle Public Utilities –
Drainage and Wastewater Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	$ 219,234,623	$ 218,713,930
Receivables		
Accounts, net of allowance	36,482,866	28,968,477
Interest and dividends	267,830	290,861
Unbilled revenues	30,892,100	23,065,535
Due from other funds	616,993	549,260
Due from other governments	9,182,977	16,732,054
Materials and supplies inventory	1,912,173	1,895,318
Prepayments and other current assets	34,515	75,173
Total current assets	298,624,077	290,290,608
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	116,360,934	38,208,242
Prepayments long-term	449,501	484,017
Long-term receivable due from another city department	2,286,529	2,362,227
Environmental costs and recoveries	2,602,646	2,621,276
External infrastructure costs, net	17,278,109	17,570,958
Regulatory assets - bond issue costs	5,005,221	4,864,855
Other charges	25,493,434	28,644,100
Capital assets		
Land and land rights	46,662,046	46,644,353
Plant in service, excluding land	1,521,835,041	1,475,448,530
Less accumulated depreciation	(471,557,779)	(440,414,890)
Construction in progress	356,932,019	256,896,036
Other property, net	4,439,956	2,192,284
Total noncurrent assets	1,627,787,657	1,435,521,988
Total assets	1,926,411,734	1,725,812,596
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	5,478,663	5,594,783
Pension and OPEB contributions and changes in assumptions	13,319,168	14,147,946
Total deferred outflows of resources	18,797,831	19,742,729
Total assets and deferred outflow of resources	$ 1,945,209,565	$ 1,745,555,325

See accompanying notes.

Seattle Public Utilities –
Drainage and Wastewater Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position

	December 31, 2021	December 31, 2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 16,477,768	$ 16,444,533
Salaries, benefits, and payroll taxes payable	3,036,768	3,532,877
Compensated absences payable	341,723	303,286
Due to other funds	51,403	-
Due to other governments	13,554,286	13,726,395
Interest payable	11,547,880	10,774,345
Taxes payable	553,942	432,255
Revenue bonds due within one year	29,525,000	27,300,000
Claims payable	2,773,063	1,545,720
Environmental liabilities	3,589,550	2,811,563
Loans payable, due within one year	4,052,026	2,852,381
Other	861,650	1,372,412
Total current liabilities	86,365,059	81,095,767
NONCURRENT LIABILITIES		
Compensated absences payable	6,492,720	5,762,426
Claims payable	8,285,004	5,106,321
Environmental liabilities	181,309,027	177,947,420
Loans	97,292,470	53,202,388
Unfunded other post employment benefits	3,536,572	3,101,715
Net pension liability	54,686,589	72,049,064
Other noncurrent liabilities	3,214,081	3,433,249
Revenue bonds	769,890,000	742,030,000
Less bonds due within one year	(29,525,000)	(27,300,000)
Bond discount and premium, net	96,081,999	77,886,317
Total noncurrent liabilities	1,191,263,462	1,113,218,900
Total liabilities	1,277,628,521	1,194,314,667
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on advanced refunding	1,058,942	-
Deferred inflows - pension and OPEB	23,676,222	15,544,036
Total deferred inflows of resources	24,735,164	15,544,036
NET POSITION		
Net investment in capital assets	630,159,592	531,961,816
Restricted for		
External infrastructure costs	8,023,753	7,275,625
Other charges	14,163,221	13,875,087
Unrestricted	(9,500,686)	(17,415,906)
Total net position	642,845,880	535,696,622
Total liabilities, deferred inflows of resources, and net position	$ 1,945,209,565	$ 1,745,555,325

See accompanying notes.

Seattle Public Utilities –
Drainage and Wastewater Fund
(An Enterprise Fund of the City of Seattle)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31, 2021	Years Ended December 31, 2020
OPERATING REVENUES		
Charges for services and other revenues	$ 502,517,146	$ 460,295,464
OPERATING EXPENSES		
Salaries, wages, and personnel benefits	51,740,074	56,137,465
Supplies	3,036,534	2,681,606
Services	52,877,338	45,359,063
Intergovernmental payments	231,618,599	229,641,448
Depreciation and amortization	41,285,602	39,639,090
Other operating expenses	6,666,057	12,478,610
Total operating expenses	387,224,204	385,937,282
OPERATING INCOME	115,292,942	74,358,182
NONOPERATING REVENUES (EXPENSES)		
Investment income	729,491	11,044,448
Interest expense	(18,655,517)	(22,104,486)
Contributions and grants	12,179,624	21,685,659
Other, net	4,404,845	1,938,948
Total nonoperating revenues (expenses)	(1,341,557)	12,564,569
INCOME BEFORE SPECIAL ITEMS	113,951,385	86,922,751
ENVIRONMENTAL REMEDIATION	(6,802,127)	(3,065,444)
CHANGE IN NET POSITION	107,149,258	83,857,307
NET POSITION		
Beginning of year	535,696,622	451,839,315
End of year	$ 642,845,880	$ 535,696,622

See accompanying notes.

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 497,394,151	$ 451,226,887
Cash paid to suppliers	(225,953,824)	(222,674,866)
Cash paid to employees	(61,515,195)	(63,398,263)
Cash paid for taxes	(65,646,749)	(60,822,545)
Net cash provided by operating activities	144,278,383	104,331,213
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	3,804,375	13,151,712
Payments for environmental liabilities	(2,643,903)	(3,176,623)
Net cash provided by noncapital financing activities	1,160,472	9,975,089
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from long-term debt	189,152,756	13,832,217
Principal payments on long-term debt	(88,520,502)	(25,255,792)
Capital expenditures and other charges paid	(142,147,708)	(148,598,885)
Interest paid on long-term debt	(34,531,105)	(35,728,077)
Build America Bonds federal interest subsidy	1,584,823	1,632,214
Capital fees and grants received	8,375,248	8,533,947
Proceeds from sale of capital assets	153,319	54,856
Net cash used in capital and related financing activities	(65,933,169)	(185,529,520)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change on investment	(832,301)	9,421,742
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS	78,673,385	(61,801,476)
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	256,922,172	318,723,648
End of year	$ 335,595,557	$ 256,922,172
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	$ 219,234,623	$ 218,713,930
Noncurrent restricted cash and equity in pooled investments	116,360,934	38,208,242
Total cash at the end of the year	$ 335,595,557	$ 256,922,172

See accompanying notes.

Seattle Public Utilities –
Drainage and Wastewater Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows (continued)

	Years Ended December 31,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES		
Operating income	$ 115,292,942	$ 74,358,182
Adjustments to reconcile net operating income to net cash from operating activities		
Adjustment for net pension liability	(8,401,511)	(3,760,766)
Depreciation and amortization	41,285,602	39,639,090
Other cash (payments) receipts	(590,849)	1,884,092
Changes in operating assets and liabilities		
Accounts receivable	(7,514,389)	(4,593,852)
Unbilled revenues	(7,826,565)	3,347,084
Due from other funds	(67,733)	4,678,970
Due from other governments	7,549,077	(12,912,562)
Materials and supplies inventory	(16,854)	(62,610)
Other assets	150,872	(2,368,370)
Accounts payable	33,235	5,368,990
Salaries, benefits, and payroll taxes payable	(496,109)	(4,044,614)
Compensated absences payable	768,731	1,139,834
Due to other funds	51,403	(10,632)
Due to other governments	(172,109)	(103,087)
Claims payable	4,406,026	(528,036)
Taxes payable	121,687	(845)
Other liabilities	(295,073)	2,300,345
Total adjustments	28,985,441	29,973,031
Net cash from operating activities	$ 144,278,383	$ 104,331,213

See accompanying notes.

Note 1 – Operations and Summary of Significant Accounting Policies

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

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 2021 and 2020, paid $25,945,159 and $24,391,299, 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 $58,248,201 and $54,335,864 for these taxes in 2021 and 2020, respectively.

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 technologies 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 $2,333,999 and $2,397,843 in 2021 and 2020, respectively. The Fund paid $116,971 and $32,076 for the utility billing services in 2021 and 2020, respectively.

Wastewater disposal and drainage services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected $3,205,419 in 2021 and $3,693,851 in 2020 from the City for wastewater services provided. The Fund also collected $10,808,33 in 2021 and $10,825,403 in 2020 from the City for drainage services.

The Fund is subject to regulation by the City and the State of Washington. Service rates are authorized by ordinances passed by the 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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

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

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

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

Allowance for doubtful accounts – A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2021 and 2020, the Fund's allowance for doubtful accounts was $1,854,640 and $1,338,981, respectively.

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

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Environmental costs and recoveries – The Fund is involved in several remediation efforts around the City (Note 10). When estimated remediation costs are approved to be recovered through rates, the costs, net of recoveries, associated with these efforts are deferred when accrued as a regulatory asset and are amortized over the rate recovery period. Certain environmental remediation costs that are infrequent in occurrence are treated as a special item in the statements of revenues, expenses, and changes in net position.

External infrastructure costs – The Fund has contributed $21,963,686 to a joint project with King County to expand one of their transmission lines to help alleviate sewer overflows in the area. These costs represent the portion of the project that did not result in a capital asset for the Fund. The project was completed in 2005. The Fund has deferred these costs and began amortizing them in 2006 over a 75-year period.

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

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

Capital assets – Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct material, labor, and indirect costs such as engineering, supervision, payroll taxes, pension benefits, and interest relating to the financing of projects under construction. The cost of current repairs and maintenance is charged to expense, while the cost of additions and improvements is capitalized. SPU's policy is to generally capitalize assets with a cost of $5,000 or more. The Fund received donated assets, such as sewer and drainage pipes, from developers and other government agencies. These donated assets are recorded under capital contributions and grants in the statements of revenues, expenses, and changes in net position.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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. Other property includes artwork and property held for future use. The artwork is acquired through the City's "One Percent for Art" program, which supports the City ordinance established to direct the inclusion of works of art in public spaces within the City.

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

Buildings and fixtures	10 to 50 years
Laterals, mains, and outfalls	75 years
Detention structures	75 years
Pumping stations, equipment, and overflow structures	10 to 50 years
Machinery and equipment	3 to 20 years
Computer systems	3 to 11 years

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

Deferred outflows/inflows of resources – In addition to assets, the statements of net position, when applicable, will report a separate section for deferred outflows of resources. It represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Fund has deferred loss on refunding debt that qualifies for reporting in this category. A deferred loss on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Fund has also recorded deferred outflows of resources for certain pension 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 6 and 9).

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 also recorded deferred inflows of resources for the difference between projected and actual experience and changes in proportion and differences between employer contributions and proportionate share of contributions (Notes 6 and 9).

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Environmental liabilities – The Fund has accrued a liability for pollution remediation activities in accordance with GASB Statement No. 49 (GASB 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 outlines five specific obligating events that give rise to estimating expected pollution remediation outlays. These outlays may be accrued as a liability and expensed, or if appropriate, capitalized. The Fund will accrue a liability if any of the following obligating events 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. See Note 10 for site descriptions.

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 net 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 earned vacation up to a maximum of 480 hours. Unused vacation at retirement or normal termination is considered vested and payable to the employee. Earned but unused vacation is accrued as a liability of the Fund. 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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

Operating revenues – Wastewater service revenues are recorded through cycle billings rendered to customers monthly or bimonthly. The Fund accrues and records unbilled wastewater service revenues in the financial statements for services provided from the date of the last billing to year end.

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

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

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

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

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

Net position – The statements of net position report all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, 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 as of December 31, 2021 and 2020, is related to external infrastructure costs, certain other charges, and retainage. Unrestricted net position is the portion that is not "net investment in capital assets" or "restricted."

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 liability for arbitrage as of December 31, 2021 and 2020.

Accounting standard changes – GASB has issued Statement No. 87, *Leases*. The new GASB standard on leases was issued in June 2017 and was originally scheduled to be effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued statement No. 95, which delayed the implementation dates of certain statements. As a result, GASB 87 will be effective for the Fund for reporting periods beginning after June 15, 2021. Under this rule, leases are all assumed to be capital financings of the underlying asset with only a narrow range of short-term equipment and motor vehicle leases treated as an 'operating lease. GASB now assumes that all leases are 'capital leases' except for the specific exceptions noted. The Fund is evaluating the impact of this standard on the financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a cost of a capital asset reported in a business-type activity or enterprise fund. The Statement was issued in June 2018 and was originally scheduled to be effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued statement No. 95, which delayed the implementation dates of certain statements. GASB 89 is effective for the Fund for the year ended December 31, 2021. The Fund invoked regulatory accounting under GASB 62 effective January 1, 2021, and continues to capitalize interest as a charge to projects.

Use of estimates – The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. Estimates and assumptions are used to record unbilled revenues, allowance for doubtful accounts, fair market value of cash and equity in pooled investments, accrued sick leave, capitalized interest, depreciation, 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Reclassifications – Certain reclassifications have been made to the prior year footnote presentations to correspond to the current year presentation. These reclassifications had no effect on the operating results of the Fund.

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 Department are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of Finance and Administrative Services (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 balance sheets 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 fund 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, 2021 and 2020, 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, 2021 and 2020, the City held sufficient cash in its vault for operations. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's $250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault or a local depository was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Custodial credit risk – investments – Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not have access to, or be able to recover, its investments or collateral securities that are in the possession of an outside party. The City mitigates custodial credit risk for its investments by having its investment securities held by the City's contractual custodial agent. The City maintains a custody relationship with Wells Fargo 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.

Note 2 – Cash and Equity in Pooled Investments (continued)

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.

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% of the Pool's market value. Credit investments must be diversified by sector and industry. No single issuer shall exceed 3% 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% of the Pool's market value. No single issuer rated in the single-A category may exceed 2% 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% 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 12 to 18 months. This portfolio has low duration and high liquidity. Consistent with this profile, and for the purpose of comparing earnings yield, its benchmark is the net earnings rate of the state of Washington's Local Government Investment Pool (LGIP).

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

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

Note 2 – Cash and Equity in Pooled Investments (continued)

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, 2021, and 2020, 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 Director of Finance and Administrative Services 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, 2021, the City held $555.1 million on deposit in the Washington State Local Government Investment Pool (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.

Note 2 – Cash and Equity in Pooled Investments (continued)

The City reports its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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., and investment in the State of Washington Local Government Investment Pool (LGIP) are accounted for at cost. The LGIP is an external investment pool and is measured at a net asset value (NAV) per share of $1. The remainder of the City's investments are purchased in the over-the-counter U.S. bond market and accounted for at market.

The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc., for securities pricing.

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

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

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

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

The City's investments in U.S. 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.

Note 2 – Cash and Equity in Pooled Investments (continued)

As of December 31, 2021, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2021	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Treasury and U.S. government-backed securities	$ 745,736,783	$ 745,736,783	$ -	$ -	651
U.S. government agency securities	719,408,575	-	719,408,575	-	950
Local government investment pool	555,140,850	-	555,140,850		3
U.S. government agency mortgage-				-	
backed securities	358,218,426	-	358,218,426	-	2,375
Municipal bonds	203,186,845	-	203,186,845		603
Repurchase agreements	125,430,820	-	125,430,820	-	3
Corporate bonds	88,971,783	-	88,971,783	-	632
International Bank for Reconstruction and Development	25,364,250	-	25,364,250	-	971
	$ 2,821,458,332	$ 745,736,783	$ 2,075,721,549	$ -	
Weighted Average Maturity of the City's Pooled Investments					788

As of December 31, 2020, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2020	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. government agency securities	$ 760,599,687	$ -	$ 760,599,687	$ -	1,111
Local government investment pool	519,690,038	-	519,690,038	-	1
U.S. Treasury and U.S. government-backed securities	470,004,815	470,004,815	-	-	732
Municipal bonds	319,681,755	-	319,681,755	-	2,597
U.S. government agency mortgage-backed securities	268,695,014	-	268,695,014	-	1,616
Corporate bonds	92,745,580	-	92,745,580	-	509
Repurchase agreements	72,592,802	-	72,592,802	-	4
International Bank for Reconstruction and Development	41,064,600	-	41,064,600	-	1,654
	$ 2,545,074,291	$ 470,004,815	$ 2,075,069,476	$ -	
Weighted Average Maturity of the City's Pooled Investments					1,010

Note 2 – Cash and Equity in Pooled Investments (continued)

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

	2021	2020
Operating cash and equity in pooled investments	$ 219,234,623	$ 218,713,930
Restricted cash and equity in pooled investments	116,360,934	38,208,242
Total	$ 335,595,557	$ 256,922,172
Balance as a percentage of City pool cash and investments	11.9%	10.1%

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 and commercial paper, as well as bank notes and corporate notes.

The City's investments in which 5% or more is invested in any single issuer as of December 31 are as follows:

	2021		2020	
Issuer	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
United States Government	$ 745,736,783	26%	$ 470,004,815	18%
Local Government Investment Pool	555,140,850	20%	519,690,038	20%
Federal National Mortgage Association	412,991,031	15%	292,500,837	11%
Federal Home Loan Bank	159,613,722	6%	200,784,989	8%
Federal Home Loan Mortgage Corp	196,090,506	7%	193,228,369	8%
Federal Farm Credit Bank	129,090,979	5%	152,404,144	6%

Note 3 – Capital Assets

Capital asset activity consisted of the following for the year ended December 31, 2021:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 26,571,178	$ (4,447)	$ (116,198)	$ 26,450,533
Infrastructure	1,262,621,593	43,381,147	(2,958,395)	1,303,044,345
Machinery and equipment	118,253,624	5,000,205	(584,698)	122,669,131
Computer systems	68,002,135	1,668,897	-	69,671,032
Total capital assets, excluding land	1,475,448,530	50,045,802	(3,659,291)	1,521,835,041
Less accumulated depreciation	(440,414,890)	(32,931,712)	1,788,823	(471,557,779)
	1,035,033,640	17,114,090	(1,870,468)	1,050,277,262
Construction in progress	256,896,036	181,205,061	(81,169,078)	356,932,019
Land and land rights	46,644,353	17,693	-	46,662,046
Artwork	2,192,284	2,247,672	-	4,439,956
Capital assets, net	$ 1,340,766,313	$ 200,584,516	$ (83,039,546)	$ 1,458,311,283

Capital asset activity consisted of the following for the year ended December 31, 2020:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 24,969,031	$ 1,602,147	$ -	$ 26,571,178
Infrastructure	1,199,929,441	66,600,481	(3,908,329)	1,262,621,593
Machinery and equipment	114,564,808	4,305,974	(617,158)	118,253,624
Computer systems	64,591,791	3,410,344	-	68,002,135
Total capital assets, excluding land	1,404,055,071	75,918,946	(4,525,487)	1,475,448,530
Less accumulated depreciation	(408,524,370)	(33,822,537)	1,932,017	(440,414,890)
	995,530,701	42,096,409	(2,593,470)	1,035,033,640
Construction in progress	184,069,459	170,506,892	(97,680,315)	256,896,036
Land and land rights	40,330,875	6,313,478	-	46,644,353
Artwork	2,192,284	-	-	2,192,284
Capital assets, net	$ 1,222,123,319	$ 218,916,779	$ (100,273,785)	$ 1,340,766,313

During 2021 and 2020, the Fund capitalized interest costs as a regulatory asset relating to construction of $13,379,712 and $10,514,450, respectively.

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 $30,872,471 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, 2021 and 2020, were $769,890,000 and $742,030,000, respectively. Revenue bonds outstanding as of December 31, 2021 and 2020, consisted of the following Municipal Drainage and Wastewater bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2021	Bonds Outstanding 2020
2009 Improvement, Series A a (Taxable)	12/17/09	2017-2039	4.2-5.5%	$ 102,535,000	$ 86,530,000	$ 89,920,000
2009 Improvement and Refunding, Series B	12/17/09	2010-2027	2.0-4.0%	36,680,000	-	8,545,000
2012 Improvement and Refunding	6/27/12	2012-2042	2.0-5.0%	222,090,000	106,135,000	163,355,000
2014 Improvement and Refunding	7/10/14	2015-2044	3.0-5.0%	133,180,000	113,265,000	117,750,000
2016 Improvement and Refunding	6/22/16	2016-2046	4.0-5.0%	160,910,000	145,730,000	149,845,000
2017 Improvement and Refunding	6/28/17	2018-2047	4.0-5.0%	234,125,000	207,220,000	212,615,000
2021 Improvement and Refunding	5/19/21	2022-2051	4.0-5.0%	111,010,000	111,010,000	-
				$ 1,000,530,000	$ 769,890,000	$ 742,030,000

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

Years Ending December 31,	Principal	Interest	Total
2022	$ 29,525,000	$ 33,877,853	$ 63,402,853
2023	29,605,000	32,398,603	62,003,603
2024	31,060,000	30,910,496	61,970,496
2025	32,585,000	29,344,496	61,929,496
2026	33,045,000	27,798,496	60,843,496
2027 - 2031	168,720,000	114,684,731	283,404,731
2032 - 2036	163,525,000	77,418,830	240,943,830
2037 - 2041	147,130,000	43,004,508	190,134,508
2042 - 2046	107,310,000	16,634,000	123,944,000
2047 - 2051	27,385,000	2,544,600	29,929,600
	$ 769,890,000	$ 408,616,613	$ 1,178,506,613

Note 4 – Revenue Bonds (continued)

The following table shows the revenue bond activity during the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 742,030,000	$ 111,010,000	$ (83,150,000)	$ 769,890,000	$ 29,525,000
Add (deduct) deferred amounts					
Issuance premiums	78,314,005	29,147,170	(10,975,249)	96,485,926	-
Issuance discounts	(427,688)	-	23,761	(403,927)	-
Total bonds payable	$ 819,916,317	$ 140,157,170	$ (94,101,488)	$ 865,971,999	$ 29,525,000

The following table shows the revenue bond activity during the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 769,605,000	$ -	$ (27,575,000)	$ 742,030,000	$ 27,300,000
Add (deduct) deferred amounts					
Issuance premiums	81,600,896	-	(3,286,891)	78,314,005	-
Issuance discounts	(451,449)	-	23,761	(427,688)	-
Total bonds payable	$ 850,754,447	$ -	$ (30,838,130)	$ 819,916,317	$ 27,300,000

Defeasance of debt – The Fund defeased certain obligations by placing the proceeds of new bonds and a certain amount of operating cash in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the statements of net position. In 2021, $56,920,000 bonds were defeased and $8,545,000 bonds were redeemed as shown below:

Name of Issue	Amount Outstanding at December 31, 2020	Additions	Redemptions	Amount Outstanding at December 31, 2021
2009 Improvement and Refunding, Series B	$ -	$ 8,545,000	$ (8,545,000)	$ -
2012 Improvement and Refunding	-	48,375,000	-	48,375,000
	$ -	$ 56,920,000	$ -	$ 48,375,000

Note 4 – Revenue Bonds (continued)

In May 2021, the Fund issued $111,010,000 of Drainage and Wastewater Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2022 and ending in 2051, at interest rates ranging from 4.0 percent and 5.0 percent. A portion of the proceeds were used to fully refund the remaining 2009 Improvement and Refunding, Series B bonds. As a result of the refunding, the Fund reduced total debt service requirements by $1.1 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new debts) of $1.0 million.

In July 2021, the Fund used $49,970,980.47 operating cash to partially defease 2012 bonds. As a result of the partial defeasance, the Fund reduced total debt service requirements by $48.3 million.

Financial covenants – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service of at least equal to 125% of annual debt service. For 2021, net revenue available for debt service, as defined by the bond covenants, was 381% of annual debt service. Management believes the Fund was in compliance with all debt covenants as of December 31, 2021. For more information, see Other Information (page 54).

Note 5 – Leases

The Fund has noncancelable operating lease commitments for real and personal properties, with payments of $ 373,056 and $364,107 in 2021 and 2020, respectively. The Fund has three leases, one at 5821 First Avenue South that expires on February 28, 2025, one at 2702 6th Avenue South that expires on July 31, 2025, the last one at 4209 21st Avenue West that expires on September 30, 2029. Rents are paid as they become due and payable. Minimum lease payments under the leases for the years ending December 31 are as follows:

2022	$ 381,122
2023	389,195
2024	397,273
2025	362,065
2026	349,155
2027 - 2031	999,456
	$ 2,878,266

Note 6 – Postemployment Benefit Plans

Deferred compensation – The City offers all of its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code (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 that retire with disability retirement under the City may continue their health coverage through the City with same coverage provisions as other retirees. Eligible retirees self-pay 100 percent of the premium based on blended rates that were established by including the experience of retirees with the experience of active employees for underwriting purposes. The postemployment benefit provisions are established and may be amended by ordinance of the Seattle City Council and as provided in Seattle Municipal Code 4.50.020. The City provides an implicit subsidy of the post-retirement health insurance costs and funds the subsidy on a pay-as-you-go basis.

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.

Note 6 – Postemployment Benefit Plans (continued)

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 2014-2017.

Actuarial data and assumptions	**2021**
Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	2.12%
Health care cost trend rates – medical	6.32% in 2021, decreasing to 6.09% in 2022, and decreasing by varying amounts until 2030 thereafter
Health care cost trend rates – Rx	8.50% in 2021, decreasing to 8.00% in 2022, and decreasing by varying amounts until 2030 thereafter
Participation	25% of active employees who retire participate

Mortality

General Service (Actives)

Males: RP-2014 Employees Table for Males, adjusted by 60%
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)

Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 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.

Note 6 – Postemployment Benefit Plans (continued)

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.

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 11,520	$ 2,677	$ 358	$ 11,243	$ 2,659	$ 358
52	12,533	2,912	358	12,230	2,893	358
55	14,220	3,305	358	13,877	3,282	358
57	15,499	3,601	358	15,125	3,576	358
60	17,638	4,097	358	17,210	4,069	358
62	19,003	4,415	358	18,543	4,384	358

	Group Health Deductible			Group Health Standard		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 4,961	$ 1,145	$ 689	$ 5,291	$ 1,171	$ 689
52	5,397	1,246	689	5,755	1,273	689
55	6,123	1,413	689	6,531	1,445	689
57	6,674	1,540	689	7,118	1,574	689
60	7,595	1,752	689	8,100	1,792	689
62	8,182	1,888	689	8,727	1,930	689

The average medical and prescription drug per capita claims costs were developed from 2021 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 2021 four-tier rate structure including the add-on cost of dependent children and trended back from 2021 to 2020 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.

The average medical and prescription drug per capita claims costs were blended with the 2019 medical/Rx per capita developed claims cost trended forward to the valuation date.

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 2020 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.

Note 6 – Postemployment Benefit Plans (continued)

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 same plan and coverage. After retirement, it is assumed that children will have aged off coverage and will have $0 liability.

OPEB liability – The Fund reported an OPEB liability of approximately $3.5 million in 2021 and $3.1 million in 2020. The Fund's proportionate share of the OPEB liability was 5.43% and 5.31% for the years ended December 31, 2021 and 2020, respectively. Based on the actuarial valuation date of January 1, 2020, details regarding the Fund's total OPEB liability, plan fiduciary net position, and net OPEB liability as of December 31, 2021, are shown below.

($ in thousands)	**Total OPEB Liability**
Changes recognized for the fiscal year:	
Service cost	$ 218.0
Interest on the total OPEB liability	98.4
Differences between expected and actual experience	0.0
Changes of assumptions	202.9
Benefit payments	(159.3)
Contributions from the employer	0.0
Other changes	74.8
Net changes	434.8
Balance recognized at 12/31/2020	3,101.7
Balance recognized at 12/31/2021	$ 3,536.5

Note 6 – Postemployment Benefit Plans (continued)

The Fund recorded an expense for OPEB of $259,035 in 2021 and $239,525 in 2020. 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 2.12% for 2021 and 2.74% for 2020. The following tables present the sensitivity of net 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
(in millions)

	OPEB Liability at December 31, 2021	OPEB Liability at December 31, 2020
Discount rate		
1% decrease	$ 3.9	$ 3.4
Current discount rate	3.5	3.1
1% increase	3.2	2.8

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

Healthcare Cost Trend Rate Sensitivity
(in millions)

	OPEB Liability at December 31, 2021	OPEB Liability at December 31, 2020
Discount rate		
1% decrease	$ 3.0	$ 2.7
Trend rate	3.5	3.1
1% increase	4.1	3.5

Note 6 – Postemployment Benefit Plans (continued)

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, 2021:

(in thousands)	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 658.8	$ -
Assumption changes	181.3	1,051.8
Contributions made in 2021 after measurement date	165.0	N/A
Total	$ 1,005.1	$ 1,051.8

The Fund's contributions made in 2021 in the amount of $165,016 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31, *(in thousands)*	Amortization
2022	$ (47.1)
2023	(47.1)
2024	(47.1)
2025	(47.1)
2026	(47.1)
Thereafter	23.8
Total	$ (211.7)

The Health Care Subfund of the General Fund is reported in the City's Comprehensive Annual 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/cafrs/.

Note 7 – 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 2021 and 2020, liabilities for workers' compensation claims, as well as other claims, are discounted over a 15-year period at the City's rate of return on investments of 1.378% and 1.816%, respectively. Claims expected to be paid within one year are $ 2,773,063 and $1,545,720 as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Beginning liability, discounted	$ 6,652,041	$ 7,180,077
Payments	(3,536,966)	(1,144,821)
Incurred claims and change in estimate	7,942,992	616,785
Ending liability, discounted	$ 11,058,067	$ 6,652,041

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

Note 8 – Compensated Absences

The Fund has recorded a liability for earned but unused compensatory and vacation leave, as well as estimated sick leave payments calculated based on the termination payment method. The schedules below show the compensated absences activity during the years ended December 31, 2021 and 2020:

	2021	2020
Beginning liability	$ 6,065,712	$ 4,925,878
Additions	6,753,641	5,981,336
Reductions	(5,984,910)	(4,841,502)
Ending liability	$ 6,834,443	$ 6,065,712

Note 9 – Pension Benefit Plan

Plan description – The Seattle City Employees' Retirement System (the System) is a cost-sharing multiple employer pension plan covering employee 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 permanent Fund employees are eligible to participate in the system.

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

SCERS I – The System provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after 10 years of service. Members are eligible for retirement benefits after 30 years of service; at age 52 after 20 years of service; at age 57 after 10 years of service; and at age 62 after five years of service. Annual retirement benefits are calculated as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. Members who retire before meeting the age and/or years of service requirement receive a 0.1% reduction for each year that retirement precedes the date of eligibility. Retirement benefits vest after five years of credited service.

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

Note 9 – Pension Benefit Plan (continued)

Member and employer contributions – member and employer contributions are:

	YEAR	SCERS I	SCERS II
Member contribution	2021	10.03%	7.00%
	2020	10.03%	7.00%
Employer contribution	2021	16.20%	15.72%
	2020	16.20%	15.76%

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, 2021 and 2020, were $9,665,999 and $9,697,951, 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 www.seattle.gov/retirement/annual_report.htm.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2021 and 2020, the Fund reported a liability of $54,686,589 and $72,049,064, respectively, of its proportionate share of the System's net pension liability. The net pension liability was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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, 2021 and 2020, the Fund's proportion was 6.87% and 6.74%, respectively.

For the years ended December 31, 2021 and 2020, the Fund recognized pension expense of approximately $3,539,000 and $10,289,000, respectively.

Note 9 – Pension Benefit Plan (continued)

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 264,286	$ 1,747,319
Change of assumptions	2,714,680	-
Difference between projected and actual earnings	-	20,309,503
Contributions made subsequent to measurement date	9,335,073	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	567,624
Total	$ 12,314,039	$ 22,624,446

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,994	$ 2,565,347
Change of assumptions	3,854,118	-
Difference between projected and actual earnings	-	7,343,352
Contributions made subsequent to measurement date	9,367,024	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,412,576
Total	$ 13,230,136	$ 14,321,275

Other amounts currently reported as deferred outflows and inflows of resources will be recognized in pension expense as follows for years ending December 31:

2022	$ (6,497,814)
2023	(2,702,703)
2024	(7,007,861)
2025	(3,666,201)
2026	229,099
Total	$ (19,645,480)

Note 9 – Pension Benefit Plan (continued)

Actuarial assumptions – The total pension liability as of December 31, 2021, was determined using the following actuarial assumptions:

Valuation date	January 1, 2020
Measurement date	December 31, 2020
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	2.75%
Investment rate of return	7.25% compounded annually, net of expenses
Discount rate	7.25%
Projected general wage inflation	3.5%
Postretirement benefit increases	1.5%
Mortality	Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale. See 2018 Investigation of Experience report for details.

The actuarial assumptions that determined the total pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2014 – December 31, 2017.

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

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

Note 9 – Pension Benefit Plan (continued)

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, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.25%
Equity: Private	7.32%
Fixed Income: Broad	-0.10%
Fixed Income: Credit	3.26%
Real Assets: Real Estate	3.41%
Real Assets: Infrastructure	3.85%
Diversifying Strategies	N/A

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 7.25%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
$ 86,328,743	54,686,589	$ 28,231,832

Note 10 – Environmental Liabilities

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

Lower Duwamish Waterway (LDW) Superfund site – The U.S. Environmental Protection Agency (EPA) has indicated that it will require the remediation of the LDW site under its Superfund authority. In order to manage the liability, the City has worked with the EPA and other PRPs to complete a Remedial Investigation (RI) and Feasibility Study (FS). On November 2, 2012, the EPA and Ecology approved the Lower Duwamish Waterway Group's FS. The EPA announced their proposed cleanup plan in February 2013 for public comment. The remaining scope of cleanup by potentially responsible parties (PRPs) has been decided by the EPA in the 2014 Record of Decision. The Fund recorded an estimate of its share of the estimated total cost. Remedial design work began in 2019.

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

Note 10 – Environmental Liabilities (continued)

East Waterway Site – In 2006 the EPA issued an AOC for a Supplemental RI and FS for the East Waterway, an operable unit of the Harbor Island Superfund Site. The Port of Seattle (the Port) alone signed the AOC. Both the City and King County signed a Memorandum of Agreement with the Port to participate as cost share partners in the RI/FS work required by the EPA. The RI and FS are complete. The FS identifies a range of alternatives for cleanup construction that range in cost from $256 million to $411 million (2016 dollars). EPA is currently developing the Proposed Plan, which will be followed by a Record of Decision. The schedule for release of EPA's Proposed Plan is 2022. The Record of Decision is expected in 2023. Remedial design activities would start in late 2023 at the earliest. The Fund recorded an estimate of its share of the estimated total cost.

Gas Works Park Sediment Site – In April 2002, the Department of Ecology (DOE) named the City and another party, Puget Sound Energy, as PRPs for contamination at the Gas Works Sediments Site in North Lake Union. The City and Puget Sound Energy signed an Agreed Order with the DOE in 2005 to initiate two RIs and FSs for the sediment site: one in the western portion of the site led by the City, and another in the eastern portion of the site led by Puget Sound Energy. Subsequently, in fall of 2012, the City and Puget Sound Energy entered into a Settlement, Release, and Cost Allocation Agreement that puts Puget Sound Energy in the lead for all additional cleanup work at the site; the east-west split is no longer in place. Based on the 2012 Agreement, the City pays for 20% of the Shared Costs incurred by Puget Sound Energy for the cleanup work. A revised draft RI/FS was submitted to DOE in late 2021. A Clean-up Action Plan, which is the State's equivalent to a Record of Decision under the Model Toxics Control Act, is expected in 2023.

North Boeing Field/Georgetown Steam Plant – The City, King County, and Boeing have signed an Administrative Order with the DOE requiring them to investigate and possibly remove contamination in an area that encompasses North Boeing Field, the Georgetown Steam Plant, and the King County Airport. A RI is currently in preparation.

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

Note 10 – Environmental Liabilities (continued)

South Park Marina – The Washington Department of Ecology notified the City in 2016 that it is a Potentially Liable Party for contamination at the South Park Marina, which is adjacent to Terminal 117. The City Light Department is the lead department for the City at this site. The Potentially Liable Parties (PLPs), which are the City, the Port, and South Park Marina (SPM), signed a final Agreed Order for a Remedial Investigation (RI) in April 2019. A Common Interest and Cost Sharing Agreement among the PLPs was signed in 2019 with an interim cost share of one-third each. In 2019, the City contracted with a consultant to complete the RI. The City's share is split between City Light (97.5%) and SPU (2.5%). The Department's ultimate liability is indeterminate.

The Fund has included in its estimated liability those portions of the environmental remediation work that are currently deemed to be reasonably estimable. Cost estimates were developed using the expected cash flow technique in accordance with GASB 49. For most of the sites, estimated outlays were based on current cost and no adjustments were made for discounting or inflation. The Duwamish site cost estimates were adjusted to remove discounting and to record the costs in 2021 dollars. Cost scenarios were developed for a given site based on data available at the time of estimation and will be adjusted for changes in circumstance. Scenarios consider the relevant potential requirements and are adjusted when benchmarks are met or when new information revises estimated outlays, such as changes in the remediation plan or operating conditions. Costs reflect cost-sharing agreements in effect. In addition, certain estimates were derived from independent engineers and consultants. The estimates were made with the latest information available; however, as new information becomes available, estimates may vary significantly due to scope changes, price fluctuations, technological advances, or applicable laws.

The Fund is aggressively pursuing other third parties that may have contributed to the contamination of the sites noted. The Fund's estimate for not yet realized recoveries from other parties for their share of remediation work that offset the Fund's estimated environmental liability was $2.6 million as of December 31, 2020, and $2.6 million as of December 31, 2019.

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

	2021	2020
Beginning environmental liability, net of recovery	$ 180,758,983	$ 180,884,361
Payments or amortization	(2,643,903)	(3,176,623)
Incurred environmental liability	6,783,497	3,051,245
Ending environmental liability, net of recovery	$ 184,898,577	$ 180,758,983

Note 10 – Environmental Liabilities (continued)

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

	2021	2020
Environmental liability, current	$ 3,589,550	$ 2,811,563
Environmental liability, noncurrent	181,309,027	177,947,420
Ending liability	$ 184,898,577	$ 180,758,983

Note 11 – Loans

The Fund has various construction projects that are financed by low interest loans issued by the State of Washington. The loan agreements require that the Fund finance a portion of these projects from other sources. These loans have been used to enhance the drainage system.

In 2019, the Fund entered into a 20-year loan agreement with the Washington State Department of Ecology to borrow up to $25.0 million to support the Ship Canal Water Quality Project for protecting Lake Washington Ship Canal from combined sewer overflow from Ballard, Fremont, Wallingford, and North Queen Anne. Amounts borrowed under this agreement accrue interest at the rate of 2.0% per annum and estimated initiation of operation date is December 31, 2021. As of December 31, 2021, the Fund had drawn $17.6 million on the loan.

In 2020, the Fund entered into a 20-year loan agreement with the Washington State Department of Commerce Public Work Board to borrow up to $10 million for Pearl Street Drainage & Wastewater Improvement. Amounts borrowed under this agreement accrue interest at the rate of 1.58%. As of December 31, 2021, the Fund had drawn $8.9 million on the loan.

In 2021, the Fund entered into a 20-year loan agreement with the Washington State Department of Ecology to borrow up to $25.0 million to support the Ship Canal Water Quality Project for protecting Lake Washington Ship Canal from combined sewer overflow from Ballard, Fremont, Wallingford, and North Queen Anne. Amounts borrowed under this agreement accrue interest at the rate of 1.2% per annum and estimated initiation of operation date is January 1, 2025. As of December 31, 2021, the Fund had drawn $36.0 million on the loan.

Note 11 – Loans (continued)

Loans outstanding as of December 31, 2021 and 2020, are as follows:

Description	Maturity Years	Interest Rate	Amount Borrowed	Loans Outstanding 2021	Loans Outstanding 2020
Midvale	2013-2031	0.25%	$ 4,000,000	$ 2,117,707	$ 2,329,478
Thornton Creek Natural Drainage Systems	2006-2024	0.50%	3,700,000	587,647	783,529
High Point Natural Drainage Systems	2010-2029	1.50%	2,679,413	1,115,884	1,255,413
South Park Flood Control and Local Drainage Program	2007-2025	0.50%	3,400,000	788,491	985,614
Thornton Creek Water Quality Project	2011-2030	1.50%	6,983,021	3,308,175	3,670,381
Capital Hill Water Quality Project	2014-2033	2.60%	1,880,598	1,277,944	1,367,536
Henderson CSO	2018-2037	2.40%	36,372,252	29,876,802	31,449,380
Ship Canal Water Quality Project (EL190167)	2022-2042	2.00%	17,603,061	17,603,061	12,623,133
Pearl Street	2021-2039	1.58%	8,890,307	8,654,975	1,590,305
Ship Canal Water Quality Project (EL210276)	2025-2044	1.20%	36,013,810	36,013,810	-
			$ 121,522,462	$ 101,344,496	$ 56,054,769

Minimum debt service requirements to maturity on long term loans are as follows:

Years Ending December 31,	Principal	Interest	Total
2022	$ 4,052,026	$ 935,357	$ 4,987,383
2023	4,060,505	1,232,902	5,293,407
2024	4,125,237	1,158,079	5,283,316
2025	5,804,212	1,292,361	7,096,573
2026	5,478,641	1,411,697	6,890,338
2027 - 2031	27,729,244	5,581,694	33,310,938
2032 - 2036	26,714,215	3,114,710	29,828,925
2037 - 2041	16,929,190	1,058,476	17,987,666
2042 - 2044	6,451,226	130,725	6,581,951
	$ 101,344,496	$ 15,916,001	$ 117,260,497

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

	2021	2020
Net loans, beginning of year	$ 56,054,769	$ 45,015,448
Loan proceeds	48,293,740	13,832,217
Principal payments	(3,004,013)	(2,792,896)
Net loans, end of year	$ 101,344,496	$ 56,054,769
Loans due within one year	$ 4,052,026	$ 2,852,381
Loans, noncurrent	$ 97,292,470	$ 53,202,388

Note 12 – Wastewater Disposal Agreement

The Fund has a wastewater disposal agreement with the King County Department of Natural Resources Wastewater Treatment Division (the Division), which expires in 2036. The monthly wastewater disposal charge paid to the Division is based on the Division's budgeted cost for providing the service. The charges are determined by water consumption and the number of single-family residences as reported by SPU and other component agencies. Payments made by the Fund were $164,550,293 and $167,490,395 for fiscal years 2021 and 2020, respectively.

Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016
Employer’s proportion of the net pension liability	14.62%	14.33%	14.55%	14.73%	15.13%	16.37%
Employer’s proportionate share of the net pension liability	$ 143,163,797	$ 180,105,232	$ 221,049,893	$ 163,086,154	$ 197,454,529	$ 212,671,200
Employer’s covered payroll	$ 127,584,358	$ 112,528,955	$ 111,973,027	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer’s proportionate share of the net pension liability as a percentage of its covered payroll	112.21%	160.05%	197.41%	151.40%	185.06%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%

Schedule of Seattle Public Utilities’ Contributions

	2021	2020	2019	2018	2017	2016
Contractually required employer contribution	$20,654,175	$17,041,133	$ 17,103,559	$ 16,466,270	$ 16,354,089	$ 16,487,154
Contributions in relation to the contractually required employer contribution	(20,654,175)	(17,041,133)	(17,103,559)	(16,466,270)	(16,354,089)	(16,487,154)
Employer contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer’s covered payroll	$127,584,358	$112,528,955	$111,973,027	$107,715,383	$ 106,696,535	$ 105,031,141
Employer contributions as a percentile of covered payroll	16.19%	15.14%	15.27%	15.29%	15.33%	15.70%

Schedule of Seattle Public Utilities' Proportionate Share of the OPEB Liability and Related Ratios

	December 31, 2021	December 31, 2020	December 31, 2019
Total OPEB Liability			
Normal cost	$ 4,015,249	$ 3,378,925	$ 3,842,152
Interest	1,813,401	2,586,942	2,195,238
Differences between expected and actual experience	-	6,956,579	-
Changes in assumptions	3,738,597	(7,760,776)	(3,886,702)
Benefit payment	(2,933,774)	(2,484,320)	(2,333,610)
Total OPEB liability – beginning of year	63,624,261	60,946,911	61,129,833
Total OPEB liability – end of year	$ 70,257,734	$ 63,624,261	$ 60,946,911
Covered-employee payroll	$ 1,124,692,046	$ 1,124,692,046	$ 1,015,097,334
Net OPEB liability as percentage of covered-employee payroll	6.25%	5.66%	6.00%

Other Information (Unaudited)

Drainage Wastewater Debt Service Coverage Calculation 2021

Operating Revenues		
Wastewater	$	328,311,496
Drainage		166,693,194
Other		7,512,455
Total Operating Revenue		502,517,145
Operating Expense		
Wastewater Treatment Contract		165,084,528
Other Operations and Maintenance		115,085,639
City Taxes		58,248,201
Other Taxes		7,520,235
Total Operating Expenses Before Debt Service		345,938,603
Net Operating Income		156,578,542
Adjustments		
Add: Claim Expense		7,942,992
Add: City Taxes		58,248,201
Add: Investment Interest		3,903,201
Less: DSRF Earnings		(433,683)
Add: BAB's Subsidy		1,584,823
Add (Less): Net Other Nonoperating Revenues/(Expenses)		2,487,944
Add: Proceeds from Sale of Assets		-
Total Adjustments		73,733,478
Net Revenue Available for Debt Service	$	230,312,020
Net Revenue Available for Debt Service (w/o City Taxes)	$	172,063,819
Annual Debt Service	$	60,900,710
Less: DSRF Earnings		(433,683)
Adjusted Annual Debt Service	$	60,467,027
Coverage		3.81
Coverage without taxes		2.85

Statistics Required for Revenue Bond Continuing Disclosure

Wastewater System Operating Statistics

	2017	2018	2019	2020	2021
Population Served	694,513	707,555	724,144	737,015	742,400
Billed Wastewater Revenues ($1,000's)	$ 272,085	$ 280,554	$ 303,935	$ 302,829	$ 324,630
Billed Wastewater Volume (Thousand CCF)					
Residential	7,699	7,613	7,723	7,851	7,867
Commercial	13,584	13,504	13,554	11,995	12,127
Total	21,283	21,117	21,277	19,846	19,994
Gallons Used Per Day Per Capita	62.76	61.13	60.18	55.15	55.16

Drainage and Wastewater – 2021 Accounts and Billed Revenues

	Drainage	Wastewater
Customer Accounts		
Residential	156,150	157,122
Commercial	66,301	18,985
Total	222,451	176,107

	Drainage	Wastewater
Billed Revenue		
Residential	$ 79,852,347	$ 121,014,025
Commercial	86,845,853	203,615,716
Total	$ 166,698,200	$ 324,629,741

Major Wastewater Customers – 2021 Annual Billed Revenues and Percentage of Revenue

Major Wastewater Customers

Name	Revenue	% of Total Revenue
University of Washington	$ 9,181,691	2.8%
Seattle Housing Authority	6,964,822	2.1%
City of Seattle	3,205,419	1.0%
Equity Residential	3,041,500	0.9%
Marriott International Inc	1,894,266	0.6%
King County	1,849,135	0.6%
Port of Seattle	1,525,371	0.5%
Harborview Medical Center	1,308,137	0.4%
Seattle Children's	1,245,977	0.4%
Essex Property Trust	1,231,265	0.4%

Major Drainage Customers – 2021 Annual Billed Revenues and Percentage of Revenue

Name	Revenue	% of Total Revenue
City of Seattle	$ 10,808,331	6.5%
King County	3,457,684	2.1%
Seattle Public Schools	3,385,362	2.0%
University Of Washington	2,812,450	1.7%
BNSF	2,520,317	1.5%
Federal Government	1,188,517	0.7%
Seattle Housing Authority	1,118,799	0.7%
Union Pacific	950,036	0.6%
Archdiocese Of Seattle	652,341	0.4%
Prologis Inc	646,421	0.4%

Wastewater Rates

	2017	2018	2019	2020	2021	2022
Volume rate per ccf	$ 12.93	$ 13.46	$ 14.48	$ 15.55	$ 16.67	$ 17.68

Note: 1 CCF equals 748 gallons. Wastewater rate increased 7.2% and 7.4% in 2021 and 2020, respectively.

Drainage Rates

Flat Rate per Parcel	2016	2017	2018	2019	2020	2021	2022	% Impervious Space
Single Family Residential*								
0-1,999 sq. ft.	$ 123.81	$ 140.46	$ 159.68	$ 169.81	$ 183.47	$ 195.57	$ 204.21	
2,000 - 2,999 sq. ft.	$ 206.93	$ 231.47	$ 259.68	$ 276.51	$ 298.75	$ 320.58	$ 337.13	
3,000 - 4,999 sq. ft.	$ 286.63	$ 319.05	$ 356.15	$ 383.43	$ 414.26	$ 445.25	$ 465.91	
5,000 - 6,999 sq. ft.	$ 390.03	$ 432.45	$ 480.86	$ 516.72	$ 558.27	$ 599.94	$ 632.67	
7,000 - 9,999 sq. ft.	$ 491.40	$ 543.98	$ 603.90	$ 652.61	$ 705.09	$ 757.69	$ 797.99	
Rate per 1,000 sq. ft.								
Undeveloped								0 - 15%
Regular	$ 31.24	$ 34.76	$ 38.78	$ 42.62	$ 46.05	$ 49.49	$ 53.68	
Low Impact	$ 18.57	$ 20.67	$ 23.06	$ 25.36	$ 27.40	$ 29.45	$ 31.11	
Light								16 - 35%
Regular	$ 48.52	$ 53.54	$ 59.24	$ 63.64	$ 68.75	73.92	79.66	
Low Impact	$ 38.31	$ 42.26	$ 46.74	$ 49.85	$ 53.85	$ 57.87	$ 61.92	
Medium								36 - 65%
Regular	$ 70.67	$ 77.60	$ 85.45	$ 90.58	$ 97.86	$ 105.15	$ 112.87	
Low Impact	$ 57.21	$ 62.86	$ 69.28	$ 73.31	$ 79.21	$ 85.00	$ 91.20	
High	$ 93.56	$ 102.48	$ 112.57	$ 119.86	$ 129.50	$ 139.17	$ 149.12	66 - 85%
Very High	$ 112.38	$ 122.94	$ 134.85	$ 143.10	$ 154.60	$ 165.81	$ 177.83	86 - 100%

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

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, 2021 and 2020

MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–3
Management's Discussion and Analysis	4–12
Financial Statements	
Statements of net position	13–14
Statements of revenues, expenses, and changes in net position	15
Statements of cash flows	16–17
Notes to financial statements	18–46
Required Supplementary Information	
Schedule of Seattle Public Utilities' proportionate share of the net pension liability	47
Schedule of Seattle Public Utilities' contributions	47
Schedule of Seattle Public Utilities' proportionate share of the OPEB liability and related ratios	48
Other Information (Unaudited)	
Debt service coverage calculation	49
Solid Waste customers by class	50
Solid Waste tonnage	51
Solid Waste rate schedule and transfer station fees	52

MOSSADAMS

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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, 2021 and 2020, 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' contributions, and the schedule of Seattle Public Utilities' proportionate share of the OPEB liability and related ratios (collectively, required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information 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 basic financial statements and our auditor's report thereon. Our opinion on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, 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.

Moss Adams LLP

Seattle, Washington
April 29, 2022

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, 2021 and 2020. The revenues, expenses, assets, deferred outflows and inflows 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, are reported elsewhere.

Overview of the Financial Statements

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

Basic financial statements – The basic financial statements of the Fund report information similar to the presentation used by private sector companies. These statements offer short-term and long-term financial information about its activities. The basic financial statements begin on page 13 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, 2021 and 2020, on all of the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources), and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund's net position for the years ended December 31, 2021 and 2020. 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 credit worthiness and its ability to successfully 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, 2021 and 2020. 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 18 of this report.

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, 2021, the Fund had a surplus in total net position of $127.2 million compared to a surplus of $90.7 million in 2020. In 2021, the Fund's net position increased $36.5 million (40.2%), as compared to 2020 which increased $24.8 million (37.7%). The following summary statement 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 Statement of Net Position

	2021	2020	2019
ASSETS			
Current assets	$ 168,134,717	$ 134,607,416	$ 108,655,197
Capital assets, net	198,164,547	204,667,218	218,939,397
Other	65,475,667	76,769,680	70,687,117
Total assets	431,774,931	416,044,314	398,281,711
DEFERRED OUTFLOWS OF RESOURCES	6,109,839	6,270,320	10,060,161
Total assets and deferred outflows of resources	$ 437,884,770	$ 422,314,634	$ 408,341,872
LIABILITIES			
Current liabilities	$ 29,770,203	$ 37,681,606	$ 36,493,752
Revenue bonds	179,188,683	190,703,807	199,069,723
Other	54,068,587	60,177,224	66,494,598
Total liabilities	263,027,473	288,562,637	302,058,073
DEFERRED INFLOWS OF RESOURCES	47,628,542	43,006,393	40,387,545
NET POSITION			
Net investment in capital assets	22,035,859	29,625,548	32,280,073
Restricted	3,433,268	312,301	323,745
Unrestricted	101,759,628	60,807,755	33,292,436
Total net position	127,228,755	90,745,604	65,896,254
Total net position, liabilities and deferred inflows of resources	$ 437,884,770	$ 422,314,634	$ 408,341,872

Financial Analysis (continued)

2021 Compared to 2020

Assets – Current assets increased by $33.5 million (24.9%) from the prior year mostly due to a $28.2 million increase in operating cash, a $3.7 million increase in accounts receivable, and a $1.9 million increase in unbilled receivables. These increases were offset by a $0.2 decrease in amounts due from other governments and $0.1 million decrease in materials and supplies inventory. The increase in operating cash was primarily the result of operating activities. The increase in accounts receivable consisted of an increase of $2.0 million in commercial accounts and $1.9 million in residential accounts, mostly due to the pandemic, offset by an increase in allowance for uncollectable accounts of $0.2 million. The increase in unbilled receivables was mostly due to a rate increase of approximately 2.9% during the year.

Capital assets decreased $6.5 million (-3.2%) over the prior year. This change is mostly due to an increase in accumulated depreciation ($10.2 million). This decrease is offset by an increase in construction in progress ($2.2m) and an increase in plant in service ($1.5 million).

Other assets decreased $11.3 million (-14.7%) from the prior year. This change consisted of a decrease of $10.7 million in restricted cash and equity in pooled investments and a decrease of $0.8 million in accrued landfill closure/postclosure costs, offset by an increase of $0.2 million in regulatory assets. The $10.7 million change in restricted cash and equity in pooled investments is mostly attributable to the transfers of construction cash to the operating cash account for payment of current year projects.

Deferred outflows of resources – Deferred outflows of resources decreased by $0.2 million (-2.6%) from 2020. This decrease is mostly attributed to changes in deferred outflows related to pension accounting in 2021, 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 decreased $7.9 million (-21.0%) from the prior year. This is mostly attributed to a decrease in accounts payable of $7.2 million, a decrease in the current portion of accrued landfill closure/postclosure costs of $0.3 million, a decrease in interest payable of $0.2 million, and a decrease in salaries, benefits and payroll taxes payable of $0.2 million.

Noncurrent and other liabilities decreased $17.6 million (-7.0%) from 2020. This decrease is mostly attributed to a decrease of $11.5 million in revenue bonds and related liabilities, a $4.8 million decrease in net pension liability, a $2.9 million decrease in the noncurrent portion of accrued landfill closure/postclosure costs, and a $0.2 million decrease in compensated absences payable. These decreases were mostly offset by a $1.5 million increase in the noncurrent portion of environmental liabilities, a $0.2 million increase in claims payable, and a $0.1 million increase in the liability related to unfunded other post-employment benefits.

Financial Analysis (continued)

Deferred inflows of resources – Deferred inflows of resources increased by $4.6 million (10.7%) from 2020 mostly due to a $2.2 million increase attributed to changes in deferred outflows 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 an increase of $1.8 million in unamortized gain on refunded debt mostly related to the issuance of the 2021 Solid Waste System Refunding Revenue Bonds, and $0.5 million in the Rate Stabilization Account as a result of interest earned in 2021.

Net position – Net position increased $36.5 million (40.2%) from 2020. A portion of the Fund's net position ($22.0 million) 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 2021, net position invested in capital assets decreased $7.6 million mainly due to a decrease in capital assets, due to depreciation, and construction cash offset by a decrease in debt related to investment in capital.

The restricted portion of the Fund's net position ($3.4 million) mostly consists of unamortized landfill closure/postclosure costs related to the Midway and Kent-Highlands landfills (see note 12).

The primary remaining portion of the Fund's net position ($101.8 million) represents resources that are unrestricted. The unrestricted portion of net position increased $41.0 million from the prior year primarily as a result of operating income.

2020 Compared to 2019

Assets – Current assets increased by $26.0 million (23.9%) from the prior year mostly due to a $25.8 million increase in operating cash, a $1.8 million increase in accounts receivable, a $0.6 million increase in unbilled receivables, and a $0.2 million increase in materials and supplies inventory. These increases were offset by a $2.5 million decrease in amounts due from other funds. The increase in operating cash was primarily the result of operating activities. The increase in unbilled receivables was mostly due to a rate increase of approximately 3% during the year.

Capital assets decreased $14.3 million (-6.5%) over the prior year. This change is due to an increase in accumulated depreciation ($10.2 million) and a decrease in construction in progress ($7.8 million). The decrease in construction in progress is mostly due to $8.3 million of construction in progress being expensed after the cancellation of the South Transfer Station Phase 2 project. The overall decrease is mostly offset by the increase in plant in service ($3.8 million).

Financial Analysis (continued)

Other assets increased $6.1 million (8.6%) from the prior year. This change consisted of an increase of $4.5 million in restricted cash and equity in pooled investments and an increase of $1.7 million in accrued landfill closure/postclosure costs, offset by a decrease of $0.1 million in regulatory assets. The $4.5 million change in restricted cash and equity in pooled investments is mostly attributable to the transfer of operating cash back to construction cash related to the cancellation of the South Transfer Station Phase 2 project offset by transfers of construction cash to the operating cash account for payment of current year projects.

Deferred outflows of resources – Deferred outflows of resources decreased by $3.8 million (-37.7%) from 2019. This decrease is mostly attributed to changes in deferred outflows related to pension accounting in 2020, 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 $1.2 million (3.3%) from the prior year. This is mostly attributed to an increase in accounts payable of $9.8 million and an increase in the current portion of Revenue Bonds of $0.4 million. These increases were mostly offset by a decrease in the current portion of accrued landfill closure/postclosure costs of $4.9 million, environmental liabilities of $2.0 million, salaries, benefits, and payroll taxes payable of $1.2 million, taxes payable of $0.7 million, and interest payable of $0.1 million.

Noncurrent and other liabilities decreased $14.7 million (-5.5%) from 2019. This decrease is mostly attributed to a decrease of $8.4 million in Revenue Bonds and related liabilities, a $5.3 million decrease in net pension liability, and a $1.5 million decrease in the noncurrent portion of accrued landfill closure/postclosure costs. These decreases were offset by a $0.4 million increase in compensated absences payable and a $0.2 million increase in the noncurrent portion of environmental liabilities.

Deferred inflows of resources – Deferred inflows of resources increased by $2.6 million (6.5%) from 2019 mostly due to a $1.9 million increase attributed to changes in deferred outflows 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 an increase of $0.7 million in the Rate Stabilization Account as a result of interest earned in 2020.

Net position – Net position increased $24.8 million (37.7%) from 2019. A portion of the Fund's net position ($29.6 million) 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 2020, net position invested in capital assets decreased $2.7 million mainly due to a decrease in capital assets offset by a decrease in debt related to investment in capital and an increase in construction cash.

Financial Analysis (continued)

The primary remaining portion of the Fund's net position ($60.8 million) represents resources that are unrestricted. The unrestricted portion of net position increased $27.5 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

	2021	2020	2019
Operating revenues	$ 238,260,883	$ 224,052,357	$ 224,965,227
Operating expenses	(195,566,946)	(196,980,358)	(194,797,451)
Net operating income	42,693,937	27,071,999	30,167,776
Other expenses, net of other revenues	(7,700,106)	(2,596,977)	(2,188,471)
Fees, contributions, and grants	1,489,320	374,328	123,906
Change in net position	$ 36,483,151	$ 24,849,350	$ 28,103,211

2021 Compared to 2020

Current year operating revenues increased $14.2 million (6.3%) compared to the prior year. There were several key factors affecting this change. There was an approximate 2.9% rate increase for residential and commercial garbage, and composting services effective April 1, 2021. This resulted in a residential and commercial solid waste collection service revenue increase of $9.4 million. There were also increases of $2.2 million in transfer station revenue, $2.3 million in revenues from fluctuations in pricing of recycling commodities, $0.4 million for commercial disposal charges, and $0.2 million in other utility operating revenue. These increases were offset by a $0.4 million decrease in revenues from miscellaneous fines and penalties.

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 2021.

Operating expenses in 2021 decreased $1.4 million (-0.7%) compared to 2020. This decrease included a $4.6 million decrease in other operating expenses, a $1.6 million decrease in personnel benefits, and a $1.6 million decrease in depreciation and amortization. These decreases were offset by increases of $3.7 million in services, $1.6 million in salaries and wages, and $1.1 million in City and State taxes.

Nonoperating revenues and expenses experienced a net decrease of $4.0 million (-179.4%). Investment income decreased $6.4 million, interest expense decreased by $1.2 million, contributions and grants increased $1.1 million, and other nonoperating revenue increased $0.1 million.

Financial Analysis (continued)

2020 Compared to 2019

Current year operating revenues decreased $0.9 million (-0.4%) compared to the prior year. There were several key factors affecting this change. There was an approximate 3.0% rate increase for residential and commercial garbage, and composting services effective April 1, 2020. However, residential and commercial solid waste collection service revenue decreased by $1.3 million, mostly due to an increase in credits of $1.2 million for the Utility Discount Program. There were also decreases of $0.3 million for commercial disposal charges and $0.2 million for other utility operating revenue. These decreases were offset by a $0.9 million increase in revenues from fluctuations in pricing of recycling commodities.

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 2020.

Operating expenses in 2020 increased $2.2 million (1.1%) compared to 2019. This increase included a $6.4 million increase in other operating expenses mostly due to $8.3 million of construction in progress being expensed due to the cancellation of the South Transfer Station Phase 2 project. There was also a $0.4 million increase in services. These increases were offset by decreases of $1.4 million in salaries and wages, $0.9 million in personnel benefits, $0.9 million in depreciation and amortization, $0.8 million in supplies and $0.5 million in City and State taxes.

Nonoperating expenses experienced a net increase of $0.2 million (-7.7%).

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation, by major asset category as of December 31, 2021, 2020, and 2019:

Summary of Capital Assets, Net of Accumulated Depreciation

	2021	2020	2019
Land and land rights	$ 26,882,856	$ 26,882,856	$ 26,882,856
Buildings	111,586,766	114,281,596	117,394,496
Structures	11,334,424	12,682,749	12,241,597
Machinery and equipment	26,008,729	29,509,118	33,115,527
Computer systems	13,013,142	14,521,702	14,710,731
Construction in progress	6,531,946	4,341,772	12,146,765
Artwork	1,276,701	917,443	917,443
Property held for future use	1,529,982	1,529,982	1,529,982
Capital assets, net of accumulated depreciation	$ 198,164,546	$ 204,667,218	$ 218,939,397

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

Financial Analysis (continued)

2021 Compared to 2020

The Fund's capital assets (net of accumulated depreciation) for the year ended December 31, 2021, is $198.2 million. This represents a decrease of approximately $6.5 million (-3.2%) compared to 2020.

Highlights of the Fund's capital assets placed in service during 2021 include the following:

- $0.9 million for the Utilities CSS Portal Project

The Fund's construction in progress at year end did not include any projects over $2 million.

2020 Compared to 2019

The Fund's capital assets (net of accumulated depreciation) for the year ended December 31, 2020, is $204.7 million. This represents a decrease of approximately $14.3 million (-6.5%) compared to 2019.

Highlights of the Fund's capital assets placed in service during 2020 include the following:

- $1.5 million for the Utilities CSS Portal Project

The Fund's construction in progress at year end did not include any projects over $2 million.

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 the 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.

2021 Compared to 2020

At the end of 2021, the Fund had $164.7 million in bonded debt, as compared to $180.1 million in 2020, all of which was secured solely by solid waste revenues. This decrease of $15.4 million is attributed to scheduled principal payments for existing bond debt as well as the refunding of the 2011 Improvement Bonds. The Fund has used bond proceeds mostly for the Utilities CSS Portal and other miscellaneous projects. The Fund retains bond reserves of $8.1 million.

Financial Analysis (continued)

2020 Compared to 2019

At the end of 2020, the Fund had $180.1 million in bonded debt, as compared to $187.1 million in 2019, all of which was secured solely by solid waste revenues. This decrease of $7.0 million is attributed to scheduled principal payments for existing bond debt. The Fund has used bond proceeds mostly for the Utilities CSS Portal and other miscellaneous projects. The Fund retains bond reserves of $9.8 million.

Economic Factors Affecting Next Year

Effective April 1, 2022, the Fund will adopt a rate increase of approximately 2.9% for residential and commercial services. This rate increase is expected to bring an additional $7.7 million in operating revenues to the Fund in 2022.

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, Finance and Administration Branch, Accounting Division, PO Box 34018, Seattle, WA 98124-4018, telephone: (206) 684-3000.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position

	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	$ 126,287,298	$ 98,043,055
Receivables		
Accounts, net of allowance	21,869,549	18,180,732
Unbilled revenues	18,294,849	16,391,761
Due from other funds	446,473	390,028
Due from other governments	1,026,917	1,258,258
Materials and supplies inventory	189,758	306,839
Prepayments and other current assets	19,873	36,743
Total current assets	168,134,717	134,607,416
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	46,661,583	57,394,426
Prepayments long-term	198,333	216,363
Regulatory landfill closure and postclosure costs	16,160,168	17,001,367
Regulatory assets	1,757,351	1,531,871
Other charges	698,232	625,653
Capital assets		
Land and land rights	26,882,856	26,882,856
Plant in service, excluding land	259,882,360	258,391,340
Less accumulated depreciation	(96,662,597)	(86,478,732)
Construction in progress	6,531,946	4,341,772
Other property, net	1,529,982	1,529,982
Total noncurrent assets	263,640,214	281,436,898
Total assets	431,774,931	416,044,314
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on refunded debt	1,923,184	1,854,429
Pension and OPEB contributions and changes in assumptions	4,186,655	4,415,891
Total deferred outflows of resources	6,109,839	6,270,320
Total assets and deferred outflow of resources	$ 437,884,770	$ 422,314,634

See accompanying notes.

	December 31, 2021	December 31, 2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 14,364,487	$ 21,581,638
Salaries, benefits, and payroll taxes payable	1,182,583	1,333,720
Compensated absences payable	94,520	105,798
Interest payable	1,845,279	2,029,617
Taxes payable	839,777	781,341
Revenue bonds due within one year	7,295,000	7,400,000
Claims payable	305,516	248,724
Environmental liabilities	311,000	411,000
Landfill closure and postclosure liability	3,523,320	3,779,701
Other	8,721	10,067
Total current liabilities	29,770,203	37,681,606
NONCURRENT LIABILITIES		
Compensated absences payable	1,795,860	2,010,150
Claims payable	638,461	419,882
Environmental liabilities	17,931,495	16,439,503
Landfill closure and postclosure liability	9,476,640	12,399,960
Unfunded other post employment benefits	1,193,330	1,073,051
Net pension liability	23,032,292	27,834,678
Other noncurrent liabilities	509	-
Revenue bonds	164,680,000	180,060,000
Less bonds due within one year	(7,295,000)	(7,400,000)
Bond premium	21,803,683	18,043,807
Total noncurrent liabilities	233,257,270	250,881,031
Total liabilities	263,027,473	288,562,637
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on refunded debt	1,847,292	-
Deferred inflows - pension and OPEB	7,175,841	4,926,513
Rate stabilization	38,605,409	38,079,880
Total deferred inflows of resources	47,628,542	43,006,393
NET POSITION		
Net investment in capital assets	22,035,859	29,625,548
Restricted	3,433,268	312,301
Unrestricted	101,759,628	60,807,755
Total net position	127,228,755	90,745,604
Total liabilities, deferred outflows, and net position	$ 437,884,770	$ 422,314,634

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, 2021	2020
OPERATING REVENUES		
Charges for services and other revenues	$ 238,260,883	$ 224,052,357
OPERATING EXPENSES		
Salaries and wages	16,745,002	15,194,987
Personnel benefits	5,625,885	7,230,570
Supplies	1,115,834	1,081,240
Services	125,419,529	121,757,197
Intergovernmental payments	31,513,286	30,364,994
Depreciation and amortization	12,275,181	13,889,576
Other operating expenses	2,872,229	7,461,794
Total operating expenses	195,566,946	196,980,358
OPERATING INCOME	42,693,937	27,071,999
NONOPERATING REVENUES (EXPENSES)		
Other nonoperating revenue	285,279	178,535
Investment income (loss)	(1,424,686)	4,966,202
Interest expense	(6,560,699)	(7,741,714)
Contributions and grants	1,489,320	374,328
Total nonoperating revenues (expenses)	(6,210,786)	(2,222,649)
CHANGE IN NET POSITION	36,483,151	24,849,350
NET POSITION		
Beginning of year	90,745,604	65,896,254
End of year	$ 127,228,755	$ 90,745,604

See accompanying notes.

	Years Ended December 31, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 233,951,536	$ 224,841,870
Cash paid to suppliers	(135,819,376)	(127,735,284)
Cash paid to employees	(28,548,458)	(26,125,376)
Cash paid for taxes	(31,224,330)	(30,869,768)
Net cash provided by operating activities	38,359,372	40,111,442
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	1,489,320	374,328
Net cash provided by noncapital and related financing activities	1,489,320	374,328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sales of bonds and other long-term debt	32,049,713	-
Principal payments on long-term debt	(41,208,774)	(5,425,869)
Capital expenditures and other charges	(3,886,005)	(1,438,869)
Interest paid on long-term debt	(7,911,990)	(8,404,500)
Proceeds from sale of capital assets	41,766	64,124
Net cash used in capital and related financing activities	(20,915,290)	(15,205,114)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change on investments	(1,422,002)	4,965,159
NET INCREASE IN CASH AND EQUITY IN POOLED INVESTMENTS	17,511,400	30,245,815
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	155,437,481	125,191,666
End of year	$ 172,948,881	$ 155,437,481
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	$ 126,287,298	$ 98,043,055
Noncurrent restricted cash and equity in pooled investments	46,661,583	57,394,426
Total cash at the end of the year	$ 172,948,881	$ 155,437,481

See accompanying notes.

Seattle Public Utilities – Solid Waste Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows (continued)

	Years Ended December 31,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$ 42,693,937	$ 27,071,999
Adjustments to reconcile net operating income to net cash provided by operating activities		
Adjustment for net pension liability	(2,323,822)	217,282
Depreciation and amortization	12,275,181	13,889,576
Other cash receipts	243,515	114,410
Changes in operating assets and liabilities		
Accounts receivable	(3,688,817)	(1,807,915)
Unbilled revenues	(1,903,088)	(582,382)
Due from other City funds	(56,445)	2,499,271
Due from other governments	231,341	(109,657)
Materials and supplies inventory	117,081	(170,883)
Other assets	(826,724)	(1,654,635)
Accounts payable	(7,217,151)	9,761,396
Salaries, benefits, and payroll taxes payable	(151,137)	(1,219,396)
Taxes payable	58,436	(719,012)
Compensated absences payable	(225,568)	397,617
Claims payable	275,371	(25,922)
Accrued landfill closure and post-closure costs	(3,179,701)	(6,416,939)
Environmental liability	1,391,992	(1,863,636)
Rate stabilization	525,529	719,528
Other liabilities	119,442	10,740
Total adjustments	(4,334,565)	13,039,443
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 38,359,372	$ 40,111,442

See accompanying notes.

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 2021 and 2020, paid $7,527,954 and $6,760,293, 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 $22,376,683 and $21,893,428 for these taxes in 2021 and 2020, respectively, as well as $4,753,049 and $4,503,586, respectively, in tonnage taxes on waste collected and transferred in the City for disposal.

Solid waste collection and disposal services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected $525,404 in 2021 and $466,631 in 2020 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 technologies 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 $2,265,351 and $2,327,309 in 2021 and 2020, respectively. The Fund paid $89,929 and $31,132 for the utility billing services in 2021 and 2020, 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 vehicles 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 Statement of Net Position. The operating statements present increases (revenues) and decreases (expenses) in total net position.

Cash and equity in pooled investments – Cash resources of the Fund are combined with cash resources of the City in a pooled investment portfolio that is managed by the City's Finance and Administration Services Department. The City's investment portfolio consists of fixed income securities authorized by the Revised Code of Washington and other applicable law. The pool operates like a demand deposit account in that all City departments may deposit cash at any time and withdraw cash out of the pool without prior notice or penalty. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned. Cash and equity in pooled investments are reported at fair market 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 Statement 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, 2021 and 2020, the Fund's allowance for doubtful accounts was $1,789,486 and $1,598,731, respectively.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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.

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 executed 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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.

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 statement 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 has deferred loss on refunding debt, which qualifies for reporting in this category. A deferred loss on refunding debt results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The Fund has also recorded deferred outflows/inflows of resources for certain pension and other post-employment benefit 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 6 and 9).

In addition to liabilities, the statement 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 2021, the Rate Stabilization Account earned interest totaling $0.5 million. However, the Fund did not deposit any additional funds into the rate stabilization account in 2021 or 2020. The Fund has also recorded deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions (Notes 6 and 9).

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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 11 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 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 earned vacation up to a maximum of 480 hours. Unused vacation at retirement or normal termination is considered vested and payable to the employee. Earned but unused vacation is accrued as a liability of the Fund. 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 payments.

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 2020. 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 2020. The State refuse tax rate of 3.60% remained the same as 2020.

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 statement 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, 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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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

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, 2021 and 2020.

Accounting standard changes – GASB has issued Statement No. 87, *Leases*. The new GASB standard on leases was issued in June 2017 and was originally scheduled to be effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the implementation dates of certain standards. As a result, GASB 87 will be effective for the Fund for reporting periods beginning after June 15, 2021. Under this rule, leases are all assumed to be capital financings of the underlying asset with only a narrow range of short-term equipment and motor vehicle leases treated as an 'operating lease.' GASB now assumes that all leases are 'capital leases' except for the specific exceptions noted. The Fund is evaluating the impact of this standard on the financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement was issued in June 2018 to be implemented effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued Statement No. 95 which delayed the implementation dates of certain standards. GASB 89 is effective for the Fund for the year ended December 31, 2021. The Fund invoked regulatory accounting under GASB 62 effective January 1, 2021, and continues to capitalize interest as a charge to projects.

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 market value of cash and equity in pooled investments, accrued sick leave, capitalized interest, depreciation, environmental liabilities, risk liabilities, pension liability, and other contingencies. Changes in these estimates and assumptions may have a material impact on the financial statements.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 prior year footnote presentations to correspond to the current year presentation. These reclassifications had no effect on the operating results of the Fund.

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 Department are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of Finance and Administrative Services (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 balance sheets 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, 2021 and 2020, 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, 2021 and 2020, the City held sufficient cash in its vault for operations. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's $250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Note 2 – Cash and Equity in Pooled Investments (continued)

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 Wells Fargo 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.

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).

Note 2 – Cash and Equity in Pooled Investments (continued)

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

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

Investments – The Fund's cash resources may be invested by FAS separate from the cash and investments pool. Investments are managed in accordance with the City's Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Fund. As of December 31, 2021, and 2020, 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 Director of Finance and Administrative Services 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.

Note 2 – Cash and Equity in Pooled Investments (continued)

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, 2021, the City held $555.1 million on deposit in the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The City's investments in the LGIP are reported at amortized cost which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

The City reports its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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., and investment in the State of Washington Local Government Investment Pool (LGIP) are accounted for at cost. The LGIP is an external investment pool and is measured at a net asset value (NAV) per share of $1. The remainder of the City's investments are purchased in the over-the-counter U.S. bond market and accounted for at market.

The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc., for securities pricing.

Note 2 – Cash and Equity in Pooled Investments (continued)

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

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

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

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

As of December 31, 2021, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2021	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Treasury and U.S. Government-Backed Securities	$ 745,736,783	$ 745,736,783	$ -	$ -	648
U.S. Government Agency Securities	719,408,575	-	719,408,575	-	943
Local Government Investment Pool	555,140,850	-	555,140,850	-	1
U.S. Government Agency Mortgage-Backed Securities	358,218,426	-	358,218,426	-	2,347
Municipal Bonds	203,186,845	-	203,186,845	-	577
Repurchase Agreements	125,430,820	-	125,430,820	-	3
Corporate Bonds	88,971,783	-	88,971,783	-	639
International Bank for Reconstruction and Development	25,364,250	-	25,364,250	-	971
	$ 2,821,458,332	$ 745,736,783	$ 2,075,721,549	$ -	
Weighted Average Maturity of the City's Pooled Investments					788

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.

Note 2 – Cash and Equity in Pooled Investments (continued)

As of December 31, 2020, the City's pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2020	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 760,599,687	$ -	$ 760,599,687	$ -	1,111
Local Government Investment Pool	519,690,038	-	519,690,038	-	1
U.S. Treasury and U.S. Government-Backed Securities	470,004,815	470,004,815	-	-	732
Municipal Bonds	319,681,755	-	319,681,755	-	2,597
U.S. Government Agency Mortgage-Backed Securities	268,695,014	-	268,695,014	-	1,616
Corporate Bonds	92,745,580	-	92,745,580	-	509
Repurchase Agreements	72,592,802	-	72,592,802	-	4
International Bank for Reconstruction and Development	41,064,600	-	41,064,600	-	1,654
	$ 2,545,074,291	$ 470,004,815	$ 2,075,069,476	$ -	
Weighted Average Maturity of the City's Pooled Investments					1,010

As of December 31, 2021 and 2020, the Fund's share of the City Pool was as follows:

	2021	2020
Cash and equity in pooled investments	$ 126,287,298	$ 98,043,055
Restricted cash and equity in pooled investments	46,661,583	57,394,426
	$ 172,948,881	$ 155,437,481
Balance as a percentage of City Pool cash and investments	6.1%	6.1%

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.

Note 2 – Cash and Equity in Pooled Investments (continued)

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

	2021		2020	
Issuer	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
United States Government	$ 745,736,783	26%	$ 470,004,815	18%
Local Government Investment Pool	555,140,850	20%	519,690,038	20%
Federal National Mortgage Association	412,991,031	15%	292,500,837	11%
Federal Home Loan Bank	159,613,722	6%	200,784,989	8%
Federal Home Loan Mortgage Corp	196,090,506	7%	193,228,369	8%
Federal Farm Credit Bank	129,090,979	5%	152,404,144	6%

Note 3 – Capital Assets

Capital assets activity for the year ended December 31, 2021, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 139,412,603	$ 840,995	$ (32,969)	$ 140,220,629
Structures	14,731,972	-	(894,739)	13,837,233
Machinery and equipment	71,492,904	437,056	(308,217)	71,621,743
Computer systems	31,836,418	1,089,636	-	32,926,054
Total capital assets, excluding land	257,473,897	2,367,687	(1,235,925)	258,605,659
Less accumulated depreciation	(86,478,732)	(10,499,461)	315,596	(96,662,597)
	170,995,165	(8,131,774)	(920,329)	161,943,062
Construction in progress	4,341,772	4,088,042	(1,897,868)	6,531,946
Land and land rights	26,882,856	-	-	26,882,856
Artwork	917,443	359,258	-	1,276,701
Property held for future use	1,529,982	-	-	1,529,982
Capital assets, net	$ 204,667,218	$ (3,684,474)	$ (2,818,197)	$ 198,164,547

Note 3 – Capital Assets (continued)

Capital assets activity for the year ended December 31, 2020, consisted of the following:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 139,038,541	$ 374,062	$ -	$ 139,412,603
Structures	13,837,233	894,739	-	14,731,972
Machinery and equipment	71,157,119	832,127	(496,342)	71,492,904
Computer systems	29,677,094	2,159,324	-	31,836,418
Total capital assets, excluding land	253,709,987	4,260,252	(496,342)	257,473,897
Less accumulated depreciation	(76,247,636)	(10,700,476)	469,380	(86,478,732)
	177,462,351	(6,440,224)	(26,962)	170,995,165
Construction in progress	12,146,765	4,834,140	(12,639,133)	4,341,772
Land and land rights	26,882,856	-	-	26,882,856
Artwork	917,443	-	-	917,443
Property held for future use	1,529,982	-	-	1,529,982
Capital assets, net	$ 218,939,397	$ (1,606,084)	$ (12,666,095)	$ 204,667,218

During 2021 and 2020, the Fund capitalized interest costs as a regulatory asset relating to construction of $137,002 and $(236,720), respectively. The negative amount in 2020 was a result of the cancellation of the South Transfer Station Phase 2 project.

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 $8,096,580 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, 2021, were $164,680,000.

Revenue bonds outstanding as of December 31, 2021 and 2020, consisted of the following Solid Waste bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2021	Bonds Outstanding 2020
2007 Improvement and Refunding Bonds	12/05/2007	2008-2033	4.0 - 5.0%	$ 82,175,000	$ -	$ -
2011 Improvement Bonds	6/22/2011	2012-2036	3.0 - 5.0%	45,750,000	-	35,165,000
2014 Improvement and Refunding Bonds	6/12/2014	2015-2039	2.0 - 5.0%	95,350,000	75,015,000	79,460,000
2015 Improvement Bonds	6/25/2015	2016-2040	2.0 - 5.0%	35,830,000	30,755,000	31,735,000
2016 Improvement and Refunding Bonds	6/30/2016	2017-2041	4.0 - 5.0%	35,335,000	33,240,000	33,700,000
2021 Improvement and Refunding Bonds	7/1/2021	2021-2036	4.0 - 5.0%	25,670,000	25,670,000	-
				$ 320,110,000	$ 164,680,000	$ 180,060,000

Note 4 – Revenue Bonds (continued)

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

Year Ending December 31,	Principal	Interest	Total
2022	$ 7,295,000	$ 7,345,360	$ 14,640,360
2023	7,760,000	6,874,631	14,634,631
2024	8,160,000	6,478,256	14,638,256
2025	8,585,000	6,061,381	14,646,381
2026	9,020,000	5,623,006	14,643,006
2027 - 2031	51,740,000	21,072,559	72,812,559
2032 - 2036	47,890,000	9,667,975	57,557,975
2037 - 2041	24,230,000	1,884,581	26,114,581
	$ 164,680,000	$ 65,007,749	$ 229,687,749

The following table shows the revenue bond activity during the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	$ 180,060,000	$ 25,670,000	$ (41,050,000)	$ 164,680,000	$ 7,295,000
Add (deduct) deferred amounts					
Issuance premiums	18,043,807	6,707,801	(2,947,925)	21,803,683	-
Total bonds payable	$ 198,103,807	$ 32,377,801	$ (43,997,925)	$ 186,483,683	$ 7,295,000

The following table shows the revenue bond activity during the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable, revenue bonds	$ 187,105,000	$ -	$ (7,045,000)	$ 180,060,000	$ 7,400,000
Add (deduct) deferred amounts					
Issuance premiums	19,009,723	-	(965,916)	18,043,807	-
Total bonds payable	$ 206,114,723	$ -	$ (8,010,916)	$ 198,103,807	$ 7,400,000

Prior year defeasance of debt – In prior years, the Fund defeased certain obligations by placing the proceeds of new bonds in irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased and the corresponding liabilities and trust account assets are not included in the statement of net position. At December 31, 2021, no outstanding bonds are considered defeased.

In July 2021, the Fund issued $25,670,000 of Solid Waste System Refunding Revenue Bonds with varying annual principal payments due beginning 2022 and ending in 2036, at interest rates ranging from 4.0 percent and 5.0 percent. All of the proceeds were used to fully refund the remaining 2011 Improvement. As a result of the refunding, the Fund reduced total debt service requirements by $12.2 resulting in an economic gain (difference between the present value of the debt service payments on the old and new debts) of $9.6 million.

Note 4 – Revenue Bonds (continued)

Financial covenants – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service at least equal to 125% of annual debt service. Net revenue available for debt service, as defined by the bond covenants, was 563% of annual debt service for 2021. Management believes the Fund was in compliance with all debt covenants as of December 31, 2021. For more information, see Other Information (page 49).

Note 5 – Leases

The Fund has noncancelable operating lease commitments for real and personal property with minimum payments of $9,731 in 2021 and $9,660 in 2020. The Fund has leases for properties at 2702 6th Avenue South and a trail at the South Transfer Station, with expiration dates of July 2025 and December 2026, respectively. Rents are paid as they become due and payable. Minimum payments under the leases for the years ending December 31 are as follows:

2022	$	9,838
2023		9,947
2024		10,059
2025		6,625
2026		1,727
	$	38,196

Note 6 – Postemployment Benefit Plans

Deferred compensation – The City offers all of its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code (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.

Note 6 – Postemployment Benefit Plans (continued)

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 that 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.

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 2014–2017.

Actuarial data and assumptions	**2021**
Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	2.12%
Health care cost trend rates – medical	6.32% in 2021, decreasing to 6.09% in 2022, and decreasing by varying amounts until 2030 thereafter
Health care cost trend rates – Rx	8.50% in 2021, decreasing to 8.00% in 2022, and decreasing by varying amounts until 2030 thereafter
Participation	25% of active employees who retire participate

Note 6 – Postemployment Benefit Plans (continued)

Mortality

General Service (Actives)

Males: RP-2014 Employees Table for Males, adjusted by 60%
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)

Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 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.

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 11,520	$ 2,677	$ 358	$ 11,243	$ 2,659	$ 358
52	12,533	2,912	358	12,230	2,893	358
55	14,220	3,305	358	13,877	3,282	358
57	15,499	3,601	358	15,125	3,576	358
60	17,638	4,097	358	17,210	4,069	358
62	19,003	4,415	358	18,543	4,384	358

	Group Health Deductible			Group Health Standard		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 4,961	$ 1,145	$ 689	$ 5,291	$ 1,171	$ 689
52	5,397	1,246	689	5,755	1,273	689
55	6,123	1,413	689	6,531	1,445	689
57	6,674	1,540	689	7,118	1,574	689
60	7,595	1,752	689	8,100	1,792	689
62	8,182	1,888	689	8,727	1,930	689

The average medical and prescription drug per capita claims costs were developed from 2021 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 2021 four-tier rate structure including the add-on cost of dependent children and trended back from 2021 to 2020 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.

Note 6 – Postemployment Benefit Plans (continued)

The average medical and prescription drug per capita claims costs were blended with the 2019 medical/Rx per capita developed claims cost trended forward to the valuation date.

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 2021 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 same plan and coverage. After retirement, it is assumed that children will have aged off coverage and will have $0 liability.

OPEB liability – The Fund reported an OPEB liability of approximately $1.2 million in 2021 and $1.1 million in 2020. The Fund's proportionate share of the change in the OPEB liability was 1.50% and 1.47% for the years ended December 31, 2021 and 2020, respectively. Based on the actuarial valuation date of January 1, 2020, details regarding the Fund's Total OPEB Liability as of December 31, 2021, are shown below.

($ in thousands)	**Total OPEB Liability**
Changes recognized for the fiscal year:	
Service cost	$ 60.3
Interest on the total OPEB liability	27.2
Differences between expected and actual experience	0.0
Changes of assumptions	56.1
Benefit payments	(44.1)
Contributions from the employer	0.0
Other changes	20.7
Net changes	120.2
Balance recognized at 12/31/2020	1,073.1
Balance recognized at 12/31/2021	$ 1,193.3

Note 6 – Postemployment Benefit Plans (continued)

The Fund recorded an expense for OPEB of $71,648 in 2021 and $66,252 in 2020. The Health Care Subfund of the General Fund is reported in The City of Seattle's Comprehensive Annual Financial Report.

Discount rate and healthcare cost trend rates – The discount rate used to measure the total OPEB liability is 2.12% for 2021 and 2.74% for 2020. The following tables present the sensitivity of 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
(in millions)

	OPEB Liability at December 31, 2021	OPEB Liability at December 31, 2020
Discount rate		
1% decrease	$ 1.3	$ 1.2
Current discount rate	1.2	1.1
1% increase	1.1	1.0

The following table presents the sensitivity of net 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:

Healthcare Cost Trend Rate Sensitivity
(in millions)

	OPEB Liability at December 31, 2021	OPEB Liability at December 31, 2020
Discount rate		
1% decrease	$ 1.1	$ 1.0
Trend rate	1.2	1.1
1% increase	1.4	1.2

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, 2021.

(in thousands)	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 219.4	$ -
Assumption changes	50.1	364.1
Contributions made in 2021 after measurement date	45.6	N/A
Total	$ 315.1	$ 364.1

Note 6 – Postemployment Benefit Plans (continued)

The Fund's contributions made in 2021 in the amount of $45,643 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31, *(in thousands)*	Amortization
2022	$ (21.0)
2023	(21.0)
2024	(21.0)
2025	(21.0)
2026	(21.0)
Thereafter	10.4
Total	$ (94.6)

The Health Care Sub Fund of the General Fund is reported in the City's Annual Comprehensive Financial Report, which can be obtained by writing the Department of Finance, City of Seattle, PO Box 94747, Seattle, Washington 98124-4747 or www.seattle.gov/financial-services/comprehensive-annual-financial-report.

Note 7 – 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 2021 and 2020, 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, 1.378% and 1.816%, respectively. Claims expected to be paid within one year are $305,516 and $248,724 as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Beginning liability, discounted	$ 668,606	$ 694,528
Payments	(82,879)	(64,438)
Incurred claims and change in estimate	358,250	38,516
Ending liability, discounted	$ 943,977	$ 668,606

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

Note 8 – Compensated Absences

The Fund has recorded a liability for earned but unused compensatory and vacation leave, as well as estimated sick leave payments calculated based on the termination payment method. The schedules below show the compensated absences activity during the years ended December 31:

	2021	2020
Beginning liability	$ 2,115,948	$ 1,718,331
Additions	1,344,462	1,735,698
Reductions	(1,570,030)	(1,338,081)
Ending liability	$ 1,890,380	$ 2,115,948

Note 9 – Pension Benefit Plan

Plan description – The Seattle City Employees' Retirement System (the System) is a cost-sharing multiple employer pension plan covering employee 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 permanent 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.

Note 9 – Pension Benefit Plan (continued)

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	2021	10.03%	7.00%
	2020	10.03%	7.00%
Employer Contribution	2021	16.20%	15.72%
	2020	16.20%	15.76%

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, 2021 and 2020, were $2,673,574 and $2,682,412, 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 www.seattle.gov/retirement/annual_report.htm.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2021 and 2020, the Fund reported a liability of $23,032,292 and $27,834,678, respectively, its proportionate share of the Systems' net pension liability. The net pension liability was measured as of December 31, 2020 and 2019, for the years ended December 31, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates. 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, 2021 and 2020, the Fund's proportion was 1.90% and 1.86%, respectively.

For the years ended December 31, 2021 and 2020, the Fund recognized pension expense of approximately $979,000 and $2,846,000, respectively.

Note 9 – Pension Benefit Plan (continued)

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 75,545	$ 628,646
Change of assumptions	1,122,376	-
Net difference between projected and actual earnings	-	5,617,522
Contributions made subsequent to measurement date	2,673,574	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	565,602
Total	$ 3,871,495	$ 6,811,770

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,932	$ 854,909
Change of assumptions	1,437,540	-
Net difference between projected and actual earnings	-	2,031,140
Contributions made subsequent to measurement date	2,682,412.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,629,100
Total	$ 4,124,884	$ 4,515,149

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:

2022	$ (1,856,801)
2023	(772,318)
2024	(2,002,551)
2025	(1,047,646)
2026	65,467
Total	$ (5,613,849)

Note 9 – Pension Benefit Plan (continued)

Actuarial assumptions – The total pension liability as of December 31, 2021, was determined using the following actuarial assumptions:

Valuation date	January 1, 2020
Measurement date	December 31, 2020
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	2.75%
Investment rate of return	7.25% compounded annually, net of expenses
Discount rate	7.25%
Projected general wage inflation	3.5%
Postretirement benefit increases	1.5%
Mortality	Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale. See 2018 Investigation of Experience report for details.

The actuarial assumptions that determined the total pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2014 – December 31, 2017.

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

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

Note 9 – Pension Benefit Plan (continued)

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, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.25%
Equity: Private	7.32%
Fixed Income: Broad	-0.10%
Fixed Income: Credit	3.26%
Real Assets: Real Estate	3.41%
Real Assets: Infrastructure	3.85%

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate.

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
$ 36,358,984	$ 23,032,292	$ 11,890,370

Note 10 – 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 $83,315,628 in 2021 and $81,606,668 in 2020.

The City contracts with Waste Management of Washington, Inc. (formerly known as Washington Waste Systems), for rail-haul and disposal of non-recyclable City waste. The disposal contract began in 1990 and is scheduled to end on March 31, 2028, however the City may terminate this contract at its option without cause on March 31, 2024. Total payments under the terms of this contract for waste disposal were $15,453,325 in 2021 and $14,638,711 in 2020.

Note 10 – Contractual Obligations (continued)

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 $5,076,958 in 2021 and $4,962,701 in 2020.

The City contracts with Rabanco, LTD., to process recyclables and marketing those commodities. The Rabanco processing contract began in 2016 and is scheduled to end on March 31, 2024, with a City option to extend to March 31, 2027. Total payments, net of recycling revenue, were $2,463,701 in 2021 and $5,194,417 in 2020. This variance resulted from fluctuations in recycling commodity pricing.

Note 11 – Environmental Liabilities

The City of Seattle and a private developer are under a Consent Decree with the Washington State Department of Ecology (Ecology) to implement a Cleanup Action Plan for the historic South Park Landfill site under the State Model Toxics Control Act. Previously the City was advancing a design based on an Interim Action Workplan approved by Ecology. SPU delayed the project to re-define the project scope. The delay caused the City to fall behind the schedule in the Consent Decree and Ecology has determined that the City must amend the existing Consent Decree and Cleanup Action Plan to reflect the revised project and new timeline. At the same time two additional parties will be added to the Consent Decreed, King County and Kenyon Business Park.

As of March 2021, a redefined scope has been approved by SPU. Amendments to the Consent Decree and Cleanup Action Plan were completed in 2021. Project design will occur between 2021 and 2022. Project construction is scheduled to start in 2023 and be completed in 2026.

In 2012, the City executed an agreement regarding the developer's interim action that settles City liabilities for the interim cleanup costs but not City liabilities for the permanent cleanup. In 2015, the developer completed Ecology-approved interim cleanup action on its portion of the site.

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.

Note 11 – Environmental Liabilities (continued)

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

	2021	2020
Beginning environmental liability, net of recoveries	$ 16,850,503	$ 18,714,140
Payments or amortization	(158,761)	(168,976)
Change in estimated liability	1,550,753	(1,694,661)
Ending environmental liability, net of recoveries	$ 18,242,495	$ 16,850,503

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

	2021	2020
Environmental liability, current	$ 311,000	$ 411,000
Environmental liability, noncurrent	17,931,495	16,439,503
Ending liability	$ 18,242,495	$ 16,850,503

Note 12 – 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.

At December 31, 2021, accrued landfill closure and post closure costs consist primarily of monitoring, maintenance, and estimated construction costs related to I-5 improvement projects. It is the City Council's policy to include the 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 post-closure costs will continue to amortize until 2030.

Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	14.62%	14.33%	14.55%	14.73%	15.13%	16.37%
Employer's proportionate share of the net pension liability	$ 143,163,797	$ 180,105,232	$ 221,049,893	$ 163,086,154	$ 197,454,529	$ 212,671,200
Employer's covered payroll	$ 127,584,358	$ 112,528,955	$ 111,973,027	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	112.21%	160.05%	197.41%	151.40%	185.06%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%

Schedule of Seattle Public Utilities' Pension Contributions

	2021	2020	2019	2018	2017	2016
Contractually required employer contribution	$ 20,654,175	$ 17,041,133	$ 17,103,559	$ 16,466,270	$ 16,354,089	$ 16,487,154
Contributions in relation to the contractually required employer contribution	(20,654,175)	(17,041,133)	(17,103,559)	(16,466,270)	(16,354,089)	(16,487,154)
Employer contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 127,584,358	$ 112,528,955	$ 111,973,027	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer contributions as a percentile of covered payroll	16.19%	15.14%	15.27%	15.29%	15.33%	15.70%

Schedule of City of Seattle's OPEB Liability and Related Ratios

	December 31, 2021	December 31, 2020	December 31, 2019
Total OPEB Liability			
Normal cost	$ 4,015,249	$ 3,378,925	$ 3,842,152
Interest	1,813,401	2,586,942	2,195,238
Differences between expected and actual experience	-	6,956,579	-
Changes in assumptions	3,738,597	(7,760,776)	(3,886,702)
Benefit payment	(2,933,774)	(2,484,320)	(2,333,610)
Total OPEB liability – beginning of year	63,624,261	60,946,911	61,129,833
Total OPEB liability – end of year	$ 70,257,734	$ 63,624,261	$ 60,946,911
Covered-employee payroll	$1,124,692,046	$1,124,692,046	$1,015,097,334
Net OPEB liability as percentage of covered-employee payroll	6.25%	5.66%	6.00%

Other Information (Unaudited)

Solid Waste Debt Service Coverage Calculation 2021

Operating Revenue	
Residential Collection Services	$ 151,249,719
Commercial Collection Services	61,818,276
Disposal and Other	25,192,888
Total Operating Revenue	238,260,883
Operating Expense	
Solid Waste Contract Expense	111,399,367
Other Operations and Maintenance	40,609,632
City Taxes	27,129,732
State B&O Tax	4,153,034
Total Operating Expense	183,291,765
Net Operating Income	54,969,118
Adjustments	
Less: DSRF Earnings	(142,946)
Add: City Taxes	27,129,732
Add: Environmental Liability Costs	1,550,753
Add: Investment Interest	1,691,976
Add: Net Proceeds from Sale on Assets	1,222
Add: Net Other Nonoperating Revenues	243,514
Total Adjustments	30,474,251
Net Revenue Available for Debt Service	$ 85,443,369
Net Revenue Available for Debt Service (w/o City Taxes)	$ 58,313,637
Annual Debt Service	
Annual Debt Service	$ 15,311,990
Less: DSRF Earnings	(142,946)
Adjusted Annual Debt Service	$ 15,169,044
Coverage	$ 5.63
Coverage without taxes	$ 3.84

Solid Waste Customers by Class

	2017	2018	2019	2020	2021
VARIABLE CANS					
No Can/Vacancy	2,270	1,910	1,959	1,938	2,199
12-Gallon Can	21,355	21,747	21,710	21,587	21,386
20-Gallon Can	47,601	47,772	48,480	49,023	50,021
32-Gallon Can	82,859	83,504	82,932	82,259	81,574
64-Gallon Can	7,466	7,716	8,042	8,348	9,635
96-Gallon Can	2,484	2,777	2,994	3,239	3,822
TOTAL VARIABLE CANS	164,035	165,426	166,117	166,394	168,637
Residential Dumpster Accounts	5,324	5,221	5,245	5,240	5,310
Commercial Accounts	8,082	8,023	8,556	8,214	8,164

Solid Waste Tonnage

	2016	2017	2018	2019	2020	2021
GARBAGE						
Residential Collection	103,720	105,315	107,485	109,367	119,903	119,903
Self-Haul Garbage	65,754	99,290	100,828	101,506	97,320	97,320
Commercial Collection	138,546	139,317	138,009	134,816	109,891	109,891
Total tons disposed	308,020	343,922	346,322	345,689	327,114	327,114
RECYCLING						
Private Recycling (1)	252,242	246,747	262,249	257,010	183,659	183,659
Residential Curbside Recycling	54,207	55,123	53,582	50,505	55,133	55,133
Apartment Recycling	24,781	24,652	24,520	24,802	26,852	26,852
Residential Curb Yard & Food Waste	91,375	90,789	88,947	89,105	99,850	99,850
Self Haul Yard Waste	4,390	6,127	6,127	6,957	6,780	6,780
Self-Haul Wood Waste	866	1,185	1,040	893	655	655
Self-Haul Recycling (1)	2,747	4,495	4,567	4,879	4,109	4,109
Composting (2)	10,800	10,800	9,450	9,450	9,450	9,450
Total tons recycled	441,408	439,918	450,482	443,601	386,488	386,488
Total tons generated	749,428	783,840	796,804	789,290	713,602	713,602
Garbage as a percentage of total tons generated	41%	44%	43%	44%	46%	46%
Recycling as a percentage of total tons generated	59%	56%	57%	56%	54%	54%

(1) Estimate for 2021

(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.

Solid Waste Rate Schedule and Transfer Station Fees

2022 Monthly Residential Rate Schedule

Service unit	Rates (Effective April 1, 2022)
No can (minimum charge)	6.85
12-Gallon	26.45
20-Gallon	32.40
32-Gallon	42.15
64-Gallon	84.20
96-Gallon	126.40
Recycling	No charge
Non-Compacted Dumpster (one cubic yard, once/week, one container)[2]	312.43
Compacted Dumpster (three cubic yards, once/week, one container)[2]	901.96
Yard Waste Mini-Can	7.00
Yard Waste 32-Gallon Can	10.50
Yard Waste 96-Gallon Can	13.40

(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 $46.35 monthly account fee.

2022 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, 2022 the cost of this service is $565.31 per month, including a monthly account fee of $31.20

2022 Transfer Station Fees

	Rates (Effective April 1, 2021)
Garbage	
Sedans, SUVs, and station wagons	$32.00 per trip
All other self-haul vehicles with garbage	$153.00 per ton ($32.00 minimum charge)
Yard and wood waste	
Sedans, SUVs, and station wagons	$22.00 per trip
All other self-haul vehicles with yard waste	$116.00 per ton ($22.00 minimum charge)

Regional Comparison of Transfer Station Rates

	2020		2021	
Garbage	Seattle	King County	Seattle	King County
Per Ton	$ 149.00	$ 151.63	$ 153.00	$ 148.09
Minimum Charge	$ 31.00	$ 25.50	$ 32.00	$ 25.50

MOSSADAMS

REPORT OF INDEPENDENT AUDITORS AND FINANCIAL STATEMENTS WITH REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

SEATTLE PUBLIC UTILITIES – WATER FUND (AN ENTERPRISE FUND OF THE CITY OF SEATTLE)

December 31, 2021 and 2020

MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–3
Management’s Discussion and Analysis	4–12
Financial Statements	
Statements of net position	13–14
Statements of revenue, expenses, and changes in net position	15
Statements of cash flows	16–17
Notes to financial statements	18–47
Required Supplementary Information	
Schedule of Seattle Public Utilities’ proportionate share of the net pension liability	48
Schedule of Seattle Public Utilities’ contributions	48
Schedule of Seattle Public Utilities’ proportionate share of the OPEB liability and related ratios	49
Other Information (Unaudited)	
Water Fund Debt Service Coverage Calculation 2021	50
Water System Operating Statistics	51
Major Retail Water Customers	52
Water Rates	53

MOSSADAMS

Report of Independent Auditors

To the Director of Seattle Public Utilities
Water Fund
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Seattle Public Utilities – Water Fund (the Fund), which comprise the statements of net position as of December 31, 2021 and 2020, 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 the Fund as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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, 2021 and 2020, the related 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' contributions, and the schedule of Seattle Public Utilities' proportionate share of the OPEB liability and related ratios (collectively, required supplementary information) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information as listed in the table of contents. The other information comprises the water fund debt service coverage calculation, water system operating statistics, major retail water customers, and water rates but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022, 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.

Moss Adams LLP

Seattle, Washington
April 29, 2022

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 Water Fund (the Fund) for the fiscal years ended December 31, 2021 and 2020. The revenues, expenses, assets, deferred outflows and inflows of resources, liabilities, and deferred inflows of resources of Seattle's water system are recorded in the Fund, the functions of which are primarily supported by user fees and charges to customers. The financial situation of other aspects of Seattle City government, including other utility services and general government operations, are reported elsewhere.

Overview of the Financial Statements

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

Basic financial statements – The basic financial statements of the Fund report information like 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 13 of this report and are comprised of three components: (1) statements of net position, (2) statements of revenues, expenses, and changes in net position, and (3) statements of cash flows.

The statements of net position present information, as of December 31, 2021 and 2020, on all the Fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets combined with deferred outflows of resources and liabilities combined with deferred inflows of resources is reported as net position. They also provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources), obligations to the Fund's creditors (liabilities and deferred inflows of resources) and provide the basis for assessing the liquidity and financial flexibility of the Fund.

The statements of revenues, expenses, and changes in net position present changes in the Fund's net position for the years ended December 31, 2021 and 2020. 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 credit worthiness and its ability to successfully 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, 2021 and 2020, and 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 18 of this report.

Financial Analysis

Increases or decreases in net position may serve over time as a useful indicator of whether the Fund's financial position is improving or deteriorating. At December 31, 2021 and 2020, the Fund's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, resulting in surpluses in total net position of $714.0 million and $641.8 million, respectively. In 2021, the Fund's change in net position was an increase of $72.3 million (11.3%) as compared to 2020, which increased $55.9 million (9.5%). The following summary statement of net position presents the assets and deferred outflows of resources of the Fund and shows the mix of liabilities, deferred inflows of resources, and net position used to acquire these assets:

Summary Statement of Net Position

	2021	2020	2019
ASSETS			
Current assets	$ 154,864,335	$ 186,462,740	$ 173,480,929
Capital assets, net	1,341,563,530	1,338,082,729	1,319,864,509
Other	152,086,836	130,344,057	160,646,632
Total assets	1,648,514,701	1,654,889,526	1,653,992,070
DEFERRED OUTFLOWS OF RESOURCES	28,252,378	31,706,364	42,606,814
Total assets and deferred outflows of resources	$ 1,676,767,079	$ 1,686,595,890	$ 1,696,598,884
LIABILITIES			
Current liabilities	$ 86,565,262	$ 81,303,808	$ 86,054,632
Revenue bonds	703,243,284	767,000,352	817,813,647
Other	106,059,564	122,317,203	139,523,671
Total liabilities	895,868,110	970,621,363	1,043,391,950
DEFERRED INFLOWS OF RESOURCES			
Revenue stabilization fund	41,720,888	59,880,197	58,869,864
Deferred inflows - other	25,146,855	14,320,203	8,476,141
Total deferred inflows of resources	66,867,743	74,200,400	67,346,005
NET POSITION			
Net investment in capital assets	662,512,834	563,868,163	526,544,348
Restricted	16,440,207	13,230,176	12,976,412
Unrestricted	35,078,185	64,675,788	46,340,169
TOTAL NET POSITION	714,031,226	641,774,127	585,860,929
Total liabilities, deferred inflows of resources and net position	$ 1,676,767,079	$ 1,686,595,890	$ 1,696,598,884

Financial Analysis (continued)

2021 Compared to 2020

Assets – Current assets decreased $31.6 million (-16.9%) from 2020. This is primarily due to decreases in operating cash of $32.7 million and fair value of investments of $5.0 million offset by increases in accounts receivable of $4.6 million, unbilled revenue of $0.3 million and due from other governments of $0.9 million. The change in operating cash is primarily due to bond refunding and increased spending for capital assets, of which a certain portion of those costs are reimbursed to operating cash from the bond proceeds. The increase in accounts receivable is mostly due to slower than expected payments from customers due to the COVID-19 pandemic.

Capital assets increased $3.5 million (0.3%) from 2020 mainly due to closed projects transferred from construction in progress (Note 3).

Other assets increased $21.7 million (16.7%) from 2020. The largest portion of the change was due to an increase in restricted cash and equity in pooled investments of $20.1 million from proceeds of bonds.

Deferred outflows of resources – Deferred outflows of resources decreased by $3.5 million (-10.9%) from 2020. This change resulted mainly from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits.

Liabilities – Current liabilities increased $5.3 million (6.5%) from 2020. This change mostly resulted from increases of $3.0 million in due to other funds, other liabilities of $2.9 million and revenue bonds due in one year of $1.1 million offset by decrease in $0.7 million of accounts payable, $0.6 million of interest payable and $0.5 million in salaries and benefits payable.

Noncurrent liabilities decreased $80 million (-9.0%) over 2020. This is mainly to decrease of $65.0 million in revenue bonds due to refunding and defeasance, $14.8 of net pension liability and $2.0 of loans due to scheduled payments.

Deferred inflows of resources – Deferred inflows of resources decreased by $7.3 million (-9.9%) from 2020. This decrease is mainly due to a decrease of $18.2 million in the revenue stabilization account as a result of withdrawal from the account offset by increase of deferred inflows of $6.9 in pension and OPEB and of $3.9 of unamortized gain on advanced refunding on bond issuance.

Net position – Net investment in capital assets was the largest portion of the Fund's net position ($662.5 million or 92.8%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2021, net investment in capital assets increased $98.6 million from 2020 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt and debt related accounts, offset by an increase in construction cash of $38.2 million as a result of bond issuance.

Financial Analysis (continued)

The Fund's restricted net position ($16.4 million or 2.3%) represents resources that are subject to restrictions on how they may be used. Restricted net position increased slightly by $3.2 million.

The Fund's unrestricted net position ($35.1 million or 4.9%) represents resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion decreased $29.6 million in 2021 as compared to 2020 primarily as a result of a decrease in operating cash due to the defeasance of 2012 Bonds.

2020 Compared to 2019

Assets – Current assets increased $13.0 million (7.5%) from 2019. This is primarily due to increases in operating cash of $10.7 million and accounts receivable of $4.9 million offset by decreases in due from other funds of $1.9 million, unbilled revenue of $0.6 million and due from other governments of $0.3 million. The change in operating cash is primarily due to increased spending for capital assets, of which a certain portion of those costs are reimbursed to operating cash from the bond proceeds. The increase in accounts receivable is mostly due to slower than expected payments from customers due to the COVID-19 pandemic.

Capital assets increased $18.2 million (1.4%) from 2019 mainly due to closed projects transferred from construction in progress (Note 3).

Other assets decreased $30.3 million (-18.9%) from 2019. The largest portion of the change was due to a decrease in restricted cash and equity in pooled investments of $29.4 million for spending on capital projects.

Deferred outflows of resources – Deferred outflows of resources decreased by $10.9 million (-25.6%) from 2019. This change resulted mainly from assumptions related to pension accounting and differences in expected and actual experience in other post-employment benefits (OPEB).

Liabilities – Current liabilities decreased $4.8 million (-5.5%) from 2019. This change mostly resulted from decreases of $1.1 million in accounts payable and $3.8 million in salaries and benefits payable.

Noncurrent liabilities decreased $68.0 million (-7.1%) over 2019. This decrease is mainly due to principal payments of $46.2 million in revenue bonds and loans of $2.0 million and decrease in net pension liability of $16.4 million and bond premiums of $4.6 million. These decreases were partially offset by an increase of $1.1 million in compensated absences payable.

Deferred inflows of resources – Deferred inflows of resources increased by $6.9 million (10.2%) from 2019. This increase is mainly due to an increase of $1.0 million in the revenue stabilization account and $5.8 million in deferred inflows-pension and OPEB.

Financial Analysis (continued)

Net position – Net investment in capital assets was the largest portion of the Fund's net position ($563.9 million or 87.9%). This amount reflects the Fund's investment in capital assets such as land, buildings, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The Fund uses these assets to provide services to customers; consequently, these assets are not available for future spending. Although the Fund's investment in its capital assets is reported net of related debt, the resources needed to repay the debt are provided by fees paid by customers for services provided by these assets. In 2020, net investment in capital assets increased $37.3 million from 2019 primarily from an increase in utility plant and construction in progress. Other contributing factors are decreases in debt and debt related accounts, offset by a decrease in construction cash of $29.4 million.

The Fund's restricted net position ($13.2 million or 2.0%) represents resources that are subject to restrictions on how they may be used. Restricted net position increased slightly by $0.3 million.

The Fund's unrestricted net position ($64.7 million or 10.1%) represents resources that are not subject to external restrictions and may be used to meet the Fund's obligations to creditors. This portion increased $18.3 million in 2020 as compared to 2019 primarily as a result of an increase in operating cash.

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

	2021	2020	2019
Operating revenues	$ 303,499,096	$ 278,577,869	$ 281,008,043
Operating expenses	(222,123,802)	(213,442,003)	(220,594,542)
Net operating income	81,375,294	65,135,866	60,413,501
Other expenses, net of other revenues	(18,648,118)	(19,433,866)	(18,930,740)
Fees, contributions, and grants	9,529,923	10,211,198	7,998,790
Change in net position	$ 72,257,099	$ 55,913,198	$ 49,481,551

2021 Compared to 2020

Operating revenues increased approximately $24.9 million (8.9%) over 2020. The change was mainly driven by a transfer in from the revenue stabilization account of $19.0 million and an increase in retail water utility service of $5.6 million.

Financial Analysis (continued)

Operating expenses increased $8.7 million (4.1%) from 2020. Notable factors affecting this change include increases of $5.5 million in write offs of capital projects and other expenses, $3.2 million in services, $1.6 million of intergovernmental payments, $1.2 million in depreciation and amortization. These increases are offset by decreases of $3.1 million in salaries, wages and benefits.

Other expenses, net of other revenues decreased by $0.8 million (4.0%) over 2020. The change was primarily due to a decrease in interest and debt service expenses of $2.3 million, offset by $5 million increase in recoveries and $2.6 million increase in investment losses realized and unrealized.

Capital fees, contributions and grants decreased by $0.7 million (6.7%) over 2020. The main factors for the decrease are $1.7 million decrease in donations offset by $1.2 increase in capital contributions.

2020 Compared to 2019

Operating revenues decreased approximately $2.4 million (-0.9%) over 2019. The change was mainly driven by a decrease in unbilled revenue of $1.8 million, utility discount of $1.0 million, retail water sales of $0.9 million, tap revenue of $1.2 million and $0.3 million of miscellaneous fines and penalties. The decreases were offset by increases of $0.3 million in municipal utility services and $2.5 million in rate stabilization account.

Operating expenses decreased $7.2 million (-3.2%) from 2019. Notable factors affecting this change include decreases of $1.4 million in salaries, wages and benefits, $2.7 million in services, $1.9 million in other operating expenses, $0.6 million in intergovernmental payments and $0.4 million in depreciation and amortization.

Other expenses, net of other revenues increased by $0.5 million (2.7%) over 2019. The change was primarily due to a decrease in interest and debt service expenses of $2.8 million.

Capital fees, contributions and grants increased by $2.2 million (27.7%) over 2019. The main factors for the increase are $3.1 million increase in donations.

Financial Analysis (continued)

Capital Assets

The following table summarizes capital assets, net of accumulated depreciation, by major asset category as of December 31, 2021, 2020, and 2019:

Summary of Capital Assets, Net of Accumulated Depreciation

	December 31, 2021	December 31, 2020	December 31, 2019
Land and land rights	$ 54,361,920	$ 54,016,672	$ 48,319,324
Buildings	131,209,658	136,701,527	138,081,286
Structures	825,180,582	809,255,051	790,865,802
Machinery and equipment	254,893,874	270,111,490	285,317,611
Computer systems	19,794,129	22,261,534	22,096,338
Construction in progress	53,698,154	43,894,329	33,428,453
Artwork	2,150,701	1,567,614	1,481,184
Property held for future use	274,512	274,512	274,512
Capital assets, net of accumulated depreciation	$ 1,341,563,530	$ 1,338,082,729	$ 1,319,864,510

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

2021 Compared to 2020

The Fund's investment in capital assets for the year ended December 31, 2021, was $1.34 billion, net of accumulated depreciation. This represents an increase of $3.5 million (0.3%) compared to 2020. Addition of capital assets was offset by increased depreciation and disposals. Highlights of the Fund's major capital assets placed in service during 2021 include the following:

- $19.7 million for Water infrastructure improvements and rehabilitation
- $10.6 million reservoir coverings
- $5.8 million for Cedar and Tolt infrastructure and Facilities
- $1.8 million for Technology
- $ 0.5 million in City facility improvements.

As of December 31, 2021, the Fund had $53.7 million in construction in progress. Major projects under construction are the following:

- $7.2 million for Water system improvements and rehabilitation
- $4.7 million for Technology
- $3.2 million for Cedar and Tolt infrastructure and facility
- $1.6 million in City facility
- $0.4 million in reservoir covering

Financial Analysis (continued)

2020 Compared to 2019

The Fund's investment in capital assets for the year ended December 31, 2020, was $1.3 billion, net of accumulated depreciation. This represents an increase of $18.2 million (1.4%) compared to 2019. Addition of capital assets was offset by increased depreciation and disposals. Highlights of the Fund's major capital assets placed in service during 2020 include the following:

$21.9 million for Water infrastructure improvements and rehabilitation
$4.9 million for Cedar Falls and Lake Young's Facilities
$5.0 million for Infrastructure work for Cedar and Tolt
$4.3 million for Technology

As of December 31, 2020, the Fund had $33.4 million in construction in progress. Major projects under construction are the following:

$27.5 million for Water system improvements and rehabilitation
$12.7 million for Regional Facility and infrastructure
$4.9 million for Technology

Debt Administration

The Fund's debt primarily consists of bonded debt and loans. Bonded debt is secured solely by water system revenues and provides financing for capital improvements. Loans issued by the Washington State Agencies for certain capital improvements are unsecured. The Fund's credit ratings on its bonds were Aaa and Aa1 by Moody's Investors Service Inc. and Standard & Poor's Rating Services, respectively. Additional details about the Fund's revenue bonds and loans are in Notes 4 and 10 of this report.

2021 Compared to 2020

At December 31, 2021, the Fund had $664.5 million in bonded debt and $22.7 million in loans, as compared to $728.5 million and $24.8 million, respectively, at December 31, 2020. Bonded debt decreased a net $64.0 million, attributed to scheduled payments of debt principal on existing bonds, issuance of a new revenue and refunding bonds and defeasance of old bonds. Loans also decreased $2.0 million due to scheduled principal payments on existing loans.

2020 Compared to 2019

At December 31, 2020, the Fund had $728.5 million in bonded debt and $24.8 million in loans, as compared to $774.1 million and $26.8 million, respectively, at December 31, 2019. Bonded debt decreased a net $45.6 million, attributed to scheduled payments of debt principal on existing bonds. Loans also decreased $2.0 million due to scheduled principal payments on existing loans.

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, Finance and Administration Branch, Accounting Division, PO Box 34018, Seattle, WA 98124-4018, telephone (206) 684-3000.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Net Position

	December 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Operating cash and equity in pooled investments	$ 103,019,565	$ 140,762,314
Receivables		
Accounts, net of allowance	24,300,001	19,768,400
Interest and dividends	780,121	835,958
Unbilled revenues	16,776,780	16,516,809
Due from other funds	222,700	561,079
Due from other governments	1,860,149	884,847
Materials and supplies inventory	7,833,426	7,022,028
Prepayments and other current assets	71,593	111,305
Total current assets	154,864,335	186,462,740
NONCURRENT ASSETS		
Restricted cash and equity in pooled investments	113,183,254	93,098,242
Prepayments long-term	732,224	803,816
Conservation costs	24,838,794	26,171,056
Regulatory assets	8,482,608	6,017,105
Other charges	4,849,956	4,253,838
Capital assets		
Land and land rights	54,361,920	54,016,672
Plant in service, excluding land	2,183,917,307	2,146,526,408
Less accumulated depreciation	(952,839,064)	(908,196,806)
Construction in progress	53,698,154	43,894,329
Other property, net	2,425,213	1,842,126
Total noncurrent assets	1,493,650,366	1,468,426,786
Total assets	1,648,514,701	1,654,889,526
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on advanced refunding	15,589,025	18,337,668
Pension and OPEB contributions and changes in assumptions	12,663,353	13,368,696
Total deferred outflow of resources	28,252,378	31,706,364
Total assets and deferred outflows of resources	$ 1,676,767,079	$ 1,686,595,890

See accompanying notes.

Statements of Net Position

	December 31, 2021	December 31, 2020
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 9,266,873	$ 9,924,189
Salaries, benefits, and payroll taxes payable	3,077,310	3,587,341
Compensated absences payable	290,827	296,233
Due to other funds	3,198,888	4,525
Due to other governments	-	109,515
Interest payable	10,072,475	10,704,947
Taxes payable	887,812	811,140
Revenue bonds due within one year	47,345,000	46,235,000
Claims payable	1,404,703	1,324,184
Habitat conservation program liability	573,279	733,539
Loans payable, due within one year	2,049,935	2,049,935
Other	8,398,160	5,523,260
Total current liabilities	86,565,262	81,303,808
NONCURRENT LIABILITIES		
Compensated absences payable	5,525,719	5,628,415
Claims payable	4,034,671	3,907,560
Habitat conservation program liability	6,369,442	6,328,713
Loans payable	20,676,819	22,726,754
Unfunded other post employment benefits	3,384,866	3,014,776
Net pension liability	65,444,915	80,221,489
Other noncurrent liabilities	623,132	489,496
Revenue bonds	617,110,000	682,255,000
Bond premiums	86,133,284	84,745,352
Total noncurrent liabilities	809,302,848	889,317,555
Total liabilities	895,868,110	970,621,363
DEFERRED INFLOWS OF RESOURCES		
Unamortized gain on advanced refunding	3,905,643	-
Rate stabilization account	41,720,888	59,880,197
Deferred inflows-pension and OPEB	21,241,212	14,320,203
Total deferred inflows of resources	66,867,743	74,200,400
NET POSITION		
Net investment in capital assets	662,512,834	563,868,163
Restricted for		
Other charges	7,450,181	5,122,759
Conservation costs	3,640,400	3,535,719
Habitat conservation program	5,349,626	4,571,698
Unrestricted	35,078,185	64,675,788
Total net position	714,031,226	641,774,127
Total liabilities, deferred inflows of resources and net position	$ 1,676,767,079	$ 1,686,595,890

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended December 31,	
	2021	2020
OPERATING REVENUES		
Charges for services and other revenues	$ 303,499,096	$ 278,577,869
OPERATING EXPENSES		
Salaries, wages and personnel benefits	57,800,983	60,886,762
Supplies	5,961,728	5,670,627
Services	47,020,613	43,864,447
Intergovernmental payments	47,726,666	46,100,555
Depreciation	51,836,095	50,393,358
Amortization	3,885,933	4,092,999
Other operating expenses	7,891,784	2,433,255
Total operating expenses	222,123,802	213,442,003
OPERATING INCOME	81,375,294	65,135,866
NONOPERATING REVENUES		
Other nonoperating revenue	10,091,196	2,561,005
Investment income (loss)	(885,236)	8,898,503
Total nonoperating revenues	9,205,960	11,459,508
NONOPERATING EXPENSES		
Interest/debt service expenses	27,852,908	30,893,374
Other nonoperating expenses	1,170	-
Total nonoperating expenses	27,854,078	30,893,374
Income before capital contributions and grants	62,727,176	45,702,000
Capital contributions and grants	9,529,923	10,211,198
CHANGE IN NET POSITION	72,257,099	55,913,198
NET POSITION		
Beginning of year	641,774,127	585,860,929
End of year	$ 714,031,226	$ 641,774,127

 See accompanying notes.

	Years Ended December 31,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 288,505,955	$ 280,463,985
Cash paid to suppliers	(62,609,932)	(53,970,448)
Cash paid to employees	(65,307,700)	(65,777,972)
Cash paid for taxes	(45,659,283)	(44,316,495)
Net cash provided by operating activities	114,929,040	116,399,070
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital grants received	3,355,420	5,072,354
Payment for environmental liabilities	(1,170)	-
Net cash flows from noncapital financing activities	3,354,250	5,072,354
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the sales of bonds and other long-term debt	107,723,718	-
Principal payments on long-term debt	(155,969,260)	(42,532,929)
Capital expenditures and other charges paid	(59,084,306)	(75,331,822)
Interest paid on long-term debt	(34,147,913)	(36,478,733)
Build America Bonds Federal Interest Subsidy	1,884,728	1,937,152
Capital fees and grants received	6,174,503	5,138,843
Proceeds from sale of capital assets	191,629	119,624
Net cash used in capital and related financing activities	(133,226,901)	(147,147,865)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change on investment	(2,714,126)	6,959,734
NET DECREASE IN CASH AND EQUITY IN POOLED INVESTMENTS	(17,657,737)	(18,716,707)
CASH AND EQUITY IN POOLED INVESTMENTS		
Beginning of year	233,860,556	252,577,263
End of year	$ 216,202,819	$ 233,860,556
CASH AT THE END OF THE YEAR CONSISTS OF		
Operating cash and equity in pooled investments	$ 103,019,565	$ 140,762,314
Noncurrent restricted cash and equity in pooled investments	113,183,254	93,098,242
Total cash at the end of the year	$ 216,202,819	$ 233,860,556

See accompanying notes.

Seattle Public Utilities – Water Fund
(An Enterprise Fund of the City of Seattle)
Statements of Cash Flows (continued)

	Years Ended December 31,	
	2021	2020
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating income	$ 81,375,294	$ 65,135,866
Adjustments to reconcile net operating income to net cash provided by operating activities		
Adjustment for net pension liability	(7,150,223)	(1,012,927)
Depreciation and amortization	55,722,028	54,486,357
Other cash receipts	3,797,511	2,441,379
Changes in operating assets and liabilities		
Accounts receivable	(4,256,847)	(4,941,054)
Unbilled revenues	(259,971)	614,368
Due from other funds	63,624	1,905,355
Due from other governments	(975,302)	315,626
Materials and supplies inventory	(811,398)	(108,275)
Other assets	111,305	31,882
Accounts payable	(657,316)	(1,145,783)
Salaries, benefits, and payroll taxes payable	(510,030)	(3,762,359)
Compensated absences payable	(108,102)	1,113,325
Due to other funds	3,194,363	(341,299)
Due to other governments	(109,515)	109,515
Claims payable	207,630	36,290
Taxes payable	76,672	(51,674)
Regulatory liability - revenue stabilization fund	(18,159,309)	1,010,333
Credits and other	3,378,626	562,145
Total adjustments	33,553,746	51,263,204
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 114,929,040	$ 116,399,070
NONCASH TRANSACTIONS		
Contributed infrastructure	$ 3,251,810	$ 4,932,415

See accompanying notes.

Note 1 – Operations and Summary of Significant Accounting Policies

Operations – The City of Seattle, Seattle Public Utilities – Water Fund (the Fund) is a public utility enterprise fund of the City of Seattle (the City). The Fund was established to account for activities of the water system operated by Seattle Public Utilities (SPU). The water system, established in 1890, provides water to the greater Seattle area through direct service to customers and through purveyors, such as suburban water districts and municipalities. The activities of the water system include protection of available water supply, transmission of water to customers, development of water conservation programs, evaluation of new water sources, and management of the City's water system assets, which include the Tolt and Cedar River Watersheds, water pipes, pumping stations, and treatment plants.

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 some that are normally considered to be general and administrative. The Fund is charged a share of these costs and during 2021 and 2020, paid $22,719,184 and $20,707,277, 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 $35,036,125 and $34,019,832 for these taxes in 2021 and 2020, respectively.

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 technologies 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 $2,265,351 and $2,327,309 in 2021 and 2020, respectively. The Fund paid $113,764 and $31,132 for the utility billing services in 2021 and 2020, respectively.

Water services provided to other City departments and agencies are billed at rates prescribed by City ordinances. The Fund collected $4,260,281 and $3,461,381 in 2021 and 2020, respectively, from the City for water services provided.

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

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 statements of revenues, expenses, and changes in net position present increases (revenues) and decreases (expenses) in total net position.

Cash and equity in pooled investments – Cash resources of the Fund are combined with cash resources of the City in a pooled investment portfolio that is managed by the City's Finance and Administration Services Department. The City's investment portfolio consists of fixed income securities authorized by the Revised Code of Washington and other applicable law. The pool operates like a demand deposit account in that all City departments may deposit cash at any time and withdraw cash out of the pool without prior notice or penalty. Interest earned on the pooled investments is prorated to individual funds at the end of each month on the basis of their average daily cash balances during the month when interest was earned. Cash and equity in pooled investments are reported at fair market 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 Statement 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 account and a revenue stabilization account.

Receivables and unbilled revenues – Customer accounts receivable consist of amounts owed by private individuals, organizations and other city departments for goods delivered or services rendered in the regular course of business operations. Accounts receivable is shown net of allowances for doubtful accounts. The Fund also accrues an estimated amount for services that have been provided but not billed. Notes and contracts receivable arise from written agreements or contracts with public organizations and private individuals.

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

Allowance for doubtful accounts – A reserve has been established for uncollectible accounts receivable based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. As of December 31, 2021 and 2020, the Fund's allowance for doubtful accounts was $974,384 and $728,885, respectively.

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

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Regulatory assets – GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, allows for certain costs to be capitalized as a regulatory asset instead of charged to expense. A regulatory asset is recorded when it is probable that future revenue in an amount at least equal to the capitalized costs will be recovered through customer rates over some future period. The Fund uses regulatory accounting for debt issuance costs because these costs are included in the rate structure and, as such, will continue to be amortized over the life of the associated bond and loan issues. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, would have required these costs to be expensed in the period incurred if the Fund had not utilized regulatory accounting for these costs. The Fund uses regulatory accounting for interest costs incurred during the construction of capital assets because these costs are included in the rate structure and, as such, will continue to be amortized over the life of the associated capital assets. GASB Statement No. 89*, Accounting for Interest Cost Incurred before the End of a Construction Period*, would have required these costs to be recognized as an expense in the period incurred if the Fund had not utilized regulatory accounting for these costs.

Revenue Stabilization Account – The Revenue Stabilization Account (RSA) was established by City Ordinance 122841 to reduce year-to-year variation in rates. Amounts deposited into the RSA are excluded from the statements of revenues, expenses, and changes in net position and treated as a credit in accordance with GASB Statement No. 62. The RSA is included in the “Revenue Stabilization Account” identified in the Fund’s bond covenants. These covenants provide that withdrawals and deposits from the “Revenue Stabilization Account” shall augment or reduce adjusted net revenue available for the payment of debt service. In 2021, there was a withdrawal of $19 million from the RSA.

BPA account – In 2003, the Bonneville Power Administration (BPA) purchased an easement in the amount of $6.0 million from the Fund to construct a power transmission line through the Cedar River Watershed. This $6.0 million, together with $657,149 in timber sales related to the easement, were deposited into the BPA account and classified as restricted assets. At December 31, 2021 and 2020, the cash balance in the BPA account was $503,366 and $496,152, respectively. Monies in the BPA account are considered a portion of the “Revenue Stabilization Account” described in bond covenants, and therefore shall augment or reduce adjusted net revenue available for the payment of debt service. The Fund will recognize the revenues deposited in the BPA account in the calculation of adjusted net revenues available for the payment of debt service as they are withdrawn to fund certain activities in the Cedar River Watershed.

Conservation costs – Conservation program costs that result in long-term benefits and reduce or postpone other capital expenditures or have a legal requirement are included in noncurrent assets and amortized over their expected useful lives, commencing when each program is in place. The conservation program costs are amortized over their expected useful lives of ten years. Certain costs related to the Habitat Conservation Plan (HCP) are included in the noncurrent assets and amortized through 2050, the year in which the plan expires. An incidental take permit was issued to the City by the federal government approving the HCP for 50 years. Costs of administering the conservation and HCP programs are expensed as incurred.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Other charges – Other charges include costs such as the Water System Plan, leasehold improvements, and the Tolt Levee modification. The Fund amortizes these charges over a 2- to 33-year period.

Capital assets – Capital assets are stated at cost or, if contributed, at fair value at the date of contribution. Costs include direct material, labor, and indirect costs such as engineering, supervision, payroll taxes, pension benefits, and interest relating to the financing of projects under construction. The cost of current repairs and maintenance is charged to expense, while the cost of additions and improvements is capitalized. SPU's policy is to capitalize assets with a cost of $5,000 or more. The Fund receives donated assets such as water mains from developers and other governmental agencies. These donated assets are treated as a special item under capital contributions and grants in the statements of revenues, expenses, and changes in net position.

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

Other property – Other property is stated at cost, or if contributed, the fair value at the date of contribution. Other property includes artwork and property held for future use. The artwork is acquired through the City's "One Percent for Art" program, which supports the City ordinance established to direct the inclusion of works of art in public spaces within the City.

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

Buildings and fixtures	10 to 50 years
Earthen source of supply developments	100 years
Transmission and distribution pipelines, reservoirs, and tanks	15 to 100 years
Water mains	33 to 57 years
Pumps, wells, and treatment equipment	10 to 50 years
Machinery and equipment	3 to 20 years
Computer systems	3 to 11 years

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

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

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 has deferred loss on refunding debt which qualifies for reporting in this category. A deferred loss on refunding bonds 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 of resources for certain pension and OPEB activities including, the difference between projected and actual experience, the difference between projected and actual earnings on investments, and contributions made subsequent to the measurement date (Notes 6 and 9).

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 also recorded deferred inflows of resources for changes in proportion and differences between employer contributions and proportionate share of contributions. The Fund has a revenue stabilization account which qualifies for reporting in this category.

Compensated absences – Employees earn vacation based upon their date of hire and years of service and may accumulate earned vacation up to a maximum of 480 hours. Unused vacation at retirement or normal termination is considered vested and payable to the employee. Earned but unused vacation is accrued as a liability of the Fund. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit.

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

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

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.

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the 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.

Operating revenues – The Fund provides water service to wholesale and retail customers and recognizes revenue when such service is provided. Wholesale customers (Purveyors) are under contract with the Fund, and rates are set based on cost allocation criteria stipulated in the contracts.

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

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

Taxes – The Fund is charged a public utility tax by the City at a rate of 15.54% of Fund revenues, net of certain credits and certain revenues. In addition, the Fund paid a 5.029% public utility tax to the State on a certain portion of revenues identified as utility revenues. The Fund also paid business and occupation tax to the City at the rate of 0.222% and to the State at the rate of 1.75% for certain other non-utility revenues.

Other revenues and expenses – The Fund's non-operating revenues and expenses arise from transactions not related directly to the major income-earning operations of the utility and are of a recurring nature. Major items are investment and interest income, interest expense, gains or losses on the sale of assets, and amortization of debt expenses.

Net position – The statements of net position report all financial and capital resources. Assets and deferred outflows of resources minus liabilities and deferred inflows of resources is net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets, consists of capital assets, less accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Net position is restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The Fund's restricted net position as of December 31, 2021 and 2020, are mainly related to conservation costs, HCP and certain other charges.

Unrestricted net positions are those that are not "net investment in capital assets" or "restricted."

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Arbitrage rebate requirement – The Fund is subject to the Internal Revenue Code (IRC), Section 148(f), related to its tax-exempt revenue bond. The IRC requires that earnings on gross proceeds of any revenue bonds that are more than the amount prescribed will 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, 2021 and 2020.

Accounting standard changes – GASB has issued Statement No. 87, *Leases*. The new standard was issued in June 2017 and was originally scheduled for implementation for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the implementation dates of certain statements. As a result, GASB 87 will be effective for the Fund for reporting periods beginning after June 15, 2021. Under this rule, leases are all assumed to be capital financings of the underlying asset with only a narrow range of short-term equipment and motor vehicle leases treated as an ‘operating lease. GASB now assumes that all leases are ‘capital leases’ except for the specific exceptions noted. The Fund is evaluating the impact of this standard on the financial statements.

GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement was issued in June 2018 to be implemented effective for reporting periods beginning after December 15, 2019. Due to the COVID-19 pandemic, GASB issued Statement No. 95 which delayed the implementation dates of certain statements. GASB 89 is effective for the Fund for the year ended December 31, 2021. The Fund invoked regulatory accounting under GASB 62 effective January 1, 2021, and continues to capitalize interest as a charge to projects.

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

Note 1 – Operations and Summary of Significant Accounting Policies (continued)

Significant risks and uncertainties – 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, water conditions, weather and natural disaster-related disruptions, collective bargaining labor disputes, fish and other endangered species act issues, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance, and licensing of facilities.

Reclassifications – Certain reclassifications have been made to the prior year footnote presentations to correspond to the current year presentation. These reclassifications had no effect on the operating results of the Fund.

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 Department are combined with cash resources of the City to form a pool of cash that is managed by the City's Department of Finance and Administrative Services (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 balance sheets 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, 2021 and 2020, 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, 2021 and 2020, the City held sufficient cash in its vault for operations. Additional small amounts of cash were held in departmental revolving fund accounts with the City's various custodial banks, all of which fell within the NCUA/FDIC's $250,000 standard maximum deposit insurance amount. Any of the City's cash not held in its vault, or a local depository, was held in the City's operating fund (investment pool), and at the close of every business day, any cash remaining in the operating fund is swept into an overnight repurchase agreement that matures the next day.

Note 2 – Cash and Equity in Pooled Investments (continued)

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 Wells Fargo 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.

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.

Note 2 – Cash and Equity in Pooled Investments (continued)

Consistent with this profile, and for the purpose of comparing duration, yield and total return, the benchmark for the Strategic portfolio is the Barclays U.S. Government 1–7 year index. The duration of the Strategic Portfolio is targeted between 75% and 125% of the benchmark.

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

Investments – The Fund's cash resources may be invested by FAS separate from the cash and investments pool. Investments are managed in accordance with the City's Statement of Investment Policy, with limits and restrictions applied at the City-wide level rather than to specific investments of the Fund. As of December 31, 2021 and 2020, 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 Director of Finance and Administrative Services 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.

Note 2 – Cash and Equity in Pooled Investments (continued)

As of December 31, 2021, the City held $555.1 million on deposit in the Washington State Local Government Investment Pool (LGIP) managed by the Office of the Washington State Treasurer. The City's investments in the LGIP are reported at amortized cost which approximates fair value. It is overseen by the Office of the State Treasurer, the State Finance Committee, the Local Government Investment Pool Advisory Committee, and the Washington State Auditor's Office.

The City reports its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. 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. and investment in the State of Washington Local Government Investment Pool (LGIP) are accounted for at cost. The LGIP is an external investment pool and is measured at a net asset value (NAV) per share of $1. The remainder of the City's investments are purchased in the over-the-counter U.S. bond market and accounted for at market.

The City uses market pricing for its over-the-counter investments as provided by its contractual custodial agent, Wells Fargo Institutional Retirement & Trust, and its third-party investment accounting vendor FIS AvantGard LLC. Both Wells Fargo and FIS contract with Interactive Data Pricing and Reference Data, Inc., for securities pricing.

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

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

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

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

Note 2 – Cash and Equity in Pooled Investments (continued)

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, 2021, the City’s pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2021	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Treasury and U.S. Government-Backed Securities	$ 745,736,783	$ 745,736,783	$ -	$ -	651
U.S. Government Agency Securities	719,408,575	-	719,408,575	-	950
Local Government Investment Pool	555,140,850	-	555,140,850		3
U.S. Government Agency Mortgage-				-	
Backed Securities	358,218,426	-	358,218,426	-	2,375
Municipal Bonds	203,186,845	-	203,186,845		603
Repurchase Agreements	125,430,820	-	125,430,820	-	3
Corporate Bonds	88,971,783	-	88,971,783	-	632
International Bank for Reconstruction and Development	25,364,250	-	25,364,250	-	971
	$ 2,821,458,332	$ 745,736,783	$ 2,075,721,549	$ -	
Weighted Average Maturity of the City’s Pooled Investments					788

As of December 31, 2020, the City’s pooled investments were categorized within the fair value hierarchy as follows:

Investments	Fair Value as of December 31, 2020	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Weighted Average Maturity (Days)
U.S. Government Agency Securities	$ 760,599,687	-	$ 760,599,687	$ -	1,111
Local Government Investment Pool	519,690,038	-	519,690,038	-	1
U.S. Treasury and U.S. Government-Backed Securities	470,004,815	470,004,815	-	-	732
Municipal Bonds	319,681,755	-	319,681,755	-	2,597
U.S. Government Agency Mortgage-Backed Securities	268,695,014	-	268,695,014	-	1,616
Corporate Bonds	92,745,580		92,745,580	-	509
Repurchase Agreements	72,592,802	-	72,592,802	-	4
International Bank for Reconstruction and Development	41,064,600		41,064,600	-	1,654
	$ 2,545,074,291	$ 470,004,815	$ 2,075,069,476	$ -	
Weighted Average Maturity of the City’s Pooled Investments					1,010

Note 2 – Cash and Equity in Pooled Investments (continued)

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

	2021	2020
Cash and equity in pooled investments	$ 103,019,565	$ 140,762,314
Restricted cash and equity in pooled investments	113,183,254	93,098,242
Total	$ 216,202,819	$ 233,860,556
Balance as a percentage of City Pool cash and investments	7.7%	9.2%

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:

	2021		2020	
Issuer	Fair Value	Percent of Total Investments	Fair Value	Percent of Total Investments
Local Government Investment Pool	$ 745,736,783	26%	$ 519,690,038	20%
United States Government	555,140,850	20%	470,004,815	18%
Federal National Mortgage Association	412,991,031	15%	292,500,837	11%
Federal Home Loan Bank	159,613,722	6%	200,784,989	8%
Federal Home Loan Mortgage Corp	196,090,506	7%	193,228,369	8%
Federal Farm Credit Bank	129,090,979	5%	152,404,144	6%

Note 3 – Capital Assets

Capital asset activity consisted of the following for the year ended December 31, 2021:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 214,518,016	$ 535,848	$ (1,504,597)	$ 213,549,267
Structures	1,237,561,394	36,470,896	(805,669)	1,273,226,621
Machinery and equipment	594,087,854	2,951,576	(1,883,602)	595,155,828
Computer systems	100,359,144	1,626,447	-	101,985,591
Total capital assets - excluding land	2,146,526,408	41,584,767	(4,193,868)	2,183,917,307
Less accumulated depreciation	(908,196,806)	(47,811,209)	3,168,951	(952,839,064)
	1,238,329,602	(6,226,442)	(1,024,917)	1,231,078,243
Construction in progress	43,894,329	61,504,581	(51,700,756)	53,698,154
Land and land rights	54,016,672	345,248	-	54,361,920
Artwork	1,567,614	583,087	-	2,150,701
Property held for future use	274,512	-	-	274,512
Capital assets, net	$ 1,338,082,729	$ 56,206,474	$ (52,725,673)	$ 1,341,563,530

Capital asset activity consisted of the following for the year ended December 31, 2020:

	Beginning Balance	Additions and Transfers In	Retirements and Transfers Out	Ending Balance
Buildings	$ 210,759,070	$ 3,758,946	$ -	$ 214,518,016
Structures	1,197,172,414	41,088,818	(699,838)	1,237,561,394
Machinery and equipment	591,560,925	3,454,484	(927,555)	594,087,854
Computer systems	96,082,846	4,276,298	-	100,359,144
Total capital assets - excluding land	2,095,575,255	52,578,546	(1,627,393)	2,146,526,408
Less accumulated depreciation	(859,214,220)	(50,393,358)	1,410,772	(908,196,806)
	1,236,361,035	2,185,188	(216,621)	1,238,329,602
Construction in progress	33,428,453	67,420,370	(56,954,494)	43,894,329
Land and land rights	48,319,324	5,697,348	-	54,016,672
Artwork	1,481,184	86,430	-	1,567,614
Property held for future use	274,512	-	-	274,512
Capital assets, net	$ 1,319,864,508	$ 75,389,336	$ (57,171,115)	$ 1,338,082,729

During 2021 and 2020, the Fund capitalized interest costs as a regulatory asset relating to construction of $1,967,414 and $1,753,540, respectively.

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 $20,884,236 in a debt service reserve account and has obtained reserve insurance policies to meet the remainder of its reserve requirements. The total bonds outstanding as of December 31, 2021 and 2020, were $664,455,000 and $728,490,000, respectively.

Revenue bonds outstanding as of December 31, 2021 and 2020, consisted of the following Municipal Water bonds:

Name of Issue	Issuance Date	Maturity Years	Interest Rates	Original Issue Amount	Bonds Outstanding 2021	Bonds Outstanding 2020
2010 Improvement, Series A [a] (Taxable)	1/21/10	2019-2040	4.67-5.89%	$ 109,080,000	$ 98,680,000	$ 102,255,000
2010 Improvement and Refunding, Series B	1/21/10	2010-2027	3.0-5.0%	81,760,000	-	28,215,000
2012 Refunding	5/30/12	2012-2034	2.0-5.0%	238,770,000	62,660,000	153,475,000
2015 Improvement and Refunding	6/10/15	2015-2045	2.0-5.0%	340,840,000	247,250,000	265,245,000
2017 Improvement and Refunding	1/25/17	2017-2046	4.0-5.0%	194,685,000	173,645,000	179,300,000
2021 Improvement and Refunding	6/14/21	2022-2034	4.0-5.0%	82,220,000	82,220,000	-
				$ 1,047,355,000	$ 664,455,000	$ 728,490,000

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

Years Ending December 31,	Principal	Interest	Total
2022	$ 47,345,000	$ 31,002,714	$ 78,347,714
2023	50,465,000	28,614,295	79,079,295
2024	43,715,000	26,062,249	69,777,249
2025	45,850,000	23,837,609	69,687,609
2026	43,400,000	21,577,327	64,977,327
2027 - 2031	189,810,000	77,932,736	267,742,736
2032 - 2036	129,180,000	40,915,714	170,095,714
2037 - 2041	77,500,000	16,012,499	93,512,499
2042 - 2046	37,190,000	4,141,900	41,331,900
	$ 664,455,000	$ 270,097,043	$ 934,552,043

Note 4 – Revenue Bonds (continued)

The following table shows the revenue bond activity during the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 728,490,000	$ 82,220,000	$ (146,255,000)	$ 664,455,000	$ 47,345,000
Add (deduct) deferred amounts					
Issuance premiums	84,745,352	21,854,978	(20,467,047)	86,133,283	-
Total bonds payable	$ 813,235,352	$ 104,074,978	$ (166,722,047)	$ 750,588,283	$ 47,345,000

The following table shows the revenue bond activity during the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	$ 774,115,000	$ -	$ (45,625,000)	$ 728,490,000	$ 46,235,000
Add (deduct) deferred amounts					
Issuance premiums	89,323,647	-	(4,578,295)	84,745,352	-
Total bonds payable	$ 863,438,647	$ -	$ (50,203,295)	$ 813,235,352	$ 46,235,000

Defeasance of debt – The Fund defeased certain obligations by placing the proceeds of new bonds and a certain amount of operating cash in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result, the old bonds are considered defeased, and the corresponding liabilities and trust account assets are not included in the statements of net position. In 2021, $75,265,000 bonds were defeased and $24,755,000 were redeemed as shown below:

Name of Issue	Amount Outstanding at December 31, 2020	Additions	Redemptions	Amount Outstanding at December 31, 2021
2010 Improvement and Refunding, Series B	$ -	$ 24,755,000	$ (24,755,000)	$ -
2012 Improvement and Refunding	-	75,265,000	-	75,265,000
	$ -	$ 100,020,000	$ -	$ 75,265,000

Note 4 – Revenue Bonds (continued)

In June 2021, the Fund issued $82,220,000 of Water System Improvement and Refunding Revenue Bonds with varying annual principal payments due beginning 2022 and ending in 2034, at interest rates ranging from 4.0 percent and 5.0 percent. A portion of the proceeds were used to fully refund the remaining 2010B Water System Improvement and Refunding bonds. As a result of the refunding, the Fund reduced total debt service requirements by $3.9 million resulting in an economic gain (difference between the present value of the debt service payments on the old and new debts) of $3.9 million.

In July 2021, the Fund used operating cash to partially defease the 2012 bonds, reducing the principal amount owed by $75.3 million.

Financial covenants – The revenue bonds contain certain financial covenants, the most significant of which requires the Fund to maintain net revenue available for debt service at least equal to 125% of average annual debt service. For 2021, net revenue available for debt service, as defined by the bond covenants, was 2.28% of annual debt service. As of December 31, 2021, management believes the Fund complied with all debt covenants. For more information, see Other Information (page 50).

Note 5 – Leases

The Fund has noncancelable operating lease commitments for real and personal property with minimum payments of $155,008 in 2021 and $152,345 in 2020. Rents are paid as they become due and payable.

Minimum payments under the leases for the years ending December 31 are shown below:

	Minimum Payments
2022	$ 155,308
2023	155,614
2024	155,206
2025	46,218
2026	12,625
2027 - 2031	37,875
	$ 562,846

Note 6 – Postemployment Benefit Plans

Deferred compensation – The City offers all of its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code (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 that 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.

Note 6 – Postemployment Benefit Plans (continued)

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 2014–2017.

Valuation date	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Discount rate	2.74%
Health care cost trend rates – medical	6.55% in 2020, decreasing to 6.32% in 2021, and decreasing by varying amounts until 2030 thereafter
Health care cost trend rates – Rx	9.00% in 2020, decreasing to 8.50% in 2021, and decreasing by varying amounts until 2030 thereafter
Participation	25% of active employees who retire participate

Mortality

General Service (Actives)

Males: RP-2014 Employees Table for Males, adjusted by 60%
Females: RP-2014 Employees Table for Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 ultimate rates

General Service (Retirees)

Males: RP-2014 Healthy Annuitant Males, adjusted by 95%
Females: RP-2014 Healthy Annuitant Females, adjusted by 95%
Rates are projected generationally using Scale MP-2014 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.

Note 6 – Postemployment Benefit Plans (continued)

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.

	Aetna Preventive Plan			Aetna Traditional Plan		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 11,520	$ 2,677	$ 358	$ 11,243	$ 2,659	$ 358
52	12,533	2,912	358	12,230	2,893	358
55	14,220	3,305	358	13,877	3,282	358
57	15,499	3,601	358	15,125	3,576	358
60	17,638	4,097	358	17,210	4,069	358
62	19,003	4,415	358	18,543	4,384	358

	Group Health Deductible			Group Health Standard		
Age	Medical	Rx	Admin	Medical	Rx	Admin
50	$ 4,961	$ 1,145	$ 689	$ 5,291	$ 1,171	$ 689
52	5,397	1,246	689	5,755	1,273	689
55	6,123	1,413	689	6,531	1,445	689
57	6,674	1,540	689	7,118	1,574	689
60	7,595	1,752	689	8,100	1,792	689
62	8,182	1,888	689	8,727	1,930	689

The average medical and prescription drug per capita claims costs were developed from 2021 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 2021 four-tier rate structure including the add-on cost of dependent children and trended back from 2021 to 2020 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.

The average medical and prescription drug per capita claims costs were blended with the 2019 medical/Rx per capita developed claims cost trended forward to the valuation date.

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 2021 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.

Note 6 – Postemployment Benefit Plans (continued)

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 same plan and coverage. After retirement, it is assumed that children will have aged off coverage and will have $0 liability.

OPEB liability – The Fund reported an OPEB liability of approximately $3.4 million in 2021 and $3.0 million in 2020. The Fund's proportionate share of the change in the OPEB liability was 4.62% and 4.52% for the years ended December 31, 2021 and 2020, respectively. Based on the actuarial valuation date of January 1, 2020, details regarding the Fund's Total OPEB Liability as of December 31, 2021, are shown below.

($ in thousands)	**Total OPEB Liability**
Changes recognized for the fiscal year:	
Service cost	$ 185.5
Interest on the total OPEB liability	83.8
Differences between expected and actual experience	0.0
Changes of assumptions	172.7
Benefit payments	(135.5)
Contributions from the employer	0.0
Other changes	63.6
Net changes	370.1
Balance recognized at 12/31/2020	3,014.8
Balance recognized at 12/31/2021	$ 3,384.9

The Fund recorded an expense for OPEB of $220,456 in 2021 and $203,851 in 2020. The Health Care Subfund of the General Fund is reported in The City of Seattle's Annual Comprehensive Financial Report.

Note 6 – Postemployment Benefit Plans (continued)

Discount rate and healthcare cost trend rates – The discount rate used to measure the total OPEB liability is 2.12% for 2021 and 2.74% for 2020. The following tables present the sensitivity of 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
(in millions)

	OPEB Liability at December 31, 2021	OPEB Liability at December 31, 2020
Discount rate		
1% decrease	$ 3.7	$ 3.3
Current discount rate	3.4	3.0
1% increase	3.1	2.8

The following table presents the sensitivity of net 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:

Healthcare Cost Trend Rate Sensitivity
(in millions)

	OPEB Liability at December 31, 2021	OPEB Liability at December 31, 2020
Discount rate		
1% decrease	$ 3.0	$ 2.7
Trend rate	3.4	3.0
1% increase	3.9	3.4

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, 2021.

(in thousands)	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	$ 625.5	$ -
Assumption changes	154.3	1,022.7
Contributions made in 2021 after measurement date	140.4	N/A
Total	$ 920.2	$ 1,022.7

Note 6 – Postemployment Benefit Plans (continued)

The Fund's contributions made in 2021 in the amount of $140,439 are reported as deferred outflows of resources and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. These contributions will be recognized in the future as shown in the following table. Note that additional future deferred outflows and inflows of resources may impact these amounts.

Year Ending December 31, *(in thousands)*	Amortization
2022	$ (54.0)
2023	(54.0)
2024	(54.0)
2025	(54.0)
2026	(54.1)
Thereafter	27.2
Total	$ (242.9)

The Health Care Sub Fund of the General Fund is reported in the City's Comprehensive Annual Financial Report, which can be obtained by writing the Department of Finance, City of Seattle, PO Box 94747, Seattle, Washington 98124-4747 or www.seattle.gov/financial-services/comprehensive-annual-financial-report.

Note 7 – 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 2021 and 2020, liabilities for workers' compensation claims, as well as other claims, are discounted over a 15-year period at the City's rate of return on investments of 1.378% and 1.816%, respectively. Claims expected to be paid within one year are $1,404,703 and $1,324,184 at December 31, 2021 and 2020, respectively. The table below presents the changes in the liability for workers' compensation claims and other claims (risk-financing liabilities) as of December 31:

	2021	2020
Beginning liability, discounted	$ 5,231,744	$ 5,195,454
Payments	(829,841)	(489,679)
Incurred claims and changes in estimate	1,037,471	525,969
Ending liability, discounted	$ 5,439,374	$ 5,231,744

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

Note 8 – Compensated Absences

The Fund has recorded a liability for earned but unused compensatory and vacation leave, as well as estimated sick leave payments calculated based on the termination payment method. The schedule below presents the compensated absences activity during the years ended December 31:

	2021	2020
Beginning liability	$ 5,924,648	$ 4,811,323
Additions	6,157,247	5,414,964
Reductions	(6,265,349)	(4,301,639)
Ending liability	$ 5,816,546	$ 5,924,648

Note 9 – Pension Benefit Plan

Plan description – The Seattle City Employees' Retirement System (the System) is a cost-sharing multiple employer pension plan covering employee 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 permanent 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.

Note 9 – Pension Benefit Plan (continued)

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.

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	2021	10.03%	7.00%
	2020	10.03%	7.00%
Employer Contribution	2021	16.20%	15.72%
	2020	16.20%	15.76%

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, 2021 and 2020, were $8,226,382 and $8,253,575, 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 www.seattle.gov/retirement/annual_report.htm.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2021 and 2020, the Fund reported a liability of $65,444,915 and $80,221,489, respectively, its proportionate share of the Systems' net pension liability. The net pension liability was measured as of December 31, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of these dates. 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, 2021 and 2020, the Fund's proportion was 5.85% and 5.73%, respectively.

Note 9 – Pension Benefit Plan (continued)

For the years ended December 31, 2021 and 2020, the Fund recognized pension expense of approximately $3,000,000 and $8,757,000, respectively.

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 229,177	$ 1,739,940
Change of assumptions	2,956,687	-
Net difference between projected and actual earnings	-	17,284,684
Contributions made subsequent to measurement date	8,557,308	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,193,936
Total	$ 11,743,172	$ 20,218,560

The Fund's deferred outflows and inflows of resources are as follows at December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,907	$ 2,436,135
Change of assumptions	3,926,421	-
Net difference between projected and actual earnings	-	6,249,661
Contributions made subsequent to measurement date	8,584,501	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	4,466,236
Total	$ 12,522,829	$ 13,152,032

Note 9 – Pension Benefit Plan (continued)

Amounts currently reported as deferred outflows of resources relate to actual experience and difference in actual earnings on pension investments from projected earnings and will be recognized in pension expense as follows for years ending December 31:

2022	$	(5,633,626)
2023		(2,343,252)
2024		(6,075,839)
2025		(3,178,608)
2026		198,629
Total	$	(17,032,696)

Actuarial assumptions – The total pension liability as of December 31, 2021, was determined using the following actuarial assumptions:

Valuation date	January 1, 2020
Measurement date	December 31, 2020
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	2.75%
Investment rate of return	7.25% compounded annually, net of expenses
Discount rate	7.25%
Projected general wage inflation	3.5%
Postretirement benefit increases	1.5%
Mortality	Various rates based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale. See 2018 Investigation of Experience report for details.

The actuarial assumptions that determined the total pension liability as of the measurement date were based on the results of an actuarial experience study for the period January 1, 2014, through December 31, 2017.

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

Note 9 – Pension Benefit Plan (continued)

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, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equity: Public	4.25%
Equity: Private	7.32%
Fixed Income: Broad	-0.10%
Fixed Income: Credit	3.26%
Real Assets: Real Estate	3.41%
Real Assets: Infrastructure	3.85%

Sensitivity analysis – The following presents the Fund's proportionate share of the net pension liability calculated using the discounted rate of 7.25%, 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 (6.25%) or 1 percentage point higher (8.25%) than the current rate.

1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
$ 103,311,934	$ 65,444,915	$ 33,785,794

Note 10 – Loans

The Fund has various construction projects that are financed by low interest loans issued by the State. The loan agreements require that the Fund finance a portion of these projects from other sources. These loans have been used to enhance and protect the water system.

Loans outstanding as of December 31, 2021 and 2020, are as follows:

Description	Maturity Years	Interest Rate	Loan Amount	Loans Outstanding 2021	Loans Outstanding 2020
Myrtle Reservoir	2008-2025	1.5%	$ 4,040,000	$ 897,778	$ 1,122,222
Beacon Reservoir	2008-2026	1.5%	4,040,000	1,063,158	1,275,789
West Seattle Reservoir	2009-2027	1.5%	3,030,000	956,842	1,116,316
Maple Leaf	2011-2029	1.5%	3,030,000	1,290,799	1,452,149
Maple Leaf ARRA	2013-2031	1.0%	7,341,758	4,037,967	4,405,055
Morse Lake Pump Plant #1	2014-2037	1.5%	12,120,000	9,696,000	10,302,000
Morse Lake Pump Plant #2	2017-2036	1.5%	6,060,000	4,784,210	5,103,158
			$ 39,661,758	$ 22,726,754	$ 24,776,689

Minimum debt service requirements to maturity on the loans are as follows:

Years Ending December 31,	Principal	Interest	Total
2022	$ 2,049,935	$ 320,711	$ 2,370,646
2023	2,049,935	291,798	2,341,733
2024	2,049,935	262,884	2,312,819
2025	2,049,935	233,971	2,283,906
2026	1,825,490	205,057	2,030,547
2027 - 2031	7,103,699	690,750	7,794,449
2032 - 2036	4,991,825	257,234	5,249,059
2037	606,000	9,090	615,090
	$ 22,726,754	$ 2,271,495	$ 24,998,249

The table below summarizes the activity for the loans for the years ended December 31:

	2021	2020
Net loans, beginning of year	$ 24,776,689	$ 26,826,623
Loan proceeds	-	-
Principal payments	(2,049,935)	(2,049,934)
Net loans, end of year	$ 22,726,754	$ 24,776,689
Loans due within one year	$ 2,049,935	$ 2,049,935
Loans, noncurrent	$ 20,676,819	$ 22,726,754

Note 11 – Commitments

The Fund is required by the Washington State Department of Health (DOH) to complete a program to cover its open, above-ground distribution system reservoirs. The total cost of burying six reservoirs is expected to be approximately $221.6 million through the year 2025; costs beyond 2025 are not estimable as of the date of this report. As of December 31, 2021 and 2020, total cumulative costs incurred were $177.7 million and $168.9 million, respectively.

The City has wholesale contracts with Cascade Water Alliance (CWA) and nineteen individual water districts and municipalities. Sixteen wholesale customers have full and partial requirements contracts which obligate the City to meet the wholesale customers' demand that is not already met by their independent sources of supply. The full and partial requirements contracts include amendment periods where the parties may opt to review and change certain contract terms and conditions in 2022 and 2042. The City and the full and partial requirements Wholesale Customers began the review of certain contract terms in 2021 to determine if any amendments are desired in 2022 under the first amendment period. This review period has been extended one year by mutual agreement, with potential amendments becoming effective in 2023.

Two wholesale customers (including CWA) have block contracts which obligate the City to provide water up to a combined maximum of 41.85 MGD per year. Two other wholesale customers have emergency intertie agreements and do not purchase water from Seattle on a regular basis. The CWA contract expires in 2063 while other wholesale contracts expire in 2062. In 2020, Cascade requested that the City consider selling it additional increments of surplus water that would extend the date at which Cascade's block would begin to decline to sometime past 2039. The City's declining block contract does not obligate the City to sell any additional surplus water to Cascade or any further extensions, unless by mutual agreement. The City began discussions with Cascade in 2022.

The City also has a contract with the City of North Bend to provide untreated water supply up to an average annual amount of 1.1 MGD through 2066 for use in supplementing stream flows.

Note 12 – Habitat Conservation Program Liability

SPU has prepared a comprehensive environmental management plan for its Cedar River Watershed. The purpose of the Habitat Conservation Plan (HCP) is to protect all species of concern that may be affected by the operations of SPU and SCL in the Cedar River Watershed, while allowing the City to continue to provide high quality drinking water to the region. The federal government has accepted the HCP. The total cost of implementing the HCP is expected to be $116.2 million (in 2021 dollars) over a period of 50 years (from the year 2000 through the year 2050).

Expenditures are being funded from a combination of the Fund's operating revenues and issuance of revenue bonds. The total amount expended for the HCP through 2021 is $100.2 million. The remaining $16.0 million to complete the HCP is comprised of an $7.8 million liability and an estimate of $8.2 million for construction and operating commitments. The construction activities will add to the Fund's capital assets and the operating activities are mainly research, monitoring, and maintenance of the HCP Program that will be expensed as incurred.

Required Supplementary Information

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

	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability	14.62%	14.33%	14.55%	14.73%	15.13%	16.37%
Employer's proportionate share of the net pension liability	$ 143,163,797	$ 180,105,232	$ 221,049,893	$ 163,086,154	$ 197,454,529	$ 212,671,200
Employer's covered payroll	$ 127,584,358	$ 112,528,955	$ 111,973,027	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	112.21%	160.05%	197.41%	151.40%	185.06%	202.48%
Plan fiduciary net position as a percentage of the total pension liability	78.81%	71.48%	64.14%	72.04%	65.60%	64.03%

Schedule of Seattle Public Utilities' Pension Contributions

	2021	2020	2019	2018	2017	2016
Contractually required employer contribution	$ 20,654,175	$ 17,041,133	$ 17,103,559	$ 16,466,270	$ 16,354,089	$ 16,487,154
Contributions in relation to the contractually required employer contribution	(20,654,175)	(17,041,133)	(17,103,559)	(16,466,270)	(16,354,089)	(16,487,154)
Employer contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 127,584,358	$ 112,528,955	$ 111,973,027	$ 107,715,383	$ 106,696,535	$ 105,031,141
Employer contributions as a percentile of covered payroll	16.19%	15.14%	15.27%	15.29%	15.33%	15.70%

Schedule of City of Seattle's OPEB Liability and Related Ratios

	December 31, 2021	December 31, 2020	December 31, 2019
Total OPEB Liability			
Normal cost	$ 4,015,249	$ 3,378,925	$ 3,842,152
Interest	1,813,401	2,586,942	2,195,238
Differences between expected and actual experience	-	6,956,579	-
Changes in assumptions	3,738,597	(7,760,776)	(3,886,702)
Benefit payment	(2,933,774)	(2,484,320)	(2,333,610)
Total OPEB liability – beginning of year	63,624,261	60,946,911	61,129,833
Total OPEB liability – end of year	$ 70,257,734	$ 63,624,261	$ 60,946,911
Covered-employee payroll	$ 1,124,692,046	$ 1,124,692,046	$ 1,015,097,334
Net OPEB liability as percentage of covered-employee payroll	6.25%	5.66%	6.00%

Other Information (Unaudited)

Water Fund Debt Service Coverage Calculation 2021

Operating Revenues	
Utility Service	$ 232,552,010
Wholesale/Commercial	57,361,589
Other	13,585,497
Total Operating Revenue	303,499,096
Operating Expense	
Salaries and Wages	41,261,728
Personnel Benefits	16,539,255
Supplies	5,961,728
Services	47,020,613
Intergovernmental Payments	47,726,666
Other Operating Expense	7,891,784
Total Operating Expenses	166,401,774
Net Operating Income	137,097,322
Adjustments	
Add: Capital Contributions Connection Charge	4,613,416
Add: City Taxes	35,036,125
Add: Investment Interest	2,261,079
Less: DSRF Earnings	(302,533)
Add: BAB's Subsidy	1,884,728
Add (Less): Net Other Nonoperating Revenues/(Expenses)	5,875,550
Add: Proceeds from Sale of Assets	423,212
Total Adjustments	49,791,577
Net Revenue Available for Debt Service	$ 186,888,899
w/o Credit for City Taxes	$ 151,852,774
Annual Debt Service	
Annual Debt Service	$ 82,409,059
Less: DSRF Earnings	(302,533)
Adjusted Annual Debt Service	$ 82,106,526
Coverage	2.28
Coverage without taxes	1.85

Water System Operating Statistics

	2017	2018	2019	2020	2021
Population Served					
Retail	770,800	788,000	788,500	820,000	**
Wholesale[(1)]	707,200	718,000	722,500	741,000	**
Total Population Served	1,478,000	1,506,000	1,511,000	1,561,000	**
Water Sales Revenues ($000)[(2)(3)]					
Retail	$ 195,291	$ 198,516	$ 200,304	$ 207,590	$ 213,552
Wholesale	56,210	57,941	57,805	56,782	57,362
Total Water Sales Revenues	$ 251,501	$ 256,457	$ 258,109	$ 264,372	$ 270,914
Billed Water Consumption (MG)[(3)]					
Retail	20,312	20,233	19,889	18,882	19,522
Wholesale	22,905	22,987	22,128	21,712	23,328
Total Billed Water Use	43,217	43,220	42,017	40,594	42,850
Operating Costs ($ per MG)	$ 4,675	$ 4,924	$ 5,065	$ 5,246	$ 5,184
Gallons Used per Day per Capita	80	79	76	71	75
Retail Meters in Use	195,331	196,634	197,747	198,726	200,152
Number of New Retail Meters	751	1,303	1,113	979	1,426
Total Water Diversions (MGD)	124.0	125.0	124.2	118.2	124.9
Non-Revenue	5.6	6.5	9.1	7.0	7.5
% Non-Revenue	4.5	5.2	7.3	5.9	6.0

** 2021 population served estimates are unchanged from 2020 estimates. Data used to estimate population is currently not available and is not expected to be available until late 2022 or early 2023.

(1) This is the estimated total population served by SPU's water supply

(2) Revenues represent payments from customers for service provided at published rates in each year. Revenues shown do not include the impacts of transfers to/from the Revenue Stabilization Account.

(3) Per capita billed water consumption has been generally decreasing for the past 25 years. Variations in billed water use are primarily associated with year-to-year variations in temperature and precipitation in the summer irrigation period. There has been no change in the geographic area service nor any appreciable change in the number or composition of retail customers.

(5) Gallons used per Day per Capita in 2021 uses the population from 2020.

Major Retail Water Customers – 2021 Annual Revenues and Volumes

City of Seattle, Port of Seattle, University of Washington, Seattle Housing Authority, King County, Equity Residential, Nucor Steel, Marriott International Inc., Seattle Public Schools, Certainteed Gypsum. In aggregate, charges to these customers represented roughly 10% of total billed direct service revenue for the year.

Water Rates – Effective January 1, 2021

Effective January 1, 2021

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)
		Direct Service												
	RATE SCHEDULES	Inside City				Outside City				City of Shoreline / City of Lake Forest Park				
		Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	Residential	MMRD*	Gen Svc	Fire Service	MMRD* w/PUT
1	Commodity Charge ($/100 Cubic Feet)													
2														
3	Offpeak Usage (Sept 16-May 15)	$5.40	$5.40	$5.40		$6.16	$6.16	$6.16		$6.55	$6.55	$6.55		$6.13
4	Peak Usage (May 16-Sept 15)													
5	Up to 5 ccf**	$5.55	$5.55	$6.86		$6.33	$6.33	$7.82		$6.73	$6.73	$8.32		$6.30
6	Next 13 ccf**	$6.86	$6.86	$6.86		$7.82	$7.82	$7.82		$8.32	$8.32	$8.32		$7.79
7	Over 18 ccf**	$11.80	$11.80	$6.86		$13.45	$13.45	$7.82		$14.31	$14.31	$8.32		$13.39
8														
9	Usage over base allowance				$20.00				$22.80				$24.30	
10														
11	Utility Credit ($/month)	$22.85		$12.50		$22.85		$12.50		$22.85		$12.50		
12														
13														
14	Base Service Charge ($/month/meter)													
15														
16	3/4 inch and less	$18.45		$18.45		$21.05		$21.05		$22.40		$22.40		
17	1 inch	$19.00		$19.00		$21.65		$21.65		$23.05		$23.05		
18	1-1/2 inch	$29.35	$29.35	$29.35		$33.45	$33.45	$33.45		$35.60	$35.60	$35.60		$33.30
19	2 inch	$32.50	$32.50	$32.50	$17.75	$37.05	$37.05	$37.05	$20.00	$39.40	$39.40	$39.40	$22.00	$36.85
20	3 inch	$120.30	$120.30	$120.30	$23.00	$137.15	$137.15	$137.15	$26.00	$145.90	$145.90	$145.90	$28.00	$136.55
21	4 inch	$172.35	$172.35	$172.35	$43.00	$196.50	$196.50	$196.50	$49.00	$209.00	$209.00	$209.00	$52.00	$195.60
22	6 inch		$212.00	$212.00	$73.00		$242.00	$242.00	$83.00		$257.00	$257.00	$89.00	$241.00
23	8 inch		$250.00	$250.00	$115.00		$285.00	$285.00	$131.00		$303.00	$303.00	$139.00	$284.00
24	10 inch		$305.00	$305.00	$166.00		$348.00	$348.00	$189.00		$370.00	$370.00	$201.00	$346.00
25	12 inch		$412.00	$412.00	$242.00		$470.00	$470.00	$276.00		$500.00	$500.00	$293.00	$468.00
26	16 inch		$477.00	$477.00			$544.00	$544.00			$579.00	$579.00		$542.00
27	20 inch		$614.00	$614.00			$700.00	$700.00			$745.00	$745.00		$697.00
28	24 inch		$771.00	$771.00			$879.00	$879.00			$935.00	$935.00		$875.00

* Master Metered Residential Development
** per residence

MOSSADAMS

MOSSADAMS

Seattle Public Utilities

Report to Transportation and Seattle Public Utilities

A Committee of the Seattle City Council

REPORT ON 2021 AUDITS

May 17, 2022

Scope of Services

- Separate financial statement audit for each of the three utilities: Water, Drainage & Wastewater, Solid Waste
- SPU management is responsible for the preparation and fair presentation of the financial statements
- Auditor's responsibility is to express an opinion on the financial statements
  - Presented fairly in all material respects
  - In conformity with generally accepted accounting principles
- We test certain systems within the structure of internal controls in place at SPU, and verify debt coverage and debt covenant compliance

Purpose of our Audits

- Audits of Seattle Public Utilities (SPU) are relied upon by the Washington State Auditor's Office in their audit of the City – no duplication of efforts
- The financial statements of Seattle Public Utilities are 'rolled up' into the City of Seattle's Annual Comprehensive Financial Report
- Audit report for each fund is used in official statements for bond issuances
- Audit report and financial statements are also available to other stakeholders

Auditor's Reports Issued

Unmodified Opinion

for each of the three separate statements for Water, Drainage & Wastewater and Solid Waste Funds

- Financial statements are presented fairly and in accordance with US GAAP – promulgated by the Governmental Accounting Standards Board (GASB)
- Reports dated – April 29, 2022

Audits and reports on internal control and compliance over financial reporting in accordance with *Government Auditing Standards*

- No material weaknesses noted as a result of our audits
- No significant deficiencies reported
- Reports dated – April 29, 2022

Our Responsibility Under Auditing Standards

1

To **express our opinion on whether the financial statements prepared by management with your oversight** are fairly presented, in all material respects, and conform to US GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States and **design the audit to obtain reasonable, rather than absolute, assurance** about whether the financial statements are free of material misstatement.

3

To **consider internal control over financial reporting as a basis for designing audit procedures** but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To **communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process**. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Areas of Audit Emphasis

- **Cash and Investments:** Earnings and classification
- **Utility Plant and Related Accounts:** Work order cycle, capital projects, depreciation, overhead charges
- **Accounts and Other Receivables**
- **Bonds and Related Accounts:** Issuances and repayments, interest expense, covenant compliance, arbitrage liability, debt defeasance
- **Regulatory Assets and Liabilities/Credits and Deferred Accounts**
- **Internal Controls:** Cash receipts and disbursements, payroll, financial close and reporting, budgeting, treasury, debt, information technology/general computer controls

Areas of Audit Emphasis – continued

- **Accrued Liabilities:** Environmental remediation liability, pollution remediation obligation and landfill closure/post-closure care
- **Operations:** Retail and wholesale sales, operating expenses, capital and operating contributions and grants
- **Net Position Classification**
- **Outstanding Bonds:** New bond issuances and refundings or defeasance of old bonds
- **Management Discussion & Analysis and Note Disclosures**

Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Significant Accounting Practices:

Our views about qualitative aspects of SPU's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

MOSS ADAMS COMMENTS

- The quality of SPU's accounting policies and underlying estimates are discussed in Note 1 to the financial statements. There were no changes in SPU's approach to applying the critical accounting policies.
- Management Estimates –
  - unbilled revenue,
  - allowance for doubtful accounts,
  - certain bond related accounts,
  - depreciable lives of capital assets,
  - environmental liabilities, litigation, contingencies,
  - landfill closure and post-closure care (within Solid Waste),
  - other post employment benefits, compensated absences

Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED	MOSS ADAMS COMMENTS
Significant Difficulties encountered during the audit	None
Disagreements With Management: Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Utilities' financial statements, or the auditor's report.	There were no disagreements with management

Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED

Uncorrected misstatements

Uncorrected misstatements that were brought to the attention of management as a result of audit procedures.

Material, corrected misstatements

Material, corrected misstatements that were brought to the attention of management as a result of audit procedures.

MOSS ADAMS COMMENTS

No material uncorrected misstatements were identified as a result of our audit.

Water: one reclassifying adjusting entry which had no effect on the operations of the fund

Drainage & Wastewater, Solid Waste: No material misstatements were recorded as a result of our audit.

Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED	MOSS ADAMS COMMENTS
Representation made by management	Moss Adams obtained representation letters from management
Other findings or issues, if any, arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process	GASB 89 regarding the accounting for interest costs on construction projects implemented in 2021 with no effect on the financial statements.

Matters to Be Communicated to the Governing Body

MATTERS TO BE COMMUNICATED	MOSS ADAMS COMMENTS
Management's consultation with other accountants	None noted
Potential Effect of Any Significant Risks and Exposures	SPU is subject to potential legal proceedings and claims that arise in the ordinary course of business. SPU appropriately discloses its exposure in the footnotes of the financial statements.
Independence	Moss Adams is independent with respect to SPU and the City of Seattle

Acknowledgements

Thank you!

- Regular communication and status meetings were held between Moss Adams and SPU staff throughout the audit term;
- ‘Tone at the Top’ and attitude from management was one of helpfulness and openness in response to audit discussions;
- The audit progressed on time as established during the planning stage of the audit; requested schedules and draft financial statements were received on a timely basis;
- All SPU personnel responded to our requests in a timely manner.

THANK YOU

14

600 Fourth Ave. 2nd Floor
Seattle, WA 98104

SEATTLE CITY COUNCIL

Legislation Text

File #: Inf 2057, **Version:** 1

Seattle Public Utilities Race and Social Justice Initiative (RSJI) Report

Seattle Public Utilities

Summary of 2021 RSJ Accomplishments

Seattle Public Utilities (SPU) is dedicated to delivering essential utility services in a way that dismantles institutional racism and achieves more equitable outcomes for everyone, especially for those in communities impacted by systemic racism. In 2021, SPU implemented 49 Racial Equity Action Plans focused on evaluating business practices, improving community engagement, and fostering a learning culture.

SPU's RSJ values are embedded in our Strategic Business Plan. We're committed to equity and empowerment through building trusting relationships, prioritizing equity in our work, and creating opportunities for all. We apply this RSJ lens to how we deliver projects, programs, and initiatives, and how we set policies and make decisions.

We strive to build a workplace culture where *everyone* understands their role and responsibility to advance racial justice. Environmental Justice and Service Equity (EJSE) team, Equity Bridge, and RSJ workgroups partner with SPU employees to share best practices, take collective action, and advance institutional change.

Based on SPU's commitment to multi-year efforts to ensure equitable programs and services, we continue to make strides towards achieving a truly equitable, community-centered organization rooted in RSJ principles.

The following is an overview of SPU's RSJ accomplishments in 2021 by work group:

Equity Bridge

SPU's Equity Bridge is a space where leaders and organizers come together to build equitable policies, procedures, and practices to advance SPU's culture. In March, the utility held the first Equity Bridge meeting bringing together a representative team of staff from SPU's RSJ workgroups and organizational teams.

Members collectively established a shared vision, goals, and desired outcomes for SPU's RSJ work, and developed a process to support shared decision making to achieve collective impact, which includes developing a shared measurement system, continuous sharing of information, and a common agenda.

Environmental Justice and Service Equity (EJSE) Team

EJSE continued to support three main programs in 2021, while also stewarding the application of Racial Equity Toolkits (RETs) throughout the department. EJSE staff supported SPU project managers to host six successful WMBE virtual outreach events throughout the year with over 150 participants. The team also created and distributed a comprehensive list of upcoming consultant contracts. As a result of these and many other efforts, SPU was able to realize 23% of WMBE utilization in purchasing and 27% in prime and subconsultant contracts, exceeding 2021 goals.

EJSE also continued management and support of Branch Equity Teams (BET), including developing a BET Logic Model and development and administration of the BET and Change Team member satisfaction survey. EJSE also partnered with People, Culture, and Community Branch leadership to launch the 21-person People, Culture, and Community BET. The utility now has six BETs with over 120 staff participating. EJSE hosted a Utility-wide AAPI healing event as a response to the mass shooting in Atlanta, Georgia and facilitated numerous branch-specific RSJ training sessions and all staff meetings throughout the year.

EJSE continued community outreach with Community Connections partners and the Community Liaisons Program in the Department of Neighborhoods. Partners were able to assist on projects and programs across the utility and share information with community about SPU services, including its Utility Discount Program for low-income ratepayers.

RSJ Change Team

In 2021, the Change Team held virtual meetings to further RSJ work with a focus on building relational culture within the team and the Utility. Accomplishments include reversing an SDHR ruling that did not recognize field experience for the Civil Engineering Specialist class job qualifications; sponsoring training to increase the Utility's internal capacity to facilitate RSJ conversations and workshops; and providing recommendations to make Personnel Rule 3.5 Out-of-Class Policy more equitable. The Change Team also developed RSJ job interview questions and benchmarks in coordination with EJSE, and piloted use of the Racial Healing Handbook as an educational and team building tool.

Branch Equity Teams (BETs)

Drainage and Wastewater (DWW) BET

The DWW BET in 2021 organized work around three key areas:

1. Supporting Frontline Staff
    - In System Maintenance, we started meeting on a semi-regular basis to establish goals and workgroups based on the equity issues crews wanted to prioritize.
    - We formalized three distinct workgroups: 1) staff training and development; 2) improved peer and manager performance evaluation; and 3) fostering a culture of collaboration and respect amongst crews, between crews and other SPU staff, and between crews and the public.
    - Thanks in part to advocacy from staff in the Staff Training and Development workgroup, 2021 saw a successful push to change the minimum qualifications for the civil

engineering specialist classification, which prevented otherwise qualified frontline staff from applying to certain higher paying positions, many of them office based.

2. Equitable Hiring
    - Held workshops with managers and supervisors to brainstorm around making the hiring process more equitable.
    - Incorporated feedback into a comprehensive equitable hiring guide, which is being integrated with Water Line of Business and Shared Services BET equitable hiring tools to create a single guiding document, tool, and process for use with any hiring opportunity at SPU.
3. Indigenous People and Tribal Relations
    - Built a workbook to support team learning and compile resources shared with and from the Project Delivery and Engineering Branch BET Tribal Relations Subcommittee.
    - Started team and individual member learning processes through joint activities, discussions, and shared resources.
    - Held quarterly meetings with Project Delivery and Engineering Branch's BET Subcommittee, and jointly developed a series of all staff for Indigenous People's Day and Native American Heritage Month.

Finance and Risk Services (FARS) BET

2021 saw the start of the second year for the newly established FARS BET. The team onboarded five members, continued work across four subcommittees, and continued its focus on learning and development. This included:

- Continued participation in one-on-ones, to foster relationships between team members and create an environment for deeper, more meaningful connectivity.
- Learning about and practicing facilitation to develop and hone member skillsets to support broader equity conversations and activation.
- Holding space for EJSE facilitator-led discussions, to draw on in-house expertise and knowledge.
- Holding two branch-wide equity events to cultivate conversation and connection related to:
    - Racial identity and racial identity development, focused on developing a positive racial identity through cultivation of nonjudgmental curiosity.
    - Seeing and understanding racism, including exploring the four types of racism and raising one's race consciousness by learning ways to expand awareness of how racism works as a system.

Additionally, the Racial Equity Toolkit (RET) Subcommittee applied the racial equity toolkit to communication of consultant contracting opportunities, with an emphasis on supporting WMBE firms. The team identified six prioritized next steps, three upstream recommendations, and eight lessons learned.

Project Delivery and Engineering (PDEB) BET

In 2021, the PDEB BET:

- Prepared and worked on 2021 goals for small groups focused on tribal relations and responsibilities; resources for leaders; how staff shows up in communities; and branch learning and connection to RSJ.
- Developed a PDEB BET SharePoint site, branch engagement program, tribal needs survey, cross-training program, recruitment strategies, and gathered and evaluated data on how SPU engages communities during project delivery.
- Partnered with DWW BET, EJSE, and others on Lunch and Learns, resource sharing, and helping raise awareness and foster collaboration on RSJ and equity.

Solid Waste (SW) BET

The SW BET made great strides in 2021, including facilitating four equity Lunch and Learns that provided insight on topics such as the aftermath of national protests, cultural appropriation, canners in New York City, and violence against AAPI Communities. These sessions were offered to staff outside of Solid Waste and across divisions within SPU. In addition, BET members contributed to Racial Equity Toolkits that allowed the branch to use data to eliminate racial disparities in outreach, enforcement planning, and operations. The SW BET also established a presence at leadership team meetings to provide opportunities to request upper management support and share progress and goals.

Water Line of Business and Shared Services (WLOB and SS) BET

The WLOB and SS BET branch also supported implementation of the Water LOB's Racial Equity Action Plans. Accomplishments of the WLOB and SS BET include all staff members of the branch completing "Cracking the Codes" training; developing a branch hiring form to embed RSJ principles in hiring processes; responding to community requests by including a public park as part of the Bitter Lake Reservoir floating cover replacement; and providing free water quality lead testing for Utility Discount Program customers. The BET also worked with staff to review equity in service delivery and planning. Additionally, Racial Equity Toolkits were also used to select water main replacement and rehabilitation projects, and the branch continues to promote WMBE firms and vendors for utility contracts.

Anti-Racist White Caucus (ARWC)

The ARWC met monthly in 2021. The group's purpose is three-fold:

1. To support white-identified SPU colleagues in building the embodied awareness, emotional stamina, humility, community, and action orientation needed to sustain effective engagement in anti-racist work, in strategy with our BIPOC colleagues and RSJ thought leaders.
2. To take responsibility for educating ourselves about history and government laws, policies, and practices that uphold systemic and institutional racism, and to grow our ability to apply anti-

racist concepts, ways of being (e.g. relational culture), and practices in SPU's and other spheres of influence.

3. To take individual and/or collective action to shift power and resources to bring about equitable outcomes with respect to race at SPU, City government, and in our communities.

Parts of each monthly meeting covered a range of educational topics including inter-racial solidarity, confronting internalized superiority, standing up to anti-Asian hate, embodied anti-racism practices, internalized anti-Blackness and the Tulsa Centennial, and the intersection of patriarchy and white supremacy.

The ARWC also worked with the City of Seattle Silence Breakers to support the call for a citywide RSJ ordinance, participated in Equity Bridge, and maintained connection with EJSE, SPU Affinity groups, BETs, Change Team, and other City of Seattle department-wide white caucuses, supported by SOCR.

2021 Racial Action Plan Accomplishments

90% Women- & Minority-Owned Public Utilities Vendors

Attained 61% WMBE vendor utilization on purchasing transactions. While the branch did not reach its WMBE vendor utilization goal, consultant WMBE utilization increased from 29% in 2020 to 49% in 2021.

Accessible City Surplus Process

The Surplus Accessibility Process is still in development. The team continues to work to make the program more accessible to BIPOC communities and advise on process improvements.

Branch Equity Team (BET) Member Survey

The 2021 BET Member Survey was administered in October, with an overall response rate of 81%. Survey results were disseminated to all BETs in February 2022.

Claims Program Dashboard Review

The team applied a racial equity toolkit to review rates of claims filed and the results. The team updated the utility's claims distribution heat map to help identify potential inequitable service delivery and they simplified SPU's emergency housing response plan and procedure to improve response time on housing needs on storm-related claims.

Co-Creation to Reduce Sewer Overflows & Improve Quality

Drainage and Wastewater completed three internal stakeholder equity workshops, and drafted an equity memo that includes the process, decisions, and recommendations for incorporating equity into project management planning and the next phase of options analysis.

Communication Processes for Consulting Review

The team applied the Racial Equity Toolkit to SPU's consultant contracting notices, with an emphasis on supporting WMBE firms and completed guidance identifying six prioritized next steps, three upstream recommendations, and eight lessons learned.

Community Connections

SPU continued to work with Community Connections partners Horn of Africa Services, Chinese Information Service Center, and ECOSS to educate and empower their constituents with SPU messaging that resonates in community. SPU also extended the original Community Connections contracts to allow for a full RFQ process in 2022.

COVID Customer Emergency Assistance & Recovery

Seattle City Light and SPU secured council approval of ordinances improving access to ratepayer financial assistance in response to COVID and expanding funding for qualifying households. This resulted in 2,243 low-income households receiving more than accessing emergency assistance in 2021, collectively receiving over $1.5 million from the Utility toward their outstanding bills. In concert with HSD and SCL, we also streamlined access to the Utility Discount Program through a self-certified "fast-track" enrollment form to lower barriers and improve service equity, which resulted in 9,521 new enrollments into the discount program in 2021.

Customer Review Panel (CRP) Engagement

SPU completed a two-part orientation for new members which included Race and Social Justice training, a first for the CRP and incorporated community organizations for the first time into panel meetings.

Customer Review Panel Recruitment

In 2021 the utility completed recruitment for the panel and expanded its make-up to include a majority Black and People of Color. New members represent a range of interests and experience that was previously lacking on the panel.

Develop Staff Equity Learning

In June, we held a branch-wide equity event on racial identity and racial identity development, focused on developing a positive racial identity through cultivation of nonjudgmental curiosity. In November, held another branch-wide event focused on seeing and understanding racism, including exploring the four types of racism and raising one's race consciousness by learning ways to expand awareness of how racism works as a system.

Donation Program for Utility Bills

The SPU Community Donation Fund launched in 2021 to allow customers and the public to donate to help customers unable to pay their utility bill with all monies going directly toward financial assistance to income eligible households. An online app allows anyone to donate using a debit or credit card. Customers can also donate closed account credit balances. Donations by check are also accepted. The Community Donation fund raised approximately $5,000 in its first year.

Drinking Water Line of Business Hiring Form

The Water Line of Business and Shared Services branch developed a hiring form to add a deeper RSJ lens to the hiring process. The new process includes reviewing the hiring language with an RSJ lens, broadening hiring outreach to BIPOC professional groups and underrepresented communities, screening resumes in a way that removes biases, having diverse interview panels, and adding RSJ questions to each phase of the interviews.

Duwamish Valley Resilience District

SPU has a Racial Equity Evaluation RFP and Organizational Development RFP to choose consultants that will support the Resilience District. Sea Level Rise Adaptation Scenario Planning and Municipal Finance RFPs will follow in the first half of 2022, and the Resilience District development work will begin in mid-2022.

Duwamish Valley Youth Group Mentoring

SPU worked with approximately 60 youth during the year, including staff support and mentoring from five stormwater professionals. Other activities consisting of storm drain stenciling, a youth led booth about storm drain care, and distribution of free lawn and leaf bags in the South Park and Georgetown neighborhoods.

Emergency Assistance Program (EAP)

In 2021 the SPU Emergency Assistance Program doubled the assistance to eligible households by allowing assistance up to two times per year, for a total of $922 in credits. We provided 2,243 customers with credits, totaling $1.5 million in assistance.

Encampment Trash Program

The Encampment Trash Program (ETP) provides proactive and preventive weekly and on-call garbage service to Unsanctioned Homeless Encampments (UHE). The program focuses on providing equitable sanitation, and harm reduction services to unsheltered communities. This service reduces health and safety risk associated with high volumes of garbage. Our action item per the 2021 Racial Equity Plan was to increase ETP services and outreach to an additional 12 UHEs. In 2021, 39 ETP sites received service weekly, an increase of 22 sites from 2019. A total of 1,302,932 pounds of garbage was collected.

Encroachment Program Review

SPU applied a Racial Equity Toolkit to the preparation and payment of Temporary Construction Easements to property owners for the use of their property in the construction of SPU projects. We completed two stakeholder workshops, identified four short-term actions, a long-term action, and team lessons learned.

Equitable Access to Public Utilities Development Services Office

Analysis shows no definitive link between Water Availability Certificate/Plan Review turnaround times and income or racial composition. Instead, delays in processing time are most often due to applicant missing requirements or providing incomplete information.

Equity Filters in Waste Prevention Strategic Planning

Split the contracting process into four contracts to increase WMBE opportunities. All four primes are WMBE, and 12 of the 13 subs are also WMBE. This includes one consultant team that will provide RSJ guidance and oversight throughout the project. Contract negotiations are in progress. 2022 will be primarily focused on planning, with implementation of public engagement in 2023.

Food Service Compliance using Targeted Universalism

From 2019-2021, we reviewed the Racial Equity Toolkit and approach for targeted universalism, which enables the program to meet broader goals by developing targeted strategies that better achieve racial equity in service delivery and resource allocation. In 2022, we will do baseline data gathering and analysis as well as offer technical assistance to customers.

Free Lead Testing for Utility Discount Program Customers

While SPU's water does not contain lead, it can leach into drinking water from plumbing fixtures. Lead is very harmful to human health and national studies show unsafe drinking water disproportionately impacts BIPOC and low-income communities. The Drinking Water Quality division rolled out free water quality lead testing for Utility Discount Program Customers, and in 2022 the team will promote this free service and report out on participation.

Hazardous Waste Program Update

The Hazardous Waste Management Plan was developed in 2021 and focused on a shared vision where race is not a determinant of hazardous materials exposure. The updated plan, which is under review by the Department of Ecology, reflects community feedback and includes new policies, programs, and practices designed to better serve people of color. A charter for a Collections and Facilities Study is being developed in early 2022, and results-based accountability metrics will be developed by the end of 2022.

Improve Distribution of Woman & Minority Business Utilization in Public Utilities Contracts

Each SPU division/branch was contacted to provide information on all upcoming projects on a newly developed easy to use Microsoft Forms site. A list of all upcoming events was compiled and routinely distributed through the following mediums: online posting to SPU WMBE site, email distribution of SPU WMBE Newsletter, and distribution to outside organizations.

In Language Recycling Assistance

In 2021, we added additional zip codes and we are planning to add outbound email communications to our outreach tools. We're continuing to measure success and to monitor recontamination rates. This program is continuing in 2022.

In-Language Survey for Commercial Customer Feedback

Completed and analyzed survey results and identified opportunities to increase equity for commercial garbage customers.

Neighborhood Construction Safety Initiative

Developed a website with multilingual content about construction safety; safety awareness notices, which are available in eight languages; and construction safety activity worksheets for youth. To further promote construction safety, the multilingual notices will be distributed to communities located near SPU construction projects.

North Thornton Natural Drainage Systems (NDS) Project Review

The North Thornton NDS project team completed three workshops and is finalizing their Racial Equity Toolkit. The toolkit will inform Options Analysis approaches to NDS site selection and other opportunities to engage community in project delivery with an eye towards inclusive engagement practices. The team developed the RET in partnership with the Office of Immigrant & Refugee Affairs and six community liaisons from the Department of Neighborhoods.

Open Space at Underground/Covered Drinking Water Reservoirs

In 2021, the Bitter Lake Reservoir planning and design team completed a study of options for replacing the aging reservoir's floating cover. The analysis considered interests and needs of residents in Bitter Lake, which is a diverse neighborhood with the highest Racial and Social Equity Index level for disadvantage and priority. In reviewing options for the reservoir replacement, the project team selected the option that includes installation of a park in this Bitter Lake community that lacks open space compared to surrounding neighborhoods. SPU and Seattle Parks and Recreation are working together to engage the community and other key stakeholders as the project design begins.

PCC Branch Equity Team (BET) Launch

In 2021, we established a BET for the People, Culture, and Community Branch in SPU. The PCC BET held its first meeting in December 2021, with 20 members on the team. 2022 monthly membership meetings have been scheduled.

Pearl Street Drainage Improvement Project

A Racial Equity Toolkit was created, and the project team has had ongoing, successful communication and outreach with the local community throughout the duration of the project, including providing customized translation services in Vietnamese and Spanish for neighbors in the community.

Preserve Mature Tress & Repair Sewers

SPU is committed to preserving the city's tree canopy, which helps to mitigate the impacts of extreme heat events that can have devastating impacts on communities of color. In 2021, SPU project teams worked collaboratively with City departments, including SDOT and Parks, as well as communities to review and assess trees in the right-of-way that might be impacted or removed due to construction and sought opportunities to promote tree preservation.

Public Utilities Talent Acquisition "ReTooled"

Human Resources committed to form a Hiring Advisory Committee and to expand recruitment outreach in BIPOC communities. The team is successful with both objectives. The Advisory Committee received executive leadership approval to launch a pilot for a promising hiring process enhancement anticipated to make employment more accessible for BIPOC communities. In 2021, recruiters conducted employment outreach at both the Black Health & Wealth and API Community Fair. Finally, we significantly expanded our job posting distribution list to nearly 25 agencies.

Race & Social Justice Employee Training

In 2021, all members of the Water Line of Business and Shared Service Branch completed Cracking the Codes training.

RainCity Partnership Program

In 2021, we established RSJ goals including prioritizing green stormwater retrofit projects in the top two priority tiers of the City's Racial and Social Equity Index map or the citywide Duwamish Valley Program. This includes a WMBE inclusion target, delivering at least 10 projects led by community-based organizations serving BIPOC communities, and delivering a mentorship program focused on GSI and riparian area restoration. In collaboration with People's Economy Lab, the program also helped develop an RSJ evaluation strategy and scope.

Recycling & Disposal Access for Low-Income Customers

Identified enhancements in customer service and internal processes to allow Utility Discount Program customers to request up to two free Special Items (Beyond the Cart) collections/year.

Review RainWise Program

RainWise made immediate programmatic changes to the program such as collecting demographic data for customers and contractors, revising rebate processing time. The programs will be seeking approval for more funding to achieve additional RET recommendations.

RV Wastewater Pumpout Pilot Program

The program provided 1546 wastewater collections to people living in RVs in Seattle; evaluated alternative modes of service delivery including testing different service rates to 'right size' the program and piloted temporary dump events, which were less successful than service in place.

Shape Our Water Drainage & Wastewater Plan

SPU in 2021 continued to develop the Shape Our Water Plan, which will include six-year and 50-year actions and investments. We completed the Shape Our Water Community Vision and Equity Framework, funded BIPOC community-based organizations to share stories of resilience and their connections to our local water bodies, collaborated with and resourced 6 local community leaders to co-design online events and materials, and completed a statement of intent for Shape Our Water that centers environmental justice and equity.

Side Sewer Assistance Pilot Program

RET for the program was completed, and the results were integrated into the Implementation Plan and Outreach. Partnerships were established with three community-based organizations for program delivery targeting BIPOC homeowners. This includes Environmental Coalition of South Seattle, Chinese Information Service Center, and Horn of Africa Services. Outreach materials for the program were developed in eight languages. Phase I was launched in partnership with the Office of Housing in late 2021.

Side Sewer Investigation Program Review

Worked with the Law section on a strategy to develop in-language enforcement notices and determined an approach for Law to verify accuracy of translated materials. In 2021, the Side Sewer Program did not have any instances where language barriers necessitated translation services. Therefore, no meaningful metrics were collected. The program also updated other materials, including an updated “Know your Side Sewer” card, and identified strategies for engaging with BIPOC customers and connecting them to community resources.

Solid Waste Branch Equity Training & Conversations

The Solid Waste BET developed plan to host five events in 2022 including Lunch and Learns to continue opportunities for sharing learning, support 2 or more Ops/Frontline staff trainings and/or caucus, and share training offerings from other SPU departments.

Solid Waste Staff Advancement Support

Of 11 employee promotions in Solid Waste Operations in 2021, nine involved 9 BIPOC employees and of 20 Out of Class (OOC) assignments, 18 involved BIPOC staff and 1 female supervisor. This year, Solid Waste Operations is on track to fill nine vacancies and multiple OOC opportunities.

South Transfer Station Phase 2 Community Engagement

SPU is redeveloping an area near the South Transfer Station in the South Park neighborhood. The project team is working to incorporate multiple community benefits in the project design in this highly diverse community, including the installation of a walking trail along 5th Ave S to improve walkability and public safety. The project team is preparing to reengage with community via multi-lingual outreach to build awareness about the project and get feedback on the visioning for future uses of the old South Transfer Station campus.

Teach Green Stormwater Infrastructure Skills to Youth

In 2021, this effort identified Seattle Jobs Initiative as the partner organization to provide hiring and payroll, soft skills training, and support services for the pilot Seattle Opportunity Workcorps (SOWcorps). A MOA was initiated to solidify the partnership, and efforts to find funding beyond SPU maintenance funding were initiated. Internal staff worked with O&M staff to identify bodies of work and potential sites.

Water Main Leak Response Review

In 2021, the Water Line of Business and Shared Services branch generated a map of where water main leaks occur to look for areas that might have a disproportionate number of leaks especially in underserved areas of the city. We did not find any disproportionately affected areas based on a broad overview. In 2022, we plan to look at this data more closely.

Water Main Replacement Review

In 2021, the Water Planning and Program Management division continued to use Racial Equity Toolkits for selecting water main replacement and rehabilitation projects. A new project to upgrade water main infrastructure took place in in South Seattle where we were able to partner with the Seattle Department of Transportation to make neighborhood street improvements, as well.

Water Service Customer Call Review

In 2021, the Water Line of Business and Shared Services branch generated a map of where high priority water customer calls occurred and our response time to those calls. We looked for areas where we did not meet our response goal of 60 minutes or less to identify if there were disparities in the level of service in communities with a higher percentage of people of color. A broad overview of the data did not demonstrate any problem areas. Therefore, we plan to further assess the data for service equity in 2022.

Water Service Renewal Review

In 2021, the Water Operations and System Maintenance team continued to replace old water service lines. Our analysis showed that these older service lines might contain short lead connector pieces and are more heavily located in wealthier neighborhoods in the city. Because Seattle's water is treated to minimize the tendency for lead to enter the water, our water quality test results for lead continue to be very good and the lead connector piece has not shown to present a lead risk to customers.

Seattle Public Utilities

2021 Race & Social Justice Accomplishments

Mission

Seattle Public Utilities fosters healthy people, environment, and economy by partnering with our community to equitably manage water and waste resources for today and future generations.

CARES Principle: Equity & Empowerment

"We work to dismantle institutional racism by building trusting relationships, prioritizing equity and inclusion in decision-making, and creating opportunities for all."

Photo from recent Women in the Trades event

EQUITY

Affinity Groups

SPU Executive and Leadership Teams

Change Team

Anti-Racist Allies

Environmental Justice Service Equity Team

Silence Breakers

Water BET

Solid Waste BET

People, Culture and Community BET

DWW BET

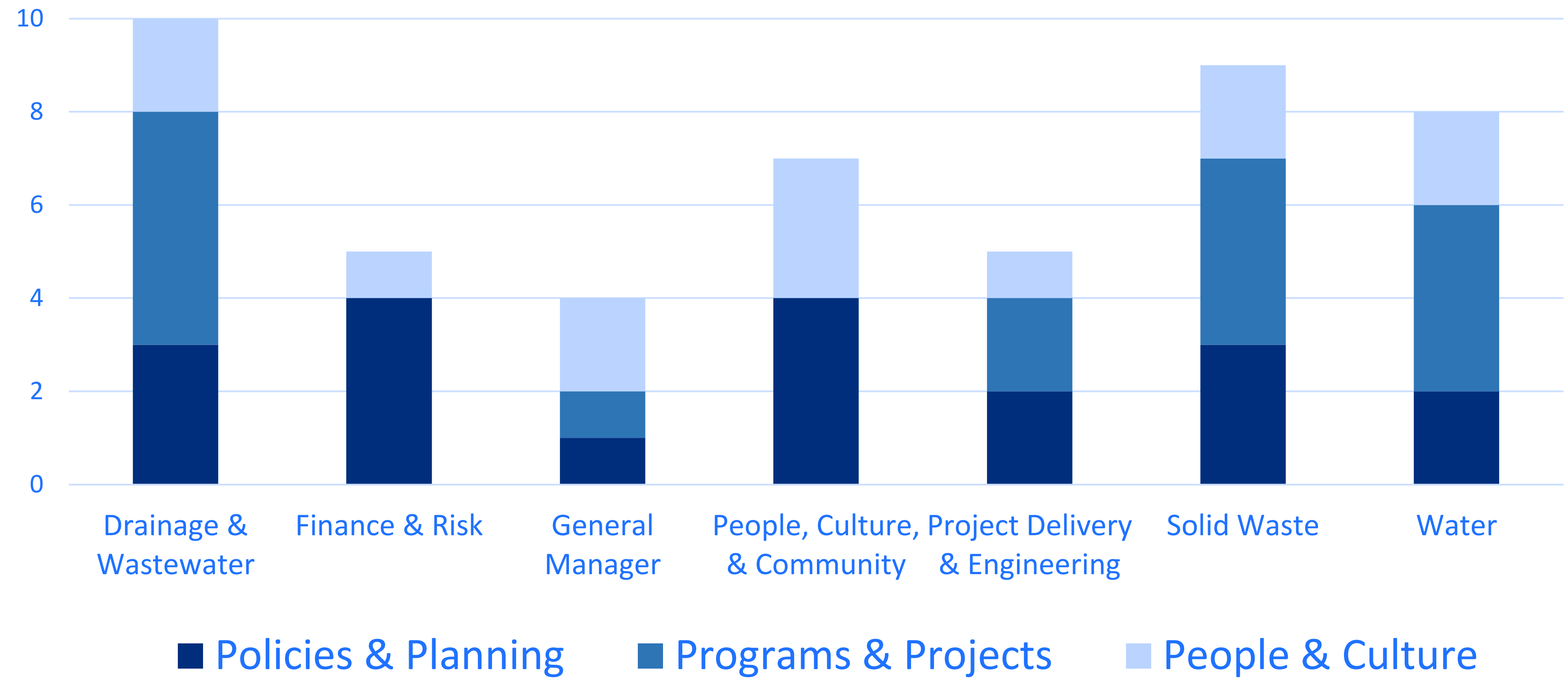
Project Delivery BET

Finance and Risk Services BET

*BET = Branch Equity Team

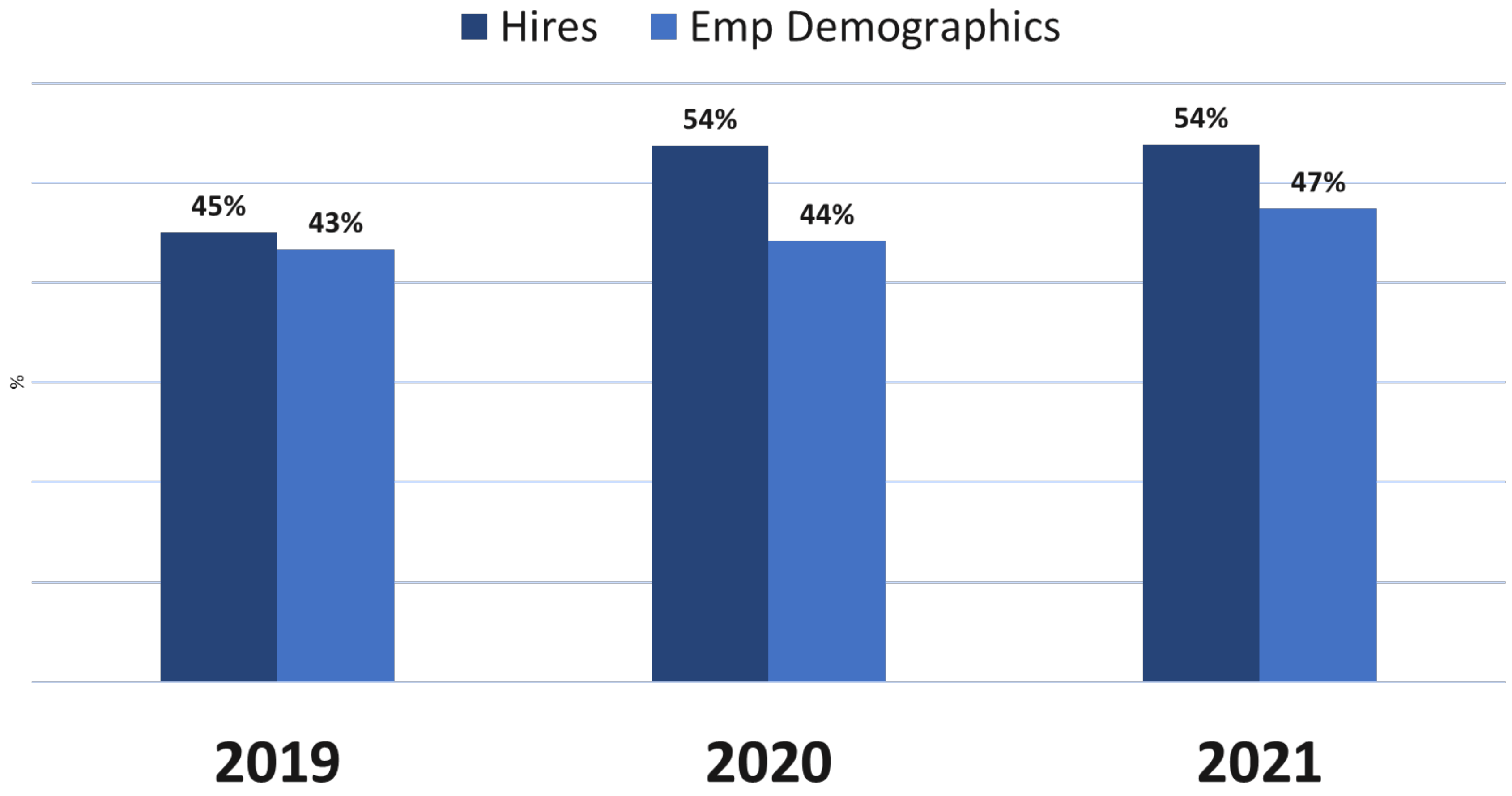
equity bridge

SPU's 2021 Racial Equity Action Plans



SPU submitted nearly **20%** of the City's Racial Equity Action Plans in 2021

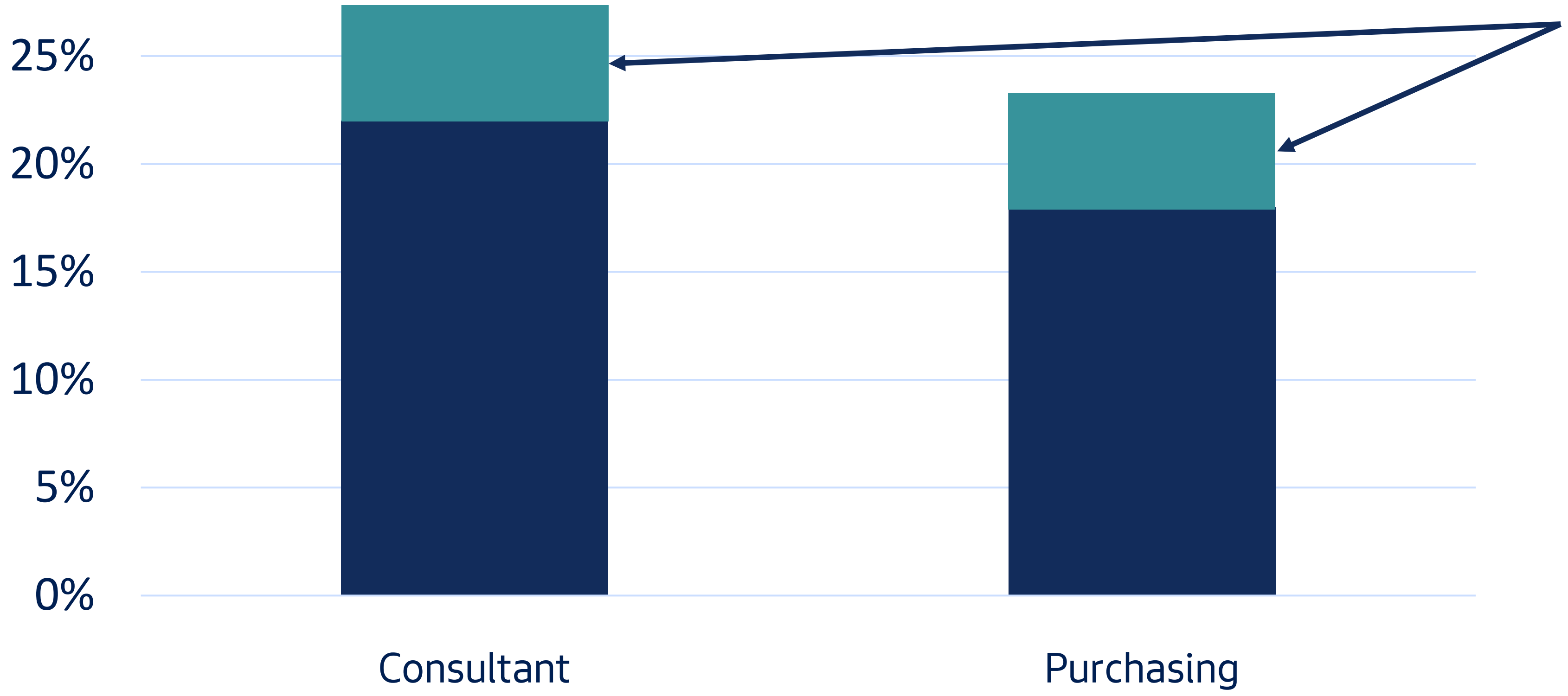
Trends in BIPoC Hires and Employee Demographics



54%
of SPU's current Leadership Team are BIPoC employees

70%
of SPU's promotions in 2021 were BIPoC employees

Women & Minority Owned Business Utilization in 2021



5%

amount we exceeded consultant and purchasing WMBE goals in 2021

Customer Assistance

$1.5 million
Emergency Assistance

$500,000
Federal COVID Assistance

9,779 accounts
Utility Discount Program

Embedding Equity Throughout the Utility

Women & Minority Owned Businesses Customer Service Climate Resiliency

Utility Discount Program Community Connections Waste Reduction

Cedar River Education Center Pollution Prevention Youth Stormwater Education

Side Sewer Assistance Pilot Program Summer Youth Employment Program Clean Cities

Solid Waste Advisory Committee RV Wastewater Pump-out Pilot Program Public Health

Language Access Customer Review Panel RainCity Partnership Shape Our Water

Adopt A Street Duwamish Valley Youth Group Partnership Emergency Assistance Clear Alley Program

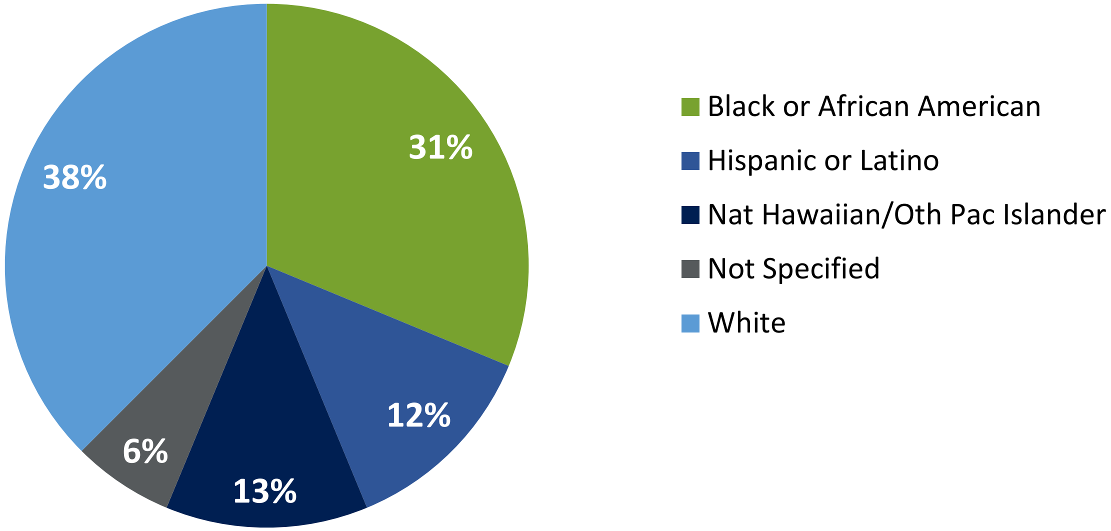
Community Partnerships Adopt-A-Drain Hygiene Stations Environmental Stewardship

Water Conservation Workforce Equity Apprenticeship Program Emergency Management

Essential Services Capital Improvement Project Engagement And More

Apprenticeship Program: Equity in Hiring & Workforce Development

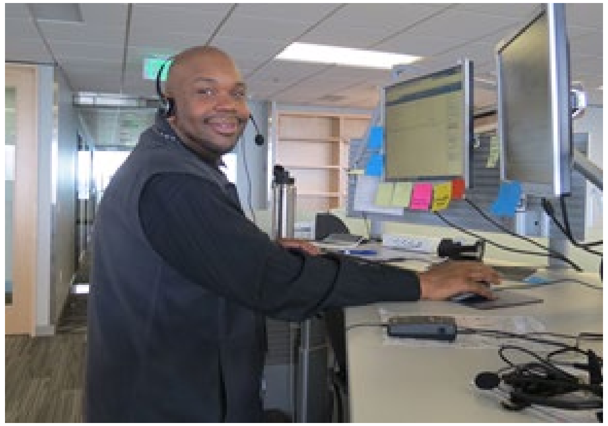
2020 Water Apprentice Demographics



Apprenticeship Program: Equity in Hiring & Workforce Development

- Redesigned program to empower frontline workers
- Prioritized RSJ in initial apprentice trainings
- Staff incorporated race and gender equity into curriculum development

Customer Contact Center Quality Assurance: Improving Customer Experience



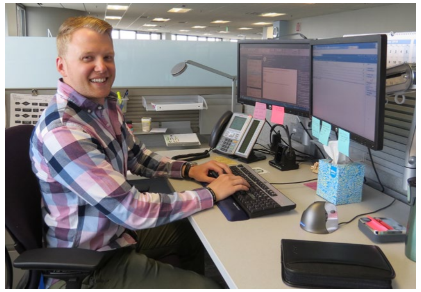
Customer Contact Center

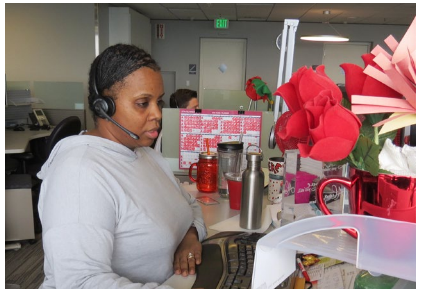
Quality Assurance Program

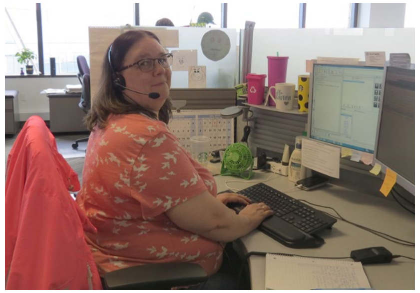
Apply Racial Equity Toolkit

Implement Recommendations

Customer Contact Center Quality Assurance: Improving Customer Experience







Build capacity for equitable service delivery:

- Cultural communication awareness training
- Develop training with specific focus on:
  - Empathy
  - Stress Management
  - Active Listening
  - De-escalation
  - And other skills for customer engagement

Shape Our Water

- 50-year plan for Seattle’s water resilience
- Citywide analysis and visioning centered equity
- Community co-creation process prioritized historically underrepresented groups
- COVID-19 responsive approaches included:

Co-Creation Initiative	***Fireside Series***
Intergenerational Focus Group	***Community Stories***
Design Team	***Digital Convening***

For more information: www.ShapeOurWater.org

Co-Creation Partners helped bring community stories to life


SOUTH SEATTLE
EMERALD
Amplifying the Authentic Narratives of South Seattle
ABOUT
WRITE FOR US
FEATURES
SHAPE OUR WATER: MAGDALENA ‘MAGGIE’ ANGEL-CANO
MAY 6, 2021
EDITOR
LEAVE A COMMENT



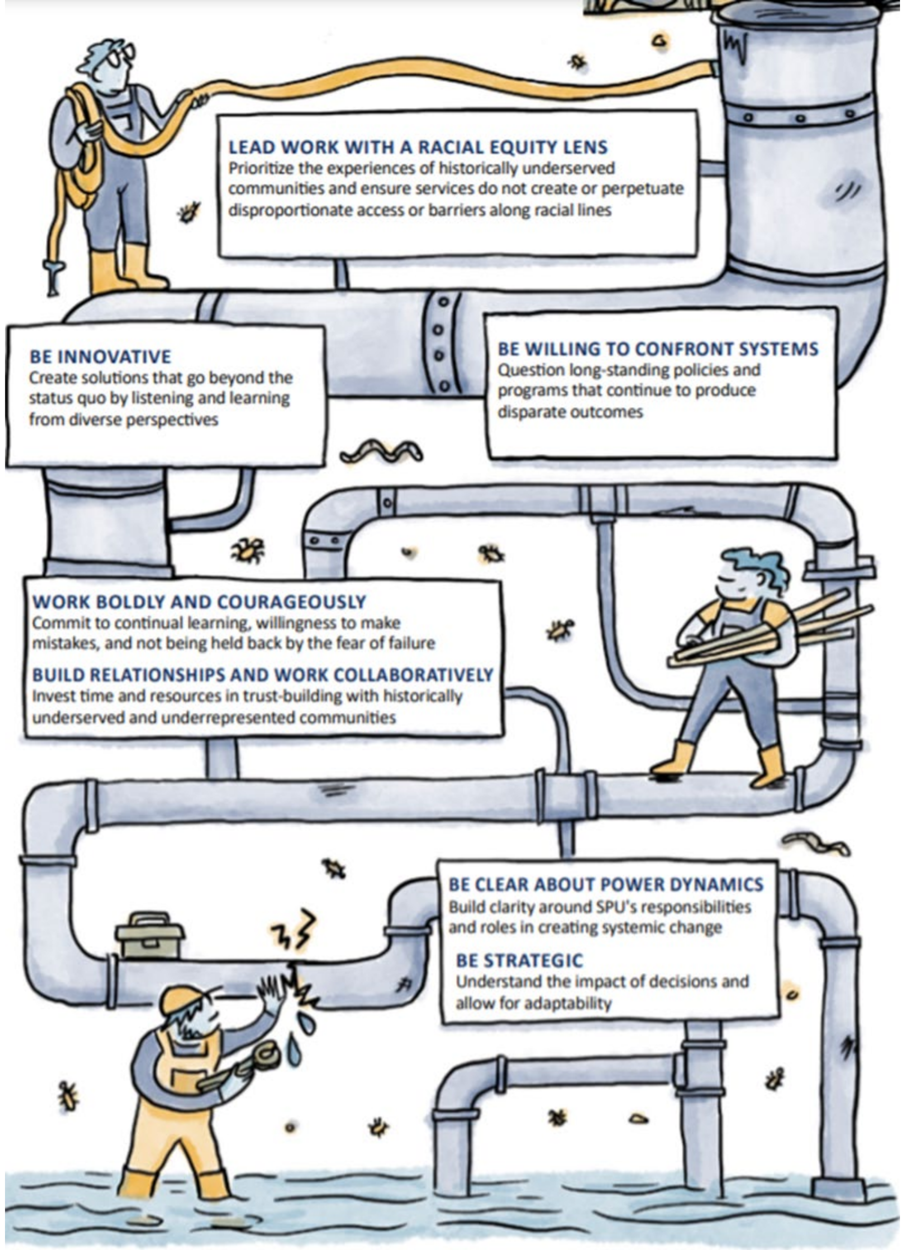
The Design Team helped create and implement engagement events, ensuring they were meaningful to our communities






Shape Our Water: Equity Framework

- Drafted through a series of trainings and workshops lead by equity advisors
- Articulates the racial equity values and principles for Shape Our Water
- Provides direction in decision-making and practice
- Living document that is revisited throughout plan development



SPU's Race & Social Justice Work Continues

"We work to dismantle institutional racism by building trusting relationships, prioritizing equity and inclusion in decision-making, and creating opportunities for all."

Questions?