OFFICIAL STATEMENT

	RATINGS:	SEWER REVENUE BONDS	LTGO (SEWER) BONDS
New Issue	**Moody's:**	**Aa1**	**Aaa**
Book-Entry Only	**S&P:**	**AA+**	**AAA**

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the 2021A LTGO (Sewer) Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the 2021A LTGO (Sewer) Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "Legal and Tax Information—Tax Matters Relating to the Tax-Exempt Bonds" herein. Interest on the Sewer Revenue Bonds and 2021B LTGO (Sewer) Bonds is not intended to be exempt from federal income taxes. See "Legal and Tax Information—Certain Income Tax Consequences Relating to the Taxable Bonds."

KING COUNTY, WASHINGTON

$239,585,000

LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS (PAYABLE FROM SEWER REVENUES), 2021, SERIES A

$94,510,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS (PAYABLE FROM SEWER REVENUES), 2021, SERIES B (TAXABLE)

$231,200,000

SEWER REVENUE REFUNDING BONDS, 2021, SERIES A (TAXABLE)

DATED: Date of Initial Delivery **DUE: As shown on pages i through iii**

The Bonds described above are being issued by King County, Washington (the "County"), and will be dated the date of their initial delivery. The Bonds will be issued only in fully registered form as to both principal and interest, will be in the denomination of $5,000 or any integral multiple thereof within a Series and a maturity of the Bonds, and initially will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"). See Appendix H—Book-Entry System.

The Bonds will bear interest payable semiannually on each January 1 and July 1, beginning January 1, 2022, to maturity or prior redemption. The Bonds will mature on the dates and in the amounts and bear interest at the rates set forth on pages i through iii of this Official Statement. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "State"), currently U.S. Bank National Association (the "Registrar"), payable in the manner set forth in the Letter of Representations between the County and DTC. See Appendix H—Book-Entry System. The Bonds are subject to redemption prior to maturity. See "The Bonds—Redemption of the Bonds."

The Bonds are being issued to finance improvements to the County's sewer system (the "Sewer System"), to refund certain obligations of the County payable from Sewer System revenues ("Revenue of the System"), and to pay refunding and issuance costs. See "Use of Proceeds."

Sewer Revenue Bonds are Parity Bonds (as such capitalized terms are defined herein). The amounts covenanted to be paid out of Revenue of the System constitute a lien and charge on Revenue of the System superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and of equal lien to any charges heretofore or hereafter made on Revenue of the System for the payment of the principal of and interest on any other Parity Bonds. The Sewer Revenue Bonds are special limited obligations of the County and are not obligations of the State or any political subdivision thereof other than the County. Neither the full faith and credit nor the taxing power of the County or the State or any political subdivision thereof is pledged to the payment of the Sewer Revenue Bonds**. By their purchase of the Sewer Revenue Bonds, the Registered Owners of the Sewer Revenue Bonds are deemed to consent to springing amendments to the Ordinance. See Appendix A.**

The LTGO (Sewer) Bonds are Parity Lien Obligations (as such capitalized terms are defined herein), which are limited tax general obligation bonds of the County that are additionally secured by a lien and charge on Revenue of the System. ***The lien on Revenue of the System that secures the Parity Lien Obligations is junior, subordinate, and inferior to the lien and charge on Revenue of the System that secures the Parity Bonds, as defined in this Official Statement.*** The County has irrevocably covenanted and agreed that, for as long as any of the LTGO (Sewer) Bonds are outstanding and unpaid, each year it will include in its budget and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the LTGO (Sewer) Bonds as the same become due. The County has irrevocably pledged that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties within the State without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the LTGO (Sewer) Bonds will be and is irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the LTGO (Sewer) Bonds. The full faith, credit, and resources of the County have been irrevocably pledged for the annual levy and collection of those taxes and for the prompt payment of the principal of and interest on the LTGO (Sewer) Bonds as the same become due. The LTGO (Sewer) Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof, including the Participants (as defined herein), other than the County.

The Bonds are offered when, as, and if issued, subject to approval of their legality by Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. Certain other legal matters will be passed upon for the County by Pacifica Law Group LLP as Disclosure Counsel to the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. It is anticipated that the Bonds will be ready for delivery through the facilities of DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about August 10, 2021.

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

Morgan Stanley

J.P Morgan **Loop Capital Markets** **Siebert Williams Shank & Co., LLC**

Dated: July 27, 2021

No dealer, broker, sales representative or other person has been authorized by the County to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

The information set forth herein has been obtained by the County from County records and from other sources that the County believes to be reliable, but the County does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

The County makes no representation regarding the accuracy or completeness of the information provided in Appendix H—Book-Entry System, which has been furnished by DTC.

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

The public offering prices set forth on pages i through iii of this Official Statement may be changed from time to time by the Underwriters of the Bonds. The Underwriters may offer and sell such Bonds to certain dealers, unit investment trusts, or money market funds at prices lower than the public offering prices set forth on pages i through iii of this Official Statement.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The County has prepared certain forecasted financial information included in this Official Statement. The prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information but, in the view of the County, was prepared based on reasonable assumptions. However, this prospective financial information is not fact and should not be relied upon as indicative of future results. Readers of this Official Statement are cautioned not to place undue reliance on the forecasted or prospective financial information. No independent accountant (i) has compiled, examined, or performed any procedures with respect to the forecasted or prospective financial information contained in this Official Statement, (ii) has expressed any opinion or any form of assurance on such information or its achievability, or (iii) assumes any responsibility for or any association with the prospective or forecasted financial information.

Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The County is not obligated to update, or otherwise revise, the financial projections or the specific portions presented in this Official Statement to reflect circumstances existing after the date when made or to reflect the occurrence of future events, even in the event that any or all of the assumptions are shown to be in error.

The websites of the County, any County department or agency, the City of Seattle, DTC, and the Municipal Securities Rulemaking Board are not part of this Official Statement, and investors should not rely on information presented on the County's website, or any other website referenced herein, in determining whether to purchase the Bonds. Information appearing on any such website is not incorporated by reference in this Official Statement.

MATURITY SCHEDULE

KING COUNTY, WASHINGTON
$239,585,000
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS
(PAYABLE FROM SEWER REVENUES), 2021, SERIES A

Due January 1	Amounts	Interest Rates	Yields		Prices	CUSIP Numbers
2022	$ 4,610,000	3.00%	0.05%		101.155	49474F ZE3
2023	9,770,000	3.00%	0.07%		104.074	49474F ZF0
2024	10,055,000	3.00%	0.10%		106.925	49474F ZG8
2025	18,655,000	4.00%	0.17%		112.947	49474F ZH6
2026	27,035,000	4.00%	0.30%		116.130	49474F ZJ2
2027	25,560,000	4.00%	0.43%		119.006	49474F ZK9
2028	22,490,000	5.00%	0.58%		127.693	49474F ZL7
2029	9,255,000	5.00%	0.68%		131.090	49474F ZM5
2030	27,680,000	5.00%	0.85%		133.542	49474F ZN3
2031	25,595,000	5.00%	0.92%		136.627	49474F ZP8
2032	25,870,000	5.00%	1.01%	(1)	137.469	49474F ZQ6
2033	8,090,000	4.00%	1.13%	(1)	126.787	49474F ZR4
2034	8,410,000	2.00%	1.58%	(1)	103.831	49474F ZS2
2035	6,485,000	2.00%	1.64%	(1)	103.274	49474F ZT0
2036	5,645,000	2.00%	1.68%	(1)	102.904	49474F ZU7
2037	3,645,000	2.00%	1.73%	(1)	102.444	49474F ZV5
2038	735,000	3.00%	1.57%	(1)	113.053	49474F ZW3

(1) Calculated to the July 1, 2031, par call date.

MATURITY SCHEDULE

KING COUNTY, WASHINGTON
$94,510,000
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(PAYABLE FROM SEWER REVENUES), 2021, SERIES B (TAXABLE)

Due	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
January 1, 2022	$ 1,080,000	0.138%	0.138%	100.00	49474F ZX1
July 1, 2022	1,790,000	0.188%	0.188%	100.00	49474F ZY9
July 1, 2023	1,790,000	0.238%	0.238%	100.00	49474F ZZ6
July 1, 2024	1,800,000	0.517%	0.517%	100.00	49474F A26
July 1, 2025	1,810,000	0.746%	0.746%	100.00	49474F A34
July 1, 2026	1,825,000	0.896%	0.896%	100.00	49474F A42
July 1, 2027	1,845,000	1.145%	1.145%	100.00	49474F A59
July 1, 2028	1,865,000	1.295%	1.295%	100.00	49474F A67
July 1, 2029	1,895,000	1.491%	1.491%	100.00	49474F A75
July 1, 2030	1,920,000	1.541%	1.541%	100.00	49474F A83
July 1, 2031	1,955,000	1.641%	1.641%	100.00	49474F A91
July 1, 2032	14,365,000	1.791%	1.791%	100.00	49474F B25
July 1, 2033	14,650,000	1.941%	1.941%	100.00	49474F B33
July 1, 2034	14,960,000	2.041%	2.041%	100.00	49474F B41
July 1, 2035	15,295,000	2.141%	2.141%	100.00	49474F B58
July 1, 2036	15,665,000	2.241%	2.241%	100.00	49474F B66

MATURITY SCHEDULE

KING COUNTY, WASHINGTON
$231,200,000
SEWER REVENUE REFUNDING BONDS, 2021, SERIES A (TAXABLE)

SERIAL BONDS

Due	Amounts	Interest Rates	Yields	Prices	CUSIP Numbers
January 1, 2022	$ 2,130,000	0.188%	0.188%	100.00	495290 DJ4
July 1, 2022	3,115,000	0.188%	0.188%	100.00	495290 DK1
July 1, 2023	3,120,000	0.288%	0.288%	100.00	495290 DL9
July 1, 2024	3,135,000	0.567%	0.567%	100.00	495290 DM7
July 1, 2025	3,155,000	0.796%	0.796%	100.00	495290 DN5
July 1, 2026	3,185,000	0.946%	0.946%	100.00	495290 DP0
July 1, 2027	3,215,000	1.195%	1.195%	100.00	495290 DQ8
July 1, 2028	3,260,000	1.345%	1.345%	100.00	495290 DR6
July 1, 2029	6,655,000	1.541%	1.541%	100.00	495290 DS4
July 1, 2030	3,240,000	1.591%	1.591%	100.00	495290 DT2
July 1, 2031	3,290,000	1.691%	1.691%	100.00	495290 DU9
July 1, 2032	10,160,000	1.841%	1.841%	100.00	495290 DV7
July 1, 2033	10,755,000	1.991%	1.991%	100.00	495290 DW5
July 1, 2034	10,990,000	2.091%	2.091%	100.00	495290 DX3
July 1, 2035	2,850,000	2.241%	2.241%	100.00	495290 DY1
July 1, 2036	19,085,000	2.351%	2.351%	100.00	495290 DZ8
July 1, 2037	2,540,000	2.461%	2.461%	100.00	495290 EA2
July 1, 2038	31,340,000	2.571%	2.571%	100.00	495290 EB0
July 1, 2039	23,615,000	2.641%	2.641%	100.00	495290 EC8
July 1, 2040	24,540,000	2.691%	2.691%	100.00	495290 ED6

TERM BONDS

Due July 1	Amount	Interest Rate	Yield	Price	CUSIP Number
2047	$ 57,825,000	2.841%	2.841%	100.00	495290 EE4

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine

METROPOLITAN KING COUNTY COUNCIL

Claudia Balducci	Chair
Reagan Dunn	Vice Chair
Joe McDermott	Vice Chair
Rod Dembowski	Councilmember
Jeanne Kohl-Welles	Councilmember
Kathy Lambert	Councilmember
Dave Upthegrove	Councilmember
Pete von Reichbauer	Councilmember
Girmay Zahilay	Councilmember

OTHER ELECTED OFFICIALS

Dan Satterberg	Prosecuting Attorney
John Wilson	Assessor
Mitzi Johanknecht	Sheriff
Julie Wise	Director of Elections

DIRECTOR OF FINANCE AND BUSINESS OPERATIONS DIVISION
DEPARTMENT OF EXECUTIVE SERVICES

Ken Guy

CLERK OF THE METROPOLITAN KING COUNTY COUNCIL

Melani Pedroza

BOND COUNSEL/DISCLOSURE COUNSEL

Pacifica Law Group LLP
Seattle, Washington

MUNICIPAL ADVISOR TO THE COUNTY

Piper Sandler & Co.
Seattle, Washington

REGISTRAR

Washington State Fiscal Agent
(currently U.S. Bank National Association)
Seattle, Washington

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE BONDS	2
Description	2
Redemption of the Bonds	3
Other Redemption Provisions	4
Book-Entry System	6
Purchase of Bonds	6
Refunding or Defeasance of Bonds	6
USE OF PROCEEDS	7
Purpose	7
Sources and Uses of Funds	8
Refunding Plan	8
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	10
Flow of Funds	10
Sewer Revenue Bonds	11
LTGO (Sewer) Bonds	14
Outstanding Sewer System Obligations	15
Agreements With Participants	20
Rate and Coverage Covenants	21
Additional Bonds	22
THE SEWER SYSTEM	27
General Information	27
Impact of COVID-19	28
The Facilities	29
The Participants	31
Sewer Rates	33
Sewer System Operating Revenues	35
Financial Policies	36
Sewer System Interfund Borrowing	37
Historical Customers, Revenues and Expenses	37
Management Discussion of 2020 Sewer System Financial Results	39
Projected Customers, Revenues, and Expenses	40
Debt Service Requirements Payable from Revenue of the System	43
Regional Wastewater Services and Clean Water Plan	46
Combined Sewer Overflow Projects	47
Request for 2013 Consent Decree Modification	49
Joint Ship Canal Project with Seattle	49
West Point Situational Analysis and Plans	50
Capital Improvement Plan	51
Future Sewer System Financing Plans	55
Environmental Regulation	57
Earthquakes, Climate Change, and Wildfires	62
Strategic Climate Action Plan	63
Cybersecurity	63
KING COUNTY	64
The County	64
Impact of COVID-19	64
General	65
Organization of the County	65
County's Budget Process	66
Finance and Business Operations Division	66
Auditing	67
County Fund Accounting	67
Major Governmental Fund Revenue Sources	67

TABLE OF CONTENTS

	Page
Operating Deficits	73
Financial Results	74
Management Discussion of Financial Results	80
2020 Preliminary Results	81
2021-2022 Adopted Budget	81
2021 Preliminary Results	84
Future General Obligation Financing Plans	84
Debt Repayment Record	84
King County Investment Pool	84
County Employees	85
Retirement Systems	86
Other Post-Employment Benefits	90
Risk Management and Insurance	91
Emergency Management and Preparedness	92
GENERAL OBLIGATION DEBT INFORMATION	93
General Obligation Debt Limitation	93
Debt Capacity and Debt Service Summary	93
Net Direct and Overlapping Debt Outstanding	98
Contingent Loan Agreements	99
Bank Agreements	99
PROPERTY TAX INFORMATION	100
Authorized Property Taxes	100
Allocation of Tax Levies	105
Overlapping Taxing Districts	106
Assessed Value Determination	107
Tax Collection Procedure	107
Principal Taxpayers	109
OTHER CONSIDERATIONS	110
Federal Funding	110
Cybersecurity	110
Climate Change and the County’s Strategic Climate Action Plan	110
Seismic Risk	111
Public Health	112
INITIATIVES AND REFERENDA	112
Future Initiatives and Legislative Action	113
LEGAL AND TAX INFORMATION	113
Litigation	113
Potential Conflicts of Interest	114
Approval of Counsel	114
Limitations on Remedies and Municipal Bankruptcy	114
Tax Matters Relating to the Tax-Exempt Bonds	115
Certain Income Tax Consequences Relating to the Taxable Bonds	117
ERISA Considerations	117
CONTINUING DISCLOSURE UNDERTAKING	118
OTHER INFORMATION	118
Ratings	118
Municipal Advisor	119
Underwriting	119
Official Statement	120

TABLE OF CONTENTS (CONTINUED)

The Ordinance .... Appendix A
Forms of Bond Counsel's Opinions .... Appendix B
King County Water Quality Enterprise Fund 2020 Audited Financial Statements .... Appendix C
Excerpts from King County's 2019 Comprehensive Annual Financial Report .... Appendix D
Summary of King County's Investment Policy .... Appendix E
Continuing Disclosure Undertaking .... Appendix F
Demographic and Economic Information .... Appendix G
Book-Entry System .... Appendix H

This page left blank intentionally.

OFFICIAL STATEMENT

KING COUNTY, WASHINGTON

$239,585,000
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS
(PAYABLE FROM SEWER REVENUES), 2021, SERIES A

$94,510,000
LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS
(PAYABLE FROM SEWER REVENUES), 2021, SERIES B (TAXABLE)

$231,200,000
SEWER REVENUE REFUNDING BONDS, 2021, SERIES A (TAXABLE)

INTRODUCTION

This Official Statement contains certain information concerning the issuance by King County, Washington (the "County"), of its Limited Tax General Obligation and Refunding Bonds (Payable from Sewer Revenues), 2021, Series A (the "2021A LTGO (Sewer) Bonds"); Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), 2021, Series B (Taxable) (the "2021B LTGO (Sewer) Bonds," and together with the 2021A LTGO (Sewer) Bonds, the "LTGO (Sewer) Bonds"); and Sewer Revenue Refunding Bonds, 2021, Series A (Taxable) (the "Sewer Revenue Bonds"). The Sewer Revenue Bonds and the LTGO (Sewer) Bonds are referred to together herein as the "Bonds," and each is separately referred to herein as a "Series."

The Bonds are issued under and in accordance with the provisions of chapters 35.58, 36.67, 39.46, and 39.53 of the Revised Code of Washington ("RCW") and the County Charter, and are authorized under the provisions of County Ordinance 19112, passed on June 23, 2020, as amended by Ordinance 19216, passed on December 8, 2020 (together, the "Ordinance"), and Motion 15913 of the Metropolitan King County Council (the "County Council") passed on July 27, 2021 (the "Sale Motion"). The Ordinance is attached as Appendix A.

Quotations, summaries, and explanations of constitutional provisions, statutes, ordinances, resolutions, motions, and other documents in this Official Statement do not purport to be complete and are qualified by reference to the complete text of such documents, which may be obtained from the Finance and Business Operations Division of the King County Department of Executive Services, 500 Fourth Avenue, Room 600, Seattle, Washington 98104. Capitalized terms that are not defined herein have the same meanings as set forth in the Ordinance. See Appendix A—The Ordinance.

The outbreak of the 2019 novel coronavirus ("COVID-19") was a significant event that has had and will have ongoing, material effects on the finances, operations, and economy of the County. See "The Sewer System—Impact of COVID-19" herein for current information and expectations about the effects of COVID-19, including on projected revenues of the Sewer System ("Revenue of the System"). See also "King County—Impact of COVID-19" for a discussion of the effects of COVID-19 on the operations and finances of the County.

THE BONDS

Description

The Bonds will be issued only in fully registered form as to both principal and interest and will be in the denomination of $5,000 or any integral multiple thereof within each Series and maturity of the Bonds. The Bonds initially will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. See "Book-Entry System."

The Bonds will bear interest at the rates set forth on pages i through iii, payable semiannually on each January 1 and July 1, beginning January 1, 2022, to their maturities or prior redemption. The Bonds will bear interest (computed on the basis of a 360-day year of twelve 30-day months) from the date of their initial delivery (the "Issue Date") or from the most recent interest payment date for which interest has been paid or duly provided for, whichever is later. The Bonds will mature on the dates and in the amounts set forth on pages i through iii of this Official Statement.

DTC will act as initial Securities Depository for the Bonds. Individual purchases may be made in book-entry form only, and purchasers will not receive certificates representing their interest in the Bonds purchased. For so long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (the "State"), currently U.S. Bank National Association (the "Registrar"). Principal of and premium, if any, and interest on each Bond registered in the name of the Securities Depository are payable in the manner set forth in the Letter of Representations between the County and DTC. As described in Appendix H—Book-Entry System, DTC, as the initial Securities Depository, is obligated to remit such principal and interest to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds.

Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Registrar mailed on the interest payment date to the Registered Owner of the Bond at the address appearing on the Bond Register on the Record Date. "Record Date," for this purpose, means the Registrar's close of business on the 15th day of the month preceding an interest payment date. The County is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of that Registered Owner. Principal of and premium, if any, on each Bond not registered in the name of the Securities Depository are payable upon presentation and surrender of the Bond by the Registered Owner to the Registrar at maturity or upon prior redemption in full.

Redemption of the Bonds

Optional Redemption for 2021A LTGO (Sewer) Bonds. The 2021A LTGO (Sewer) Bonds maturing prior to July 1, 2031, are not subject to optional redemption prior to maturity. The 2021A LTGO (Sewer) Bonds maturing on and after January 1, 2032, are subject to redemption prior to their stated maturities at the option of the County in whole or in part, at any time on or after July 1, 2031, at the price of par plus accrued interest, if any, to the date fixed for redemption.

Optional Redemption for the 2021B LTGO (Sewer) Bonds) and the Sewer Revenue Bonds. The 2021B LTGO (Sewer) Bonds and the Sewer Revenue Bonds (together, the "Taxable Bonds") are subject to redemption prior to their stated maturities at the option of the County in whole or in part, at any time before July 1, 2031, at the "Make-Whole Redemption Price" price as described under "—Other Redemption Provisions" below. The Taxable Bonds maturing on and after July 1, 2032, are subject to redemption prior to their stated maturities at the option of the County in whole or in part, at any time on or after July 1, 2031, at the price of par plus accrued interest, if any, to the date fixed for redemption.

Mandatory Sinking Fund Redemption of Term Bonds. The County will redeem the Sewer Revenue Bonds maturing on July 1, 2047 (the "Term Bonds"), if not optionally redeemed as described above or purchased under the provisions described in the Ordinance, at par plus accrued interest on July 1 in the years and amounts as follows:

TERM BONDS

Years	Amounts
2041	$ 955,000
2042	985,000
2043	1,010,000
2044	1,040,000
2045	1,070,000
2046	28,525,000
2047(1)	24,240,000

(1) Maturity.

If the County redeems Term Bonds under the optional redemption provisions described above or purchases for cancellation or defeases Term Bonds, the Term Bonds so redeemed, purchased, or defeased (irrespective of their redemption or purchase prices) will be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The County will determine the manner in which the credit is to be allocated.

Partial Redemption. Whenever less than all of the Bonds of a single maturity of a Series are to be redeemed, the Securities Depository will select the Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and in the case of the Taxable Bonds, on a pro rata pass-through distribution-of-principal basis consistent with DTC procedures, and the Registrar will select all other Bonds to be redeemed randomly, or in such other manner as the Registrar determines.

Notice of Redemption. Notice of redemption of each Bond registered in the name of the Securities Depository or its nominee will be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, will be given by the Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. "Record Date," for this purpose, means the Registrar's close of business on the date on which the Registrar sends notice of the redemption. The requirements of the preceding sentences will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by any Owner.

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

Effect of Redemption. Interest on each Bond called for redemption will cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as described above, or money sufficient to effect such redemption is not on deposit in the Parity Bond Fund or the Parity Lien Obligation Bond Fund, as applicable (both as defined below under "Security and Sources of Payment for the Bonds—Sewer Revenue Bonds—Lien and Charge on Revenue of the System" and "—LTGO (Sewer) Bonds—Pledge of and Lien on Revenue of the System"), or in a trust account established to refund or defease the Bond.

Other Redemption Provisions

Taxable Bonds—Make-Whole Optional Redemption Prior to July 1, 2031. Each Series of the Taxable Bonds is subject to optional redemption by the County prior to its stated maturity dates, as a whole or in part, on any business day, prior to July 1, 2031, at the "Make-Whole Redemption Price," as described below in "—Make-Whole Call Provisions for Taxable Bonds," plus accrued and unpaid interest on the respective Series of Taxable Bonds to be redeemed on the date fixed for redemption.

Make-Whole Call Provisions for Taxable Bonds. The "Make-Whole Redemption Price" is the greater of (i) 100% of the principal amount of the Taxable Bonds to be redeemed, and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Taxable Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Taxable Bonds are to be redeemed, discounted to the date on which the Taxable Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" defined below, plus the "Applicable Spread" defined below.

"Applicable Spread" means the basis points shown in the tables below for the respective maturities of the Taxable Bonds.

2021B LTGO (Sewer) Bonds

Maturity Date	Applicable Spread
2022	0 bps
2023-2031	5 bps
2032-2034	10 bps
2035-2036	15 bps

Sewer Revenue Bonds

Maturity Date	Applicable Spread
2022	0 bps
2023-2031	5 bps
2032-2033	10 bps
2034-2036	15 bps
2037-2047	20 bps

"Treasury Rate" means, with respect to any redemption date for a particular Taxable Bond, the yield to maturity as of such Valuation Date of U.S. Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H. 15 (519) that has become publicly available on the Valuation Date selected by the County (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Taxable Bond (taking into account any sinking fund installments for such Taxable Bonds) to be redeemed; provided, however, that if the period from the redemption date to such maturity date (taking into account any sinking fund installments for such Taxable Bonds) is less than one year, the weekly average yield on actual traded U.S. Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the County or the Registrar, the Make-Whole Redemption Price of the Taxable Bonds, with respect to (ii) in the first paragraph of this section, will be calculated by an independent accounting firm, investment banking firm, or municipal advisor retained by the County at the County's expense. The County and the Registrar may conclusively rely on the determination of the Treasury Rate by the investment banking firm or municipal advisory firm and on any Make-Whole Redemption Price calculated by an independent accounting firm, investment banking firm, or municipal advisor and will not be liable for such reliance.

"Valuation Date" means a Business Day not later than the third Business Day preceding the redemption date but no more than 45 calendar days prior to the redemption date.

Selection for Redemption of Taxable Bonds. If the Taxable Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Taxable Bonds, if fewer than all of a maturity of a series of Taxable Bonds are to be redeemed prior to maturity, the particular Taxable Bonds or portions thereof to be redeemed shall be selected on a "Pro Rata Pass-Through Distribution of Principal" basis in accordance with DTC procedures, provided that, so long as the Taxable Bonds are held in book-entry form, the selection for redemption of such Taxable Bonds shall be made in accordance with the operational arrangements of DTC then in effect that currently provide for adjustment of the principal by a factor provided by the Registrar pursuant to DTC operational arrangements. If the Registrar does not provide the necessary information and identify the redemption as on a Pro Rata Pass-Through Distribution of Principal basis, the Taxable Bonds will be selected for redemption in accordance with DTC procedures by lot within a maturity.

It is the County's intent with respect to the Taxable Bonds that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the County and the Beneficial Owners be made on a Pro Rata Pass-Through Distribution of Principal basis as described above. However, the County can provide no assurance that DTC, the DTC Participants, or any other intermediaries will allocate redemptions among Beneficial Owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Taxable Bonds on a Pro Rata Pass-Through Distribution of Principal basis as discussed above, then the Taxable Bonds will be selected for redemption in accordance with DTC procedures by lot.

If the Taxable Bonds are not registered in book-entry only form, the Taxable Bonds will be assigned certificate numbers. Any redemptions of less than all of a maturity of a series of the Taxable Bonds shall be effected by the Fiscal Agent by designating such Taxable Bonds for optional redemption within a maturity in the order of the assigned certificate numbers.

Book-Entry System

Book-Entry Form. The Bonds initially will be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of DTC or its nominee will be held fully immobilized in book-entry only form by DTC in accordance with the provisions of the Letter of Representations. Neither the County nor the Registrar has any obligation to DTC participants or the persons for whom they act as nominees regarding accuracy of any records maintained by DTC or its participants. Neither the County nor the Registrar will be responsible for any notice that is permitted or required to be given to the Registered Owner of any Bond registered in the name of DTC, except such notice as is required to be given by the Registrar to DTC or its nominee.

For so long as the Bonds are registered in the name of DTC or its nominee, DTC or its nominee will be deemed to be the Registered Owner for all purposes, and all references to Registered Owners will mean DTC or its nominee and not the Beneficial Owners. Registered ownership of any Bond registered in the name of DTC or its nominee may not be transferred except (i) to any successor Securities Depository, (ii) to any substitute Securities Depository appointed by the County, or (iii) to any person if the Bond is no longer to be held by a Securities Depository.

The County makes no representation as to the accuracy or completeness of information in Appendix H provided by DTC. Purchasers of the Bonds should confirm its contents with DTC or its participants.

Termination of Book-Entry System. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the County, the County may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the County does not appoint a substitute Securities Depository, or (ii) the County terminates the services of the Securities Depository, the Bonds no longer will be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in the Ordinance.

Purchase of Bonds

The County reserves the right and option to purchase any or all of the Bonds offered to the County at any time at any price acceptable to the County, plus accrued interest to the date of purchase.

Refunding or Defeasance of Bonds

The County may issue refunding obligations pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (i) paying when due the principal of and interest on any or all of the Bonds (the "Defeased Bonds"),

(ii) redeeming the Defeased Bonds prior to their maturity, and (iii) paying the costs of the refunding or defeasance.

If the County sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "Trust Account") money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund, or defease the Defeased Bonds in accordance with their terms, then all right and interest of the Owners of the Defeased Bonds in the covenants of the Ordinance and in the funds and accounts obligated to the payment of the Defeased Bonds will cease and become void. Thereafter, the Registered Owners of Defeased Bonds will have the right to receive payment of the principal of and premium, if any, and interest on the Defeased Bonds solely from the Trust Account, and the Defeased Bonds will be deemed no longer outstanding. In that event, the County may apply money remaining in any fund or account (other than the Trust Account) established for the payment or redemption of the Defeased Bonds to any lawful purpose.

Unless otherwise specified by the County in a refunding or defeasance plan, notice of refunding or defeasance will be given, and selection of Bonds for any partial refunding or defeasance will be conducted, in the manner prescribed in the Ordinance for the redemption of Bonds.

For purposes of the Bonds, "Government Obligations" is defined in the Ordinance to mean direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

Defeasance of any of the Taxable Bonds may result in a reissuance thereof, in which event a holder will recognize a taxable gain or loss equal to the difference between the amount realized from the sale, exchange, or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Taxable Bonds. See "Legal and Tax Information—Certain Income Tax Consequences Relating to the Taxable Bonds."

USE OF PROCEEDS

Purpose

The 2021A LTGO (Sewer) Bonds are being issued to provide funds for acquiring and constructing improvements to the County's Sewer System, to refund certain State Revolving Fund ("SRF") loans of the Sewer System as summarized below under "—Refunding Plan," and to pay the costs of issuing the 2021A LTGO (Sewer) Bonds.

The 2021B LTGO (Sewer) Bonds are being issued to defease and advance refund certain revenue bonds of the Sewer System as summarized below under "—Refunding Plan," and to pay the costs of issuing the 2021B LTGO (Sewer) Bonds.

The Sewer Revenue Bonds are being issued to defease and advance refund certain revenue bonds of the Sewer System as shown below under "—Refunding Plan" and to pay the costs of issuing the Sewer Revenue Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied as follows (rounded to the nearest dollar):

TABLE 1
SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	2021A LTGO (Sewer) Bonds	2021B LTGO (Sewer) Bonds	Sewer Revenue Bonds	Total
Par Amount of Bonds	$ 239,585,000.00	$ 94,510,000.00	$ 231,200,000.00	$ 565,295,000.00
Original Issue Premium	53,289,926.20	-	-	53,289,926.20
Total Sources of Funds	$ 292,874,926.20	$ 94,510,000.00	$ 231,200,000.00	$ 618,584,926.20
USES OF FUNDS				
Deposit to Project Fund	$ 144,000,000.00	$ -	$ -	$ 144,000,000.00
Deposit to Refunding Escrow	-	94,166,592.63	230,371,111.94	324,537,704.57
Redemption of SRF Loans	148,046,213.84	-	-	148,046,213.84
Payment of Costs of Issuance(1)	828,712.36	343,407.37	828,888.06	2,001,007.79
Total Uses of Funds	$ 292,874,926.20	$ 94,510,000.00	$ 231,200,000.00	$ 618,584,926.20

(1) Includes rating agency fees, Municipal Advisor fees, underwriters' discount, legal fees, printing costs, other costs of issuing the Bonds, escrow costs and other costs of administering the refunding, and additional proceeds. A portion of these funds will be deposited to the refunding escrow and will be paid by the Escrow Agent (see "—Refunding Plan").

Refunding Plan

Refunded SRF Loans. A portion of the proceeds from the sale of the 2021A LTGO (Sewer) Bonds will be used to repay certain of the County's outstanding SRF Loans (the "Refunded SRF Loans"), as summarized in Table 2 below, for the purposes of realizing debt service savings.

TABLE 2
REFUNDED SRF LOANS

Bond Component	Maturity Dates	Interest Rates (%)	Principal Amount	Redemption Date
Refunded SRF Loans	2021-2038	1.50-3.10	$ 147,201,449	8/10/2021

Procedure—Refunded SRF Loans. On the day of closing for the Bonds, the County will transfer proceeds of the 2021A LTGO (Sewer) Bonds to the Washington State Department of Ecology ("Ecology") in sufficient amount to pay the principal of and accrued interest on the Refunded SRF Loans.

Refunded Bonds.

LTGO (SEWER) REFUNDING. A portion of the proceeds from the sale of the 2021B LTGO (Sewer) Bonds will be used to defease and refund a portion of the County's outstanding callable LTGO Refunding Bonds (Payable from Sewer Revenues), 2015, Series A (the "LTGO (Sewer) Refunded Bonds"), as shown in Table 3 below, for the purposes of realizing debt service savings.

SEWER REFUNDING. A portion of the proceeds from the sale of the Sewer Revenue Bonds will be used to defease and refund a portion of the County's outstanding callable Sewer Revenue Refunding Bonds, 2015, Series A (the "Sewer Refunded Bonds"), as shown in Table 3 below, for the purpose of realizing debt service savings.

The LTGO (Sewer) Refunded Bonds and the Sewer Refunded Bonds are referred to together as the "Refunded Bonds."

TABLE 3
REFUNDED BONDS

Bond Component	Maturity Date	Interest Rate (%)	Par Amount	Redemption Date	Redemption Price (%)	CUSIP Number
LTGO (Sewer) Refunded Bonds						
LTGO Refunding Bonds (Payable from Sewer Revenues), 2015, Series A, Dated 2/18/2015						
Serial	7/1/2032	5.00	14,625,000	1/1/2025	100	49474F KD1
	7/1/2033	5.00	15,390,000	1/1/2025	100	49474F KE9
	7/1/2034	5.00	16,200,000	1/1/2025	100	49474F KF6
	7/1/2035	5.00	17,055,000	1/1/2025	100	49474F KG4
	7/1/2036	5.00	17,965,000	1/1/2025	100	49474F KR0
Subtotal			$ 81,235,000			
Sewer Refunded Bonds						
Sewer Revenue Refunding Bonds, 2015, Series A, Dated 2/18/2015						
Serial	7/1/2029	5.00	4,020,000	1/1/2025	100	495289 X70
	7/1/2032	5.00	8,160,000	1/1/2025	100	495289 W63
	7/1/2033	5.00	9,055,000	1/1/2025	100	495289 W71
	7/1/2034	5.00	9,535,000	1/1/2025	100	495289 W89
	7/1/2036	5.00	19,325,000	1/1/2025	100	495289 X88
	7/1/2038	5.00	34,300,000	1/1/2025	100	495289 X47
Term	7/1/2040	5.00	53,375,000	1/1/2025	100	495289 X96
Term	7/1/2047	5.00	60,965,000	1/1/2025	100	495289 X62
Subtotal			$ 198,735,000			
Total Refunded Bonds			$ 279,970,000			

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

Verification of Calculations—Refunded Bonds. The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Escrow Agent to pay principal of and accrued interest on the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C., independent certified public accountant.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Sewer Revenue Bonds are Parity Bonds, secured solely by a pledge of and lien on Revenue of the System subordinate only to the payment of Operating and Maintenance Expenses of the County's sewer system (the "Sewer System"). The LTGO (Sewer) Bonds are Parity Lien Obligations, which are limited tax general obligation bonds of the County that are additionally secured by a pledge of and lien on Revenue of the System. The lien on the Revenue of the System that secures the Parity Lien Obligations is subordinate to the lien that secures the Parity Bonds. "Revenue of the System" is defined in the Ordinance as the earnings, revenues, and money received by the County from or on account of the operation of the Sewer System.

Flow of Funds

So long as any Bond is outstanding, all Revenue of the System will be deposited into the Revenue Fund and used and applied in the following order of priority:

(i) to pay all Operating and Maintenance Expenses;

(ii) to make all required deposits into the Debt Service Account in the Parity Bond Fund to provide for the payment of principal of and interest on Parity Bonds, including the Sewer Revenue Bonds, as the same become due and payable and to make any Payment Agreement Payments with respect to any Parity Payment Agreements;

(iii) to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Qualified Insurance or a Qualified Letter of Credit; provided, that if there is not sufficient money to make all payments under such reimbursement agreements, the payments will be made on a pro rata basis;

(iv) to establish and maintain the Parity Bond Reserve Account (including making deposits into such account and paying the costs of obtaining Qualified Insurance or a Qualified Letter of Credit therefor);

(v) to make all required payments of principal of and interest on the Parity Lien Obligations, including the LTGO (Sewer) Bonds, and to make any Payment Agreement Payments with respect to any Parity Lien Obligation Payment Agreements;

(vi) to make all required payments of principal of and interest on the Junior Lien Obligations as the same become due and payable, to make all Payment Agreement Payments with respect to any Payment Agreements entered into with respect to Junior Lien Obligations, and to make any payments required to be made to providers of any credit enhancements or liquidity facilities for Junior Lien Obligations;

(vii) to make all required payments of principal of and interest on the Multi-Modal LTGO/Sewer Revenue Bonds as the same become due and payable, to make all Payment Agreement Payments for any Payment Agreements entered into with respect to Multi-Modal

LTGO/Sewer Revenue Bonds, and to make any payments required to be made to providers of credit enhancements or liquidity facilities for any Multi-Modal LTGO/Sewer Revenue Bonds;

(viii) to make all required payments of principal of and interest on the Subordinate Lien Obligations as the same become due and payable (the County currently has no Subordinate Lien Obligations outstanding);

(ix) to make all required payments of principal of and interest on bonds, notes, warrants, and other evidences of indebtedness, the lien and charge on Revenue of the System of which are junior and inferior to the Subordinate Lien Obligations, as the same become due and payable; and

(x) to make all required payments of principal of and interest due on the SRF Loans and the Public Works Trust Fund ("PWTF") Loans.

Any surplus money that the County may have on hand in the Revenue Fund after making the required payments set forth above may be used by the County:

(i) to make necessary improvements, additions, and repairs to, and extensions and replacements of, the Sewer System;

(ii) to purchase or redeem and retire outstanding sewer revenue bonds of the County;

(iii) to make deposits into the Rate Stabilization Fund (see "—Rate and Coverage Covenants—Rate Stabilization Fund"); or

(iv) for any other lawful purposes of the County related to the Sewer System.

Sewer Revenue Bonds

Lien and Charge on Revenue of the System. The amounts covenanted to be paid out of Revenue of the System, as defined below, into a special fund of the County known as the Water Quality Revenue Bond Account (the "Parity Bond Fund") constitute a lien and charge on Revenue of the System superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and of equal lien to any charges heretofore or hereafter made on Revenue of the System for the payment of the principal of and interest on any other Parity Bonds.

State law provides that the owner of a bond such as the Sewer Revenue Bonds, the payment of which is pledged from a special fund, has a claim only against that fund and proportionate amounts of revenue pledged to that fund. Under State law, any bond owner may bring an action to compel a county to set aside and pay into the special fund, such as the Parity Bond Fund, the amount that a county is obligated to set aside and pay therein.

"Sewer System" is defined as "System" in the Ordinance and means the sewers and sewage disposal facilities now or hereafter acquired, constructed, used, or operated by the County for the purpose of carrying out the County's comprehensive water pollution abatement plan authorized by RCW 35.58.200 and defined in Section 28.82.150 of the King County Code as the Comprehensive Sewage Disposal Plan adopted by Resolution No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together with any amendments hereafter approved by ordinance of the County (the "Comprehensive Plan").

“Revenue of the System” means all the earnings, revenues, and money received by the County from or on account of the operations of the Sewer System and the income from the investment of money in the Water Quality Operating Account (the “Revenue Fund”) or any account within such fund, but does not include any money collected pursuant to the Service Agreements applicable to administrative costs of the County other than costs of administration of the Sewer System. For certain purposes described in the Ordinance, attached as Appendix A, deposits from the Rate Stabilization Fund into the Revenue Fund may be included in calculations of “Revenue of the System.”

“Operating and Maintenance Expenses” means all normal expenses incurred by the County in causing the Sewer System to be maintained in good repair, working order, and condition, and includes payments to any private or governmental agency for the operation or maintenance of facilities or for the disposal of sewage but excludes any allowance for depreciation.

The liens on Revenue of the System that secure the Parity Lien Obligations, the Junior Lien Obligations, the Multi-Modal LTGO/Sewer Revenue Bonds, the Subordinate Lien Obligations, and the SRF Loans and PWTF Loans, all of which are defined in the Ordinance and described below under “Outstanding Sewer System Obligations,” are junior, subordinate, and inferior to the lien and charge on Revenue of the System that secures the Parity Bonds. For information on the Sewer System, including the sources of Revenue of the System, see “The Sewer System,” particularly the information therein under the subheadings “The Participants” and “Sewer Rates.” The payment of principal of and interest on the Sewer Revenue Bonds is further secured by the Parity Bond Reserve Account.

Parity Bond Reserve Account. The Parity Bond Reserve Account of the Parity Bond Fund secures all Parity Bonds, including the Sewer Revenue Bonds. The Ordinance provides that the County will pay into and maintain in the Parity Bond Reserve Account an amount that together with other funds in the Parity Bond Reserve Account will be at least equal to the maximum Annual Parity Debt Service with respect to any calendar year (the “Reserve Requirement”). The County may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Parity Bond Reserve Account. See Appendix A—The Ordinance.

In connection with the prior issuance of Parity Bonds, the County obtained debt service reserve surety bonds (the “Surety Bonds”) in the amount of $29,581,040. The Surety Bonds currently include policies issued by Assured Guaranty Municipal Corp. (previously Financial Security Assurance Inc.) and by National Public Finance Guaranty Corp. (previously Financial Guaranty Insurance Company), as shown below.

TABLE 4
PARITY BOND RESERVE ACCOUNT
(as of May 31, 2021)

	Provider	Amount	Moody's/S&P Rating(1)	Expiration
Surety Bonds	National Public Finance Guaranty Corp.	$ 5,010,273	A3/A	2035
	Assured Guaranty Municipal Corp.	4,880,916	A3/AA	2036
	Assured Guaranty Municipal Corp.	7,189,850	A3/AA	2036
	Assured Guaranty Municipal Corp.	12,500,001	A3/AA	2047
	Subtotal	$ 29,581,040		
Cash and Investments		128,763,596		
Total		$158,344,636		

(1) These ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant.

Following the issuance of the Bonds, the Reserve Requirement will be approximately $156.5 million. Money in the Parity Bond Reserve Account, along with all other monies of the Sewer System, is currently held in the Investment Pool described in Appendix E. As of May 31, 2021, the value of cash and investments and the policy amount of the Surety Bonds in the Parity Bond Reserve Account total $158,344,636.

The investments in the Parity Bond Reserve Account as of May 31, 2021, include U.S. Treasury securities with a book value of $15,000,202 and a market value of $15,937,348 invested in the Pool-Plus option described in Appendix E. The book value is included in Table 4 in Cash and Investments. The Pool-Plus option allows for investment in a ladder of eligible securities with maturities of up to ten years and an average maturity of four to six years.

In the event of a withdrawal from the Parity Bond Reserve Account to pay debt service on the Parity Bonds, any deficiency created in the Parity Bond Reserve Account by reason of such withdrawal must be made up from Revenue of the System that is available in accordance with the order of priority described above in "Flow of Funds." See Appendix A—The Ordinance.

By their purchase of the Sewer Revenue Bonds, the Registered Owners of the Sewer Revenue Bonds are deemed to have consented to the adoption of an ordinance supplemental to the Ordinance to amend, reduce, or eliminate the Reserve Requirement as follows. A supplemental ordinance may:

(i) establish one or more separate Reserve Requirements for one or more series of Parity Bonds, including the Sewer Revenue Bonds;

(ii) reduce any Reserve Requirement, including the Reserve Requirement for the Sewer Revenue Bonds, to an amount less than maximum Annual Parity Debt Service in any calendar year, including to zero; and

(iii) establish one or more separate subaccounts within the Parity Bond Reserve Account to secure one or more series of Parity Bonds, including the Sewer Revenue Bonds, with other series of Parity Bonds not being secured by such separate subaccounts.

The above provisions permitting the adoption of a supplemental ordinance to amend, reduce, or eliminate the Reserve Requirement will become effective if and when Parity Bonds issued after October 23, 2017, represent at least 51% of outstanding Parity Bonds. Upon the delivery of the Sewer Revenue Bonds, approximately 37% of the outstanding Parity Bonds will have been issued after October 23, 2017. The adoption of such supplemental ordinance may result in the Sewer Revenue Bonds not being secured by any amounts in the Parity Bond Reserve Account. See the definitions of "First Springing Amendment Date (Parity Bonds)" and "Reserve Requirement" in Appendix A—The Ordinance.

LTGO (Sewer) Bonds

Pledge of and Lien on Revenue of the System. The LTGO (Sewer) Bonds are Parity Lien Obligations, which are limited tax general obligation bonds of the County that are additionally secured by a lien and charge on Revenue of System, subject to Operating and Maintenance Expenses, and subordinate to the lien thereon of the Parity Bonds, as such terms are defined in the Ordinance. ***The lien on Revenue of the System that secures the Parity Lien Obligations is subordinate to the lien that secures the Parity Bonds***.

The County irrevocably covenants and agrees that, for as long as any of the LTGO (Sewer) Bonds are outstanding and unpaid, each year it will include in its budget and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the LTGO (Sewer) Bonds from a special fund of the County known as the Water Quality Limited Tax General Obligation Bond Redemption Fund (the "Parity Lien Obligation Bond Fund") as the same will become due.

The County irrevocably pledges that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties within the State without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the LTGO (Sewer) Bonds will be irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the LTGO (Sewer) Bonds.

The full faith, credit, and resources of the County are irrevocably pledged for the annual levy and collection of said taxes and for the prompt payment of the principal of and interest on the LTGO (Sewer) Bonds as the same will become due.

Except for the pledge of Revenue of the System described below, LTGO (Sewer) Bond owners do not have a security interest in particular revenues or assets of the County. The LTGO (Sewer) Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the County.

State law provides that the payment of general obligation bonds is enforceable in mandamus against the issuer. There is no express provision in the State Constitution or statutes on the priority of payment of debt service on general obligations incurred by a State municipality. Certain taxes and other money deposited in the County's governmental funds are restricted by State law to specific purposes and may not be available to pay debt service on the LTGO (Sewer) Bonds. The rights and remedies of anyone seeking enforcement of the LTGO (Sewer) Bonds are subject to laws of bankruptcy and insolvency and to other laws affecting the rights and remedies of creditors and to the exercise of judicial discretion. See "Legal and Tax Information—Limitations on Remedies and Municipal Bankruptcy."

Pledge of Sewer Revenues. The LTGO (Sewer) Bonds are also payable from and secured by a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses. See "The Sewer System." The lien and charge of the LTGO (Sewer) Bonds on Revenue of the System is subordinate to the lien and charge securing the Parity Bonds, equal to the lien and charge securing the Parity Lien Obligations outstanding and issued in the future, and superior to all other liens and charges on such revenue, including the lien and charge on such revenue securing any Junior Lien Obligations, Multimodal LTGO/Sewer Revenue Bonds, Subordinate Lien Obligations, the SRF Loans, and the PWTF Loans, all of which are described below under "—Outstanding Sewer System Obligations." See "—Flow of Funds."

Outstanding Sewer System Obligations

Table 5 presents information on the outstanding obligations of the County's Sewer System ("Sewer System Obligations") as of July 8, 2021, adjusted for the issuance of the Bonds. See Table 16–Scheduled Debt Service on All Obligations of the Sewer System" under "The Sewer System—Debt Service Requirements Payable From Revenue of the System.

TABLE 5
OUTSTANDING SEWER SYSTEM OBLIGATIONS
(AS OF JULY 27, 2021, ADJUSTED FOR THE ISSUANCE OF THE BONDS)

Sewer System Obligations	Amount Outstanding	Final Maturity	Ratings
Parity Bonds (Senior Lien)(1)	$ 2,258,810,000	2052	Aa1/AA+
Parity Lien Obligations (LTGO)(2)	802,410,000	2039	Aaa/AAA
Junior Lien Obligations	200,590,000	2043	Aa2/AA
Multi-Modal LTGO/Sewer Revenue Bonds(3)	423,650,000	2046	Aaa/AAA
SRF Loans and PWTF Loans(4)	101,361,067	2054	
Total Sewer System Obligations Outstanding(5)	$ 3,786,821,067		

(1) Includes the Sewer Revenue Bonds; excludes the Sewer Refunded Bonds. Excludes $231.3 million in undrawn loan commitments from the U.S. Environmental Protection Agency ("EPA") through its Water Infrastructure Finance and Innovation Act ("WIFIA") loan program (the "WIFIA Bond"). See "The Sewer System—Future Sewer System Financing Plans—WIFIA Bond."

(2) Includes the LTGO (Sewer) Bonds; excludes the LTGO (Sewer) Refunded Bonds.

(3) Includes $179.2 million outstanding under the County's Commercial Paper program, of which $79.2 million is interim financing. The County is authorized to issue Commercial Paper from time to time up to an aggregate principal amount of $250 million outstanding at any time. The authorization expires on December 15, 2050. See Table 6—Summary of Credit Agreements.

(4) Excludes $68.1 million in undrawn loan commitments from Ecology and the Washington State Public Works Board ("PWB"). Excludes the Refunded SRF Loans. See "The Sewer System—Future Sewer System Financing Plans."

(5) Excludes $3.1 million of Limited Tax General Obligation Bonds (Federally Taxable Qualified Energy Conservation Bonds), Series 2012F (the "QECB Bonds"). Although debt service on the QECB Bonds is paid from Revenue of the System, the County has not pledged Revenue of the System to the payment of the QECB Bonds. Debt service payments on the QECB Bonds will be made from Revenue of the System remaining at the bottom of the flow of funds described above under "Flow of Funds" as a lawful purpose of the County related to the Sewer System.

Source: King County Finance and Business Operations Division

PARITY BONDS. Including the issuance of the Sewer Revenue Bonds, and including the WIFIA Bonds, which are yet to be drawn upon, the County has outstanding 19 series of Parity Bonds, which are sewer revenue bonds that are payable from and secured solely by a lien and charge on Revenue of the System. The lien and charge on Revenue of the System that secures the Parity Bonds is superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and of equal lien to any charges heretofore or hereafter made on Revenue of the System for the payment of the principal of and interest on any Parity Bonds.

PARITY LIEN OBLIGATIONS. Including the issuance of the LTGO (Sewer) Bonds, the County has outstanding eight series of Parity Lien Obligations, which are limited tax general obligation bonds of the County that are additionally secured by a lien and charge on Revenue of the System. The lien on Revenue of the System that secures the Parity Lien Obligations is subordinate to the lien that secures the Parity Bonds, but senior to the liens that secure the Junior Lien Obligations, the Multi-Modal LTGO/Sewer Revenue Bonds, any Subordinate Lien Obligations, and the SRF Loans and PWTF Loans.

JUNIOR LIEN OBLIGATIONS. The County has outstanding two series of Junior Lien Obligations, which are sewer revenue bonds that are secured solely by a lien and charge on Revenue of the System. The lien on Revenue of the System that secures the Junior Lien Obligations is subordinate to the liens that secure the Parity Bonds and the Parity Lien Obligations, but senior to the liens that secure the Multi-Modal LTGO/Sewer Revenue Bonds, any Subordinate Lien Obligations, and the SRF Loans and PWTF Loans.

MULTI-MODAL LTGO/SEWER REVENUE BONDS. The County has outstanding four series of Multi-Modal LTGO/Sewer Revenue Bonds (including commercial paper notes), which are limited tax general obligations of the County that are additionally secured by a lien and charge on Revenue of the System. The lien on Revenue of the System that secures the Multi-Modal LTGO/Sewer Revenue Bonds is subordinate to the liens that secure the Parity Bonds, the Parity Lien Obligations, and the Junior Lien Obligations, but senior to the liens that secure any Subordinate Lien Obligations and the SRF Loans and PWTF Loans.

SUBORDINATE LIEN OBLIGATIONS. The County currently has no Subordinate Lien Obligations outstanding.

SRF LOANS AND PWTF LOANS. The County has received loans from the State (administered by various State agencies) that are secured solely by a lien and charge on Revenue of the System. The lien on Revenue of the System that secures these loans (the SRF Loans and the PWTF Loans) is subordinate to the liens that secure all other Sewer System Obligations.

See "The Sewer System—Debt Service Requirements Payable from Revenue of the System."

Variable Rate Debt. The Junior Lien Obligations and the Multi-Modal LTGO/Sewer Revenue Bonds (together, the "Variable Rate Bonds") currently collectively comprise the outstanding variable rate debt of the Sewer System.

County financial policies limit variable rate debt to no more than 20% of total Outstanding Sewer System Obligations. In practice, variable rate debt has been limited to approximately 15% of total Outstanding Sewer System Obligations and currently comprises approximately 14.9% of total Outstanding Sewer System Obligations. For the purposes of this calculation, the County does not include interim financing.

Although all Variable Rate Bonds have bullet maturities, the financial plans since the adoption of the 2017 Sewer Rate (as defined under "The Sewer System—Sewer Rates") provide for the amortization of outstanding Variable Rate Bonds through optional redemptions that begin ten years prior to their final maturity dates. Such planned optional redemptions are excluded from Table 16—Scheduled Debt Service on All Outstanding Obligations of the Sewer System under "The Sewer System." See "The Sewer System—Future Sewer System Financing Plans—Commercial Paper Program."

Credit Agreements and Put Bonds. The County has entered into various agreements establishing liquidity or credit facilities to support certain Variable Rate Bonds. The County has also entered into various agreements for the direct purchase of certain other Variable Rate Bonds. Each such agreement terminates prior to the final maturity of the related obligations. See "The Sewer System—Sewer System Interfund Borrowing."

If the County is unable to extend or replace any such agreement, or if certain Variable Rate Bonds cannot be remarketed, the County will be obligated to repay all principal of such bonds during a "term-out" period prior to the stated final maturity date. In addition, if the pricing for extensions or replacements of any such agreement increases substantially or such extensions or replacements otherwise cease to benefit the County, the County may refund or retire the obligations or convert the obligations to fixed rate bonds. In any such circumstances, debt service associated with those obligations may exceed the amount that is currently projected by the County.

Each of the credit agreements includes conditions to the term-out provisions, events of default (or events of termination), and remedies. Events of default include certain cross defaults, judgments against the County, and the downgrade below certain thresholds of ratings of limited tax or general obligations of the County or debt secured by Revenue of the System. Stated remedies included in the credit agreements, or available pursuant to a "most-favored nation" provision, in some cases include acceleration or a requirement that the County immediately pay the outstanding principal amount of bank bonds, as well as other available legal and equitable remedies, including the right of mandamus against the County and its officials. The Bonds are not subject to acceleration.

A summary of the relevant Sewer System Obligations and terms of each related credit agreement is shown in Table 6.

Additionally, the County has marketed certain of its Variable Rate Bonds as put bonds in a term rate mode. These bonds are subject to mandatory purchase on predetermined dates. If the County is unable to remarket the bonds on or before the respective mandatory purchase date, the County will be required to purchase the bonds on the mandatory purchase date. See Table 7—Summary of Put Bonds for related optional and mandatory purchase dates and associated step-up pricing provisions.

TABLE 6
SUMMARY OF CREDIT AGREEMENTS

Series	Amount Outstanding as of 7/1/2021	Type of Facility	Provider	Expiration	Term-Out Provision[1]	Maturity
Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2017 A and B	$96,355,000	Continuing Covenant Agreement	State Street Public Lending Corporation	1/28/2022	Three Years	1/1/2040
Multi-Modal Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenue), Series 2019 A and B	$148,095,000	Standby Bond Purchase Agreement	TD Bank N.A.	6/26/2024	Three Years	1/1/2046

(1) Subject to conditions under the agreements.

TABLE 7
SUMMARY OF PUT BONDS

Series	Type of Sewer System Obligations	Amount Outstanding as of 7/1/2021	Optional Redemption	Mandatory Purchase	Step-Up Provision	Maturity
Junior Lien Sewer Revenue Refunding Bonds, 2020A (Mandatory Put)	Junior Lien Obligations	$100,295,000	on and after 7/1/2023	1/1/2024	none	1/1/2032
Junior Lien Sewer Revenue Refunding Bonds, 2020B (Mandatory Put)	Junior Lien Obligations	$100,295,000	on and after 4/1/2025	1/1/2026	none	1/1/2042

Agreements With Participants

The sewage system provided by the County is wholesale in character, covering construction, operation, and maintenance of main trunk and interceptor sewers, pump stations, and treatment plants. As the successor to the Municipality of Metropolitan Seattle ("Metro"), the County has assumed by operation of law Metro's rights and obligations under its Service Agreements with 34 Municipal Participants and three non-Municipal Participants (each, a "Participant"). See "The Sewer System—The Participants." The Participants contract with the County for regional conveyance and treatment and provide wastewater collection and direct billing and customer service to the end users. The sewage disposal charge paid by each Participant constitutes an expense of the maintenance and operation of the sewer system of the Participant.

Service Agreements. All of the Service Agreements with the Municipal Participants (described below under "The Sewer System—The Participants") are essentially the same with respect to the facilities to be provided, terms for delivery and acceptance of sewage, and payment for sewage disposal. The Service Agreements with the non-Municipal Participants, which accounted for approximately 0.6% of sewage disposal revenues in the year ended December 31, 2020, do not differ substantially from the Service Agreements with the Municipal Participants.

The rates set by Municipal Participants for sewer service to their customers are not subject to the jurisdiction of the Washington Utilities and Transportation Commission. Under Washington law, the Municipal Participants have various remedies for the enforcement of delinquent bills, including placing liens on the property of delinquent customers. The Service Agreements do not allow Municipal Participants to defer payments to the Wastewater Treatment Division ("WTD") for deferrals that they have provided to their retail customers.

The Service Agreements uniformly provide that the County will receive all sewage collected by the Participants in the service area of the Sewer System and will treat and dispose of such sewage. In return, the Participants are to deliver their sewage to the Sewer System and pay the County Sewage Disposal Charges to cover all costs incurred in providing sewage disposal services. Although the Participants' payment obligations are sized to reflect operations and maintenance, reserves, repair and replacement costs, and debt service on all obligations secured by Revenue of the System, the Participants are not directly obligated to pay the principal of or interest on the Bonds or other obligations payable from Revenue of the System.

All of the Service Agreements with the Municipal Participants extend to at least July 1, 2036. Since 2002, the County has been in the process of negotiating extensions of the Service Agreements with the Participants. These negotiations are pending until further developments, including the Clean Water Plan. See "—Regional Wastewater Services and Clean Water Plan." Extensions through July 1, 2056, have been signed by the cities of Carnation, Issaquah, Kirkland, Pacific, Renton, and Tukwila, the Alderwood Water & Wastewater District, the Vashon Sewer District, and the Muckleshoot Indian Tribe, which collectively provided 16.3% of sewage disposal revenues in the year ended December 31, 2020. The requirement for Municipal Participants within the County to remain customers of the Sewer System beyond the expiration of existing Service Agreements is described below under "Agency Customer Continuation Requirement."

Validity and Enforceability. The common provisions of the Service Agreements (i) provide for the delivery of sewage to the Sewer System by each Participant and the acceptance of such sewage by the County for treatment and disposal, and (ii) establish the method for determining Sewage

Disposal Charges (described below under "The Sewer System—Sewer Rates") and for making payment thereof. In 1960, the Service Agreement with the City of Seattle ("Seattle") (containing the essential common provisions of all the Service Agreements) was held valid by the Supreme Court of the State of Washington *(Municipality of Metropolitan Seattle v. City of Seattle*, 57 Wn.2d 446, 357 P.2d 863 (1960)).

Agency Customer Continuation Requirement. By Ordinance 15757 of the County, passed on May 7, 2007, the County Council invoked its authority under RCW 35.58.200(3) to require that each current Municipal Participant within the County continue as an "Agency Customer" (a wholesale customer of the Sewer System not subject to a Service Agreement) following expiration of its Service Agreement so long as bonds issued to finance the capital projects in the Regional Wastewater Services Plan ("RWSP"), which include the Bonds, remain outstanding. See "The Sewer System—The Participants." In accordance with RCW 35.58.200(4), Ordinance 15757 also established a monthly Sewer Rate for Agency Customers, including Municipal Participants within the County, which are required to connect to the Sewer System, and Municipal Participants outside the County and non-Municipal Participants, which are not required to connect to the Sewer System unless a Service Agreement is in effect. Municipal Participants outside the County and Non-Municipal Participants contributed 7.2% of sewage disposal revenues in the year ending December 31, 2020. The formula for the monthly rate charged Agency Customers under Ordinance 15757 is identical to the formula set forth in the Service Agreements.

Rate and Coverage Covenants

The County has covenanted in the Ordinance that, at all times and in any event, rates and charges for sewage disposal service will be sufficient to provide funds adequate to operate and maintain the Sewer System, to make all payments and to establish and maintain all reserves required by the Ordinance or any other ordinance authorizing obligations of the County payable from Revenue of the System, to make up any deficit in such payments remaining from prior years, and to pay all costs incurred in the construction or acquisition of any portion of the Comprehensive Plan that may be ordered by the County and for the payment of which sewer revenue bonds (or other obligations payable from Revenue of the System) are not issued.

The County has further covenanted in the Ordinance to establish, maintain, and collect rates and charges for sewage disposal service that will provide in each calendar year Revenue of the System less Operating and Maintenance Expenses ("Net Revenue") in an amount that, together with the interest earned during that calendar year on investments of money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, and Construction Account, will equal or exceed 1.15 times the amount required to pay the Annual Debt Service for such calendar year. "Annual Debt Service" is defined in the Ordinance and generally describes, for any calendar year, the principal and interest due for all outstanding Parity Bonds and Parity Lien Obligations in such calendar year. See Appendix A—The Ordinance.

Rate Stabilization Fund. The County established the Sewer Rate Stabilization Fund (the "Rate Stabilization Fund") in 2005. The County may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Fund in accordance with the order of priority described above in "Flow of Funds," and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate Sewer Rate increases or for any other lawful purposes of the County related to the Sewer System.

For any fiscal year, (i) amounts withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund for that fiscal year must be subtracted from Net Revenue for that fiscal year, and (ii) amounts withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund for that fiscal year may be added to Revenue of the System for that fiscal year.

As of December 31, 2020, the balance in the Rate Stabilization Fund was $46.25 million. There have been no deposits to or withdrawals from the Rate Stabilization Fund since 2015, and the County has no plans to draw down the funds in the Rate Stabilization Fund.

Additional Bonds

Future Parity Bonds. The County has covenanted and agreed, for as long as Parity Bonds are outstanding, that it will not create any special fund for the payment of the principal of and interest on any revenue bonds that will rank on a parity with or have any priority over the payments out of Revenue of the System required to be made into the Parity Bond Fund and the accounts therein to pay or secure the payment of the outstanding Parity Bonds. The County has reserved the right to issue Future Parity Bonds payable from the Parity Bonds Fund as described below.

The County reserves the right for the purpose of (i) acquiring, constructing, and installing any portion of the Comprehensive Plan, (ii) acquiring, constructing, and installing any necessary renewals or replacements of the Sewer System, or (iii) refunding or purchasing or retiring at or prior to their maturity any outstanding obligations of the County payable from Revenue of the System to issue additional or refunding Parity Bonds (including Variable Rate Parity Bonds), and to make payments into the Parity Bond Fund out of the Revenue Fund that will be sufficient to pay the principal of and interest on those additional or refunding Parity Bonds and to maintain required reserves, such payments out of the Revenue Fund to rank equally with the payments out of the Revenue Fund required to be made into the Parity Bond Fund and the accounts therein for the payment of the principal of and interest on outstanding Parity Bonds, but only upon compliance with the following conditions below.

(i) At the time of the issuance of any Future Parity Bonds there is no deficiency in the Parity Bond Fund or any account therein.

(ii) Each ordinance providing for the issuance of any Future Parity Bonds that are refunding bonds must require that all money held in any fund or account of the County created for the purpose of paying the principal of and interest on the bonds being refunded either be used to pay the principal of and interest on such bonds or be transferred or paid into the Parity Bond Fund.

(iii) Each ordinance providing for the issuance of Future Parity Bonds must provide for the payment of the principal thereof and interest thereon out of the Parity Bond Fund. Each such ordinance will further provide that, upon the issuance of any Future Parity Bonds, the County will pay into the Parity Bond Reserve Account an amount that will be sufficient to satisfy the Reserve Requirement then applicable or provide Qualified Insurance or a Qualified Letter of Credit to satisfy the Reserve Requirement.

(iv) At the time of the issuance of any Future Parity Bonds, the County must have on file a certificate from a Professional Utility Consultant (the certificate may not be dated more than 90 days prior to the date of delivery of such Future Parity Bonds), showing that in his or her professional opinion the "annual income available for debt service on Parity Bonds" for each year during the life of such Future Parity Bonds will be at least equal to 1.25 times the amount required in each such year to pay the Annual Parity Debt Service for such year.

Such "annual income available for debt service on Parity Bonds" must be determined as follows for each year following the proposed date of issue of such Future Parity Bonds:

(a) The Revenue of the System must be determined for a period of any 12 consecutive months out of the 18 months immediately preceding the delivery of the Future Parity Bonds being issued.

(b) Such revenue may be adjusted to give effect on a 12-month basis to the rates in effect on the date of such certificate.

(c) If there were any Customers added to the Sewer System during such 12-month period or thereafter and prior to the date of the Professional Utility Consultant's certificate, such revenue may be further adjusted on the basis that added Customers were Customers of the Sewer System during the entire 12-month period.

(d) There is to be deducted from such revenue the amount expended for Operating and Maintenance Expenses during such period.

(e) For each year following the proposed date of issuance of such Future Parity Bonds, the Professional Utility Consultant may add to the annual revenue determined as described in the preceding four paragraphs an estimate of the income to be received in each such year from the investment of money in the Parity Bond Fund and any account therein and the Construction Account, which is to be determined by and in the sole discretion of a firm of nationally recognized financial consultants selected by the County.

(f) Beginning with the second year following the proposed date of issue of such Future Parity Bonds and for each year thereafter, the Professional Utility Consultant may add to the annual revenue determined as described in the preceding five paragraphs his or her estimate of any additional annual revenue to be received from anticipated growth in the number of Customers within the area served by the Sewer System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided, that the Professional Utility Consultant's estimate of the number of Customers served may not assume growth of more than 0.25% over and above the number of Customers served or estimated to be served during the preceding year.

(g) If extensions of or additions to the Sewer System are in the process of construction at the time of such certificate, or if the proceeds of the Future Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the Sewer System, there may be added to the annual net revenue determined as described above any revenue not included as described in the preceding six paragraphs that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided, that such estimated annual revenue will be based upon 75% of any estimated Customer growth in the four years following the first full year in which such additional revenue is to be collected and thereafter the estimated Customer growth may not exceed 0.25% per year over and above such reduced estimate.

(v) Instead of the certificate described in paragraph (iv) above, the County may elect to have on file a certificate of the Finance Director demonstrating that, during any 12 consecutive calendar months out of the immediately preceding 18 calendar months, Net Revenue was at least equal to 1.25 times the amount required to pay, in each year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service for such year.

(vi) For the purpose of refunding at or prior to their maturity any outstanding Parity Bonds or any bonds or other obligations of the County payable from Revenue of the System, the County may at any time issue Future Parity Bonds without complying with the provisions described in paragraphs (iv) or (v) above; provided, that the County may not issue Future Parity Bonds for such purpose unless the Finance Director certifies that upon the issuance of such Future Parity Bonds, (a) total debt service required for all Parity Bonds (including the refunding bonds and not including the bonds to be refunded thereby) will decrease, and (b) the Annual Parity Debt Service for each year that any Parity Bonds (including the refunding bonds and not including the bonds to be refunded thereby) are then outstanding will not be increased by more than $5,000 by reason of the issuance of such Future Parity Bonds.

To satisfy the Future Parity Bonds test applicable to issuance of the Sewer Revenue Bonds, the County will provide a certificate of the type described in paragraph (vi) above.

Nothing contained in the Ordinance prevents the County from issuing revenue bonds that are a charge on Revenue of the System and money in the Revenue Fund junior or inferior to the payments required to be made therefrom into the Parity Bond Fund and any account therein, nor does anything in the Ordinance prevent the County from issuing Future Parity Bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

By their purchase of the Sewer Revenue Bonds, the Registered Owners of the Sewer Revenue Bonds are deemed to consent to all of the springing amendments, which will become effective as of the First Springing Amendment Date (Parity Bonds) and as of the Second Springing Amendment Date (Parity Bonds), set forth in the Ordinance attached as Appendix A. These springing amendments (as of the First Springing Amendment Date (Parity Bonds)) allow the County to amend the definition of Reserve Requirement to establish one or more separate Reserve Requirements for one or more Series of Parity Bonds, including each Series of the Bonds issued as Parity Bonds, reduce any Reserve Requirement, including the Reserve Requirement for each Series of the Bonds issued as Parity Bonds, to an amount less than maximum Annual Parity Debt Service in any calendar year, including to zero, or establish one or more separate subaccounts within the Parity Bond Reserve Account to secure one or more Series of Parity Bonds, including each Series of the Bonds issued as Parity Bonds, with other Series of Parity Bonds not being secured by such separate subaccounts. In addition, as of the Second Springing Amendment (Parity Bonds), the definitions of Assumed Amortization Period, Assumed Debt Service, Balloon Maturity, and Annual Parity Debt Service set forth in the Ordinance will become effective and among other things, as more specifically provided in the Ordinance, will allow for Balloon Maturity obligations to be amortized for a period no longer than the lesser of: (i) the useful life, as of the date of designation, of the assets being financed; and (ii) 75 years, in connection with the issuance of Future Parity Bonds. All Registered Owners of Parity Bonds issued after the effective date of the Ordinance, specifically including the Bonds, are deemed to have consented to these amendments by their purchase of such Parity Bonds. See Appendix A—The Ordinance.

Additional Parity Lien Obligations. The County has expressly reserved the right to issue or enter into additional Parity Lien Obligations (including Variable Rate Parity Lien Obligations) for any lawful purpose of the County related to the Sewer System if, at the time of issuing or entering into such Parity Lien Obligations:

(i) there is no deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund, or any other bond fund or account securing Parity Lien Obligations; and

(ii) the County has on file a certificate from a Professional Utility Consultant (the certificate may not be dated more than 90 days prior to the date of delivery of such additional Parity Lien Obligations) showing that in his or her professional opinion, the "annual income available for debt service on Parity Bonds and Parity Lien Obligations" for each year during the life of such additional Parity Lien Obligations will be at least equal to 1.25 times the amount required to pay Annual Debt Service in each such year. Such "annual income available for debt service on Parity Bonds and Parity Lien Obligations" is to be determined as follows for each year following the proposed date of issue of such additional Parity Lien Obligations:

(a) Revenue of the System is to be determined for a period of any 12 consecutive months out of the 18 months immediately preceding the delivery of the additional Parity Lien Obligations being issued;

(b) such revenue may be adjusted to give effect on a 12-month basis to the rates in effect on the date of such certificate;

(c) if there were any Customers added to the Sewer System during such 12-month period or thereafter and prior to the date of the Professional Utility Consultant's certificate, such revenue may be further adjusted on the basis that added Customers were Customers of the Sewer System during the entire 12-month period;

(d) there is to be deducted from such revenue the amount expended for Operating and Maintenance Expenses during such period;

(e) for each year following the proposed date of issuance of such Parity Lien Obligations, the Professional Utility Consultant may add to the annual revenue determined as described in the preceding four subparagraphs an estimate of the income to be received in each such year from the investment of money in the Parity Bond Fund, the Parity Lien Obligation Bond Fund, and the Construction Account, which is to be determined by and in the sole discretion of a firm of nationally recognized financial consultants selected by the County;

(f) beginning with the second year following the proposed date of issue of such Parity Lien Obligations and for each year thereafter, the Professional Utility Consultant may add to the annual revenue determined as described in the preceding five subparagraphs his or her estimate of any additional annual revenue to be received from anticipated growth in the number of Customers within the area served by the Sewer System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided, that the Professional Utility Consultant's estimate of the number of customers served may not assume a growth rate of more than 0.25% over and above the number of customers served or estimated to be served during the preceding year; and

(g) if extensions of or additions to the Sewer System are in the process of construction at the time of such certificate, or if the proceeds of the Parity Lien Obligations being issued are to be used to acquire or construct extensions of or additions to the Sewer System, there may be added to the annual net revenue as above determined any revenue not included in the preceding subparagraphs that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided, that such estimated annual revenue must be based upon 75% of any estimated Customer growth in the four years following the first full year in which such additional revenue is to be collected and thereafter the estimated Customer growth may not exceed 0.25% per year over and above such reduced estimate; or

(iii) instead of the certificate described in paragraph (ii) above, the County may elect to have on file a certificate of the County's Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months, Net Revenue was at least equal to 1.25 times the amount required to pay, in each year that such Parity Lien Obligations would be outstanding, the Annual Debt Service for such year.

To satisfy the additional Parity Lien Obligations test applicable to the issuance of the portions of the LTGO (Sewer) Bonds related to the new money and the refunding of the Refunded SRF Loans, the County will provide certificates of the type described in paragraph (iii).

The County may at any time, for the purpose of refunding at or prior to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any bonds or other obligations of the County payable from Revenue of the System, issue additional Parity Lien Obligations without complying with the provisions described in either paragraph (ii) or paragraph (iii) if there is filed with the clerk of the County Council a certificate of the County's Finance Director stating that, upon the issuance of such additional Parity Lien Obligations:

(a) total debt service on all Parity Bonds and Parity Lien Obligations (including the refunding bonds but not including the bonds to be refunded thereby) will decrease, and

(b) the Annual Debt Service for each year that any Parity Bonds and any Parity Lien Obligations (including the refunding bonds but not including the bonds to be refunded thereby) are then outstanding will not be increased by more than $5,000 by reason of the issuance of such additional Parity Lien Obligations.

To satisfy the additional Parity Lien Obligations test applicable to the issuance of the portion of the LTGO (Sewer) Bonds related to the refunding of the LTGO (Sewer) Refunded Bonds, the County will provide a certificate of the type described in the paragraph above.

The principal amount of such Parity Lien Obligations may include amounts necessary to pay the principal of the bonds or other obligations to be refunded, interest thereon to the date of payment or redemption thereof, and any premium payable thereon upon such payment or redemption and the costs of issuance of such Parity Lien Obligations and, if a Payment Agreement has been provided with respect to the obligations to be refunded, may include amounts necessary to make the payment of all amounts, if any, due and payable by the County under such Payment Agreement. The proceeds of such Parity Lien Obligations will be held and applied as is provided in the ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded thereby will be deemed no longer outstanding in accordance with the ordinance authorizing their issuance.

At the election of the County, the provisions of paragraphs (a) and (b) above need not apply to the refunding at one time of all the Parity Lien Obligations then outstanding.

The Ordinance provides that nothing prohibits or prevents, or will be deemed or construed to prohibit or prevent, the County from issuing Parity Lien Obligations to refund maturing Parity Lien Obligations of the County for the payment of which money is not otherwise available.

Nothing in the Ordinance prohibits, or will be deemed or construed to prohibit, the County from authorizing and issuing bonds, notes, or other evidences of indebtedness for any purpose of the County related to the Sewer System payable in whole or in part from Revenue of the System and secured by a lien on Revenue of the System that is junior, subordinate and inferior to the lien of the LTGO (Sewer) Bonds.

THE SEWER SYSTEM

General Information

The Sewer System is wholesale in character, covering construction, operation, and maintenance of main trunk and interceptor sewers, pump stations, and treatment plants. In 1994, the County assumed the rights, powers, functions, and obligations of Metro, which had developed and operated a regional system for the collection and treatment of sewage. Metro's sewer utility function was integrated as a division into the County's Department of Natural Resources, now known as the Department of Natural Resources and Parks ("DNRP").

WTD is one of four divisions in the DNRP. The four divisions in DNRP perform tasks ranging from improving water quality to enhancing parks and trails, protecting residents from flooding, restoring crucial fish and wildlife habitat, and recycling and reusing wastewater and solid waste byproducts. The DNRP's overall mission is to safeguard the environment, ensure public safety, and preserve the region's quality of life. Brief biographies of key officials in DNRP and WTD are provided below.

Christie True, Director, DNRP. Ms. True was appointed to this position in 2010. She previously served as WTD's Division Director and is a 32-year veteran of the County, where she started her career as a water quality technician. In 2006, she was named Local Official of the Year by the National Home Builders for her work on the County's Brightwater treatment plant ("Brightwater") project. Ms. True received her Bachelor's of Arts degree in Environmental Studies from Western Washington University's Huxley College.

Kamuron Gurol, WTD Division Director. Mr. Gurol was appointed to this position in April 2021, having previously served as the North Corridor Director for Sound Transit for four years. Prior to working at Sound Transit, he was the City Manager for Burien, the Assistant City Manager and Director of Community Development at Sammamish, Corridor Planning Director at the Washington State Department of Transportation, Director of Community Development at Kitsap County, Manager of Planning at Snohomish County, and a Senior Policy Analyst in the County Executive's Office of Budget and Strategic Planning. Mr. Gurol has a Master's of Public Administration degree from Harvard University, Kennedy School of Government, and a Bachelor's of Science degree in Geological Sciences from the University of Washington.

Bruce Kessler, P.E., WTD Deputy Division Director. Mr. Kessler was appointed to this position in May 2017. He has been with WTD for more than 14 years in various capacities, including Assistant Manager at Brightwater and Engineering Unit Manager. He negotiated revisions to the Brightwater discharge permit with Ecology and the 2016 Joint Project Agreement for the Ship Canal Water Quality Combined Sewer Overflow Project with Seattle (the "Joint Ship Canal Project"). He has been actively involved in the Division's asset management and resiliency and recovery programs. Mr. Kessler has a Bachelor's of Science in Civil Engineering degree from North Carolina State University and is a licensed Professional Engineer.

Hiedi Popochock, WTD Financial Services Manager. Ms. Popochock was appointed to this position in September 2018. She has been with the County for nearly six years. Prior to joining WTD, she worked as a Senior Legislative Analyst for the County Council where she provided objective policy analysis. Prior to working with the County, she served as a Senior Budget Analyst for Snohomish County and held finance positions at the cities of Bellevue and Kirkland. Ms. Popochock has a Master's of Public Administration degree from Seattle University and a Bachelor's of Arts degree in Law, Societies and Justice, and Sociology from the University of Washington.

Impact of COVID-19

In response to the COVID-19 pandemic, Governor Inslee issued a Stay Home, Stay Healthy Proclamation on March 23, 2020, followed by the closing of all non-essential businesses on March 25, 2020. Effective March 22, 2021, the County and the State moved to Phase 3 of the State's Healthy Washington—Roadmap to Recovery plan. Phase 3 allowed for indoor activities, including dining, event spaces, and more, at certain capacity levels. The State Department of Health has begun distributing COVID-19 vaccines under emergency use approvals according to the State allocation and priority plan. The plan began in December 2020 and opened to anyone 16 years and older on April 15, 2021, and to anyone 12 years and older on May 13, 2021. Effective June 30, 2021, the County and the State reopened and all businesses are able to return to normal capacity and operations, provided some restrictions on large indoor events will continue, subject to future evaluation.

The COVID-19 pandemic has not impacted the ability of WTD to continue full operations of the County's Sewer System. WTD has been maintaining required staffing levels; all operations and maintenance is continuing as planned and without deferrals; critical parts, materials, and chemicals continue to be delivered without delays; and social distancing practices, personal protective gear requirements, and daily disinfection of shared work spaces have been implemented at work sites to keep workers safe from infection.

On April 7, 2020, WTD submitted to Ecology a notice of "potential *force majeure*" for the potential labor and supply chain interruptions to operations and capital construction projects that could occur as a result of the COVID-19 pandemic. To date, contractors for several of WTD's capital construction projects have filed *force majeure* contract modification requests. However, WTD has not asked Ecology for, nor have the effects of the pandemic on WTD's capital construction projects resulted in, any delays that would likely undermine its ability to meet the regulatory construction and completion milestones for these projects.

As of June 30, 2021, there are no contractually late sewer rate payments outstanding. See "—Sewer Rates."

The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties. The County cannot predict with certainty how long the current economic impacts will persist, nor the timing of a recovery to pre-pandemic levels. See "—Projected Customers, Revenues, and Expenses" and "King County—Impact of COVID-19."

At this time, the Sewer System has not received any federal or State aid related to the COVID-19 pandemic except for approximately $154,000 from FEMA.

The Facilities

The Sewer System has been designated by the County as its Water Quality Enterprise. Spanning a 424-square-mile service area, the Sewer System collected and treated an average of 175 million gallons of sewage per day ("mgd") from approximately 2.0 million residents in 2020. The major wastewater facilities include three major secondary treatment plants (the West Point treatment plant ("West Point") in Seattle, the South treatment plant (the "South Plant") in Renton, and Brightwater in south Snohomish County), 397 miles of conveyance lines, 48 pump stations, and 25 regulator stations. Other facilities include four combined sewer overflow ("CSO") treatment plants, four CSO storage facilities, 39 CSO outfall locations, and secondary treatment plants on Vashon Island and in Carnation.

FIGURE 1: THE SEWER SYSTEM

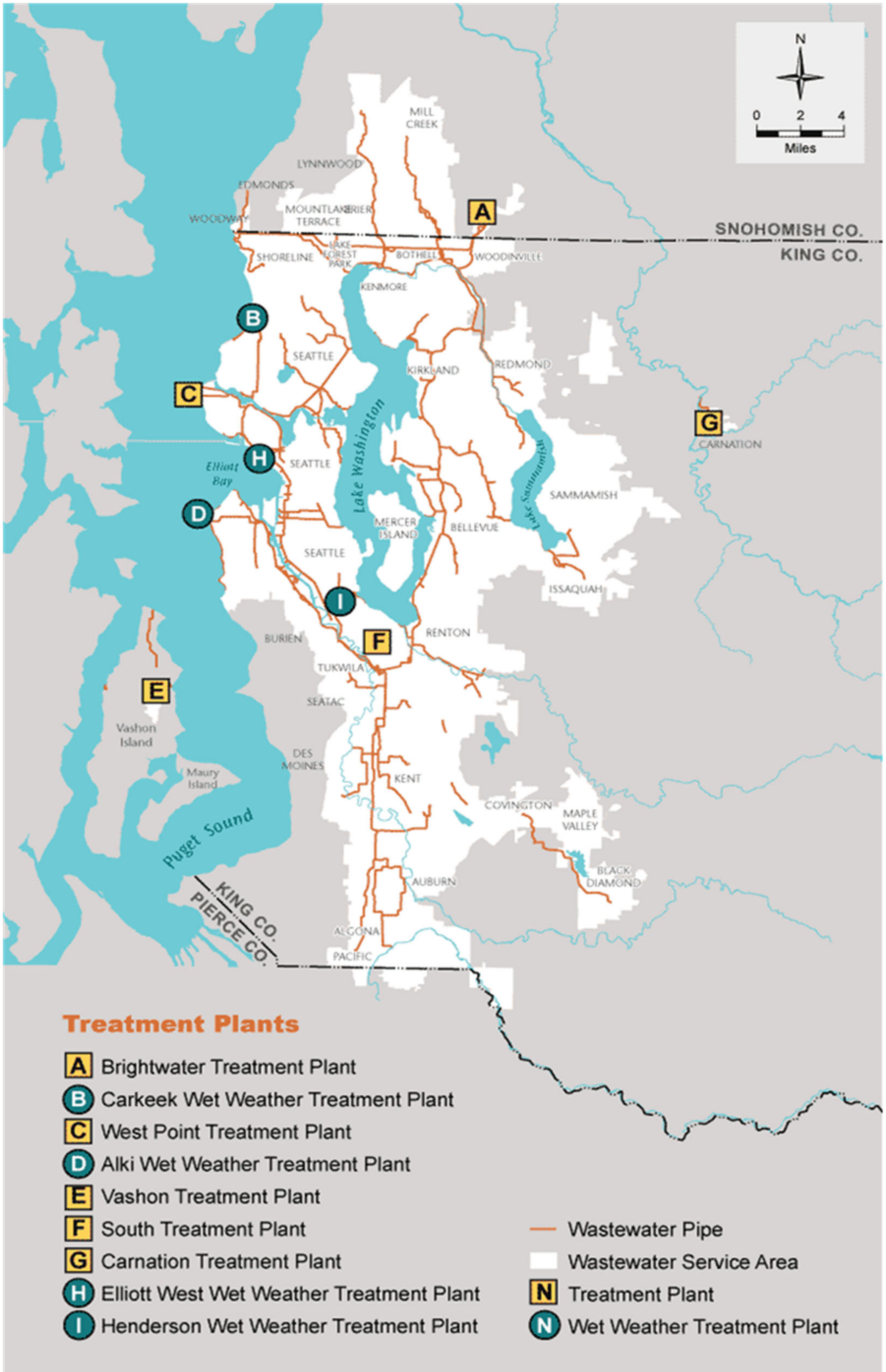

Diagram is not to scale.

Source: King County Wastewater Treatment Division

The Participants

As the successor to Metro, the County has assumed by operation of law Metro's rights and obligations under its Service Agreements with 34 Municipal Participants and three non-Municipal Participants. The Municipal Participants accounted for approximately 99.4% of sewage disposal revenues in the year ended December 31, 2020, and the non-Municipal Participants accounted for 0.6%. As a wholesale service provider, the County bills the Participants, who, in turn, bill their customers. The County does not bill or collect for sewage disposal from end users.

Municipal Participants. The 34 Municipal Participants (33 cities and sewer districts in King County, south Snohomish County and northern Pierce County, and the Muckleshoot Indian Tribe) contract with the County for sewage treatment services. Pursuant to Ordinance 15757, the Municipal Participants within the County are required to continue as Agency Customers in the absence of a Service Agreement. The division of responsibility between the County and the Municipal Participants and their respective obligations are set forth in the Service Agreements. See "Security and Sources of Payment for the Bonds—Agreements with Participants."

Each Municipal Participant and each current Municipal Participant within the County that would be required to continue as an Agency Customer is required to deliver to the Sewer System all of the sewage and industrial wastes collected by it from its service area. The County is required to accept such sewage and wastes for treatment subject to reasonable rules and regulations. The County may not directly accept sewage or wastes from any person, firm, corporation, or governmental agency that is within the boundaries of, or is delivering sewage into, the local sewage facilities of any Municipal Participant without the consent of such Municipal Participant. A Municipal Participant or current Municipal Participant within the County that would be required to continue as an Agency Customer cannot deliver sewage to another agency without the consent of the County.

Non-Municipal Participants. The County also provides sewage treatment and disposal services to three small non-Municipal Participants, pursuant to Service Agreements that do not differ substantially from the Service Agreements with the Municipal Participants, and to certain other small customers.

Customers and Residential Customer Equivalents. The number of single-family residences ("Residential Customers") and Residential Customer Equivalents ("RCEs") (together, the "Customers") reported by each Participant as of December 31, 2020, is presented in Table 8.

TABLE 8
SEWER SYSTEM PARTICIPANTS AS OF DECEMBER 31, 2020

	Single Family Residential Customers	RCE[1]	Total Customers	Percentage of Total (%)
Municipal Participants-Cities				
Algona	1,050	371	1,421	0.19
Auburn	13,296	16,760	30,056	4.06
Bellevue	32,530	27,815	60,345	8.16
Black Diamond	1,265	64	1,329	0.18
Bothell	4,789	3,044	7,833	1.06
Brier[2]	1,564	250	1,814	0.25
Carnation	885	283	1,168	0.16
Issaquah	6,860	6,085	12,945	1.75
Kent	13,228	23,902	37,130	5.02
Kirkland	10,061	5,175	15,236	2.06
Lake Forest Park	3,597	451	4,048	0.55
Mercer Island	7,168	1,528	8,696	1.18
Pacific	1,547	1,163	2,710	0.37
Redmond	15,239	14,873	30,112	4.07
Renton	16,175	13,931	30,106	4.07
Seattle[3]	153,487	131,431	284,918	38.53
Tukwila	1,045	5,674	6,719	0.91
Subtotal	**283,786**	**252,800**	**536,586**	**72.56**
Municipal Participants-Sewer Districts and Tribe				
Alderwood Water & Wastewater District[2]	34,699	15,950	50,649	6.85
Cedar River Water & Sewer District	4,118	1,371	5,489	0.74
Coal Creek Utility District	3,162	1,209	4,371	0.59
Cross Valley Water District[2]	-	384	384	0.05
Highlands Sewer District	105	1	106	0.01
Lakehaven Utility District	1,048	5	1,053	0.14
Muckleshoot Indian Tribe	317	49	366	0.05
NE Sammamish Sewer & Water District	4,725	97	4,822	0.65
Northshore Utility District	19,998	9,836	29,834	4.03
Olympic View Water & Sewer District[2]	207	-	207	0.03
Ronald Wastewater District	15,204	4,470	19,674	2.66
Sammamish Plateau Water & Sewer District	11,700	4,664	16,364	2.21
Skyway Water & Sewer District	3,932	1,443	5,375	0.73
Soos Creek Water & Sewer District	32,699	5,773	38,472	5.20
Valley View Sewer District	7,114	7,795	14,909	2.02
Vashon Sewer District	420	493	913	0.12
Woodinville Water District	2,874	2,827	5,701	0.77
Subtotal	**142,322**	**56,367**	**198,689**	**26.87**
Non-Municipal Participants and Other Customers	-	4,206	4,206	0.57
Total	**426,108**	**313,373**	**739,481**	**100.00**

NOTES TO TABLE:

(1) RCEs include multifamily, commercial, and industrial customers and are billing units based on water consumption.

(2) These Participants are outside the County and, unless a Service Agreement is in effect, are not required to connect to the Sewer System. See "Security and Sources of Payment for the Bonds—Agreements with Participants—Agency Customer Continuation Requirement."

(3) Financial and operating information about Seattle's drainage and wastewater system may be found in Seattle's most recent official statement and continuing disclosure filings for its drainage and wastewater revenue bonds, on file with the MSRB at *www.emma.msrb.org*. Seattle's comprehensive annual financial reports may also be obtained on its web site at *www.seattle.gov/financial-services/comprehensive-annual-financial-report*.

Source: King County Wastewater Treatment Division

Sewer Rates

The County Council annually adopts a monthly charge (the "Sewer Rate"), which is used to calculate Sewage Disposal Charges (defined below), for sewage disposal. The Sewer Rates established by the County Council do not require the approval of the Washington Utilities and Transportation Commission or the Participants or Agency Customers.

The Sewer Rate is set by the County Council at a level that is intended, at a minimum, to provide the County with money sufficient, together with other sources of Revenue of the System, to pay all costs of the Sewer System, including debt service on all obligations payable from Revenue of the System, and to satisfy the County's debt service coverage policies for all obligations payable from Revenue of the System. The Service Agreements specify that the Sewer Rate for the next succeeding calendar year must be determined prior to July 1 of each year.

The monthly Sewer Rate is applied to each Residential Customer and to an RCE value of each 750 cubic feet of water consumption by all other customers such as multifamily, commercial, and industrial properties. Each Participant and Agency Customer is billed monthly an amount based upon the adopted Sewer Rate and the number of Residential Customers at the end of the second previous calendar quarter and the average number of RCEs for multifamily, commercial, and industrial accounts for the four calendar quarters beginning five quarters prior to the current quarter. Monthly billings in the first quarter of 2021, for example, were based on the number of Residential Customers as of September 30, 2020, and the average number of RCEs beginning with the fourth quarter of 2019 through the third quarter of 2020. The Participants typically read meters, collect billing data, and bill customers on a bimonthly basis, with some partially or fully billing on a monthly basis, resulting in billing and collecting revenue for retail service in advance of the quarterly updates provided to WTD for wholesale billing and collection.

The payment by each Participant and Agency Customer is due on the last day of the month. The County may charge interest at 6% on any amount remaining unpaid for 15 days after the due date and may enforce payment by any remedy available by law or equity. In the last five years, late payments have been infrequent. The median number of days past due in those late payments was ten days, and WTD has not utilized the late payment penalty. As of June 30, 2021, there are no contractually late sewer rate payments outstanding.

Adopted and Proposed Sewer Rates. The adopted monthly Sewer Rates for each Residential Customer and RCE for the years 2013 through 2022 are set forth in Table 9.

TABLE 9
SEWER RATES FOR
RESIDENTIAL CUSTOMERS AND
RESIDENTIAL CUSTOMER EQUIVALENTS

Effective Date (January 1)	Rate ($/month)	Percentage Change (%)
2013	$ 39.79	10.2%
2014	39.79	--
2015	42.03	5.6
2016	42.03	--
2017	44.22	5.2
2018	44.22	--
2019	45.33	2.5
2020	45.33	--
2021	47.37	4.5
2022	49.27	4.0

Source: King County Wastewater Treatment Division

Projected Sewer Rates. Table 10 shows the County's current Sewer Rate projections for the years 2023 through 2027. The projections are for planning purposes only and subject to future County Council approval. See "—Financial Policies" and "—Projected Customers, Revenues, and Expenses" for further discussion regarding these projections.

TABLE 10
PROJECTED SEWER RATES
FOR RESIDENTIAL CUSTOMERS
AND RESIDENTIAL CUSTOMER EQUIVALENTS

Effective Date (January 1)	Rate ($/month)	Percentage Change (%)
2023	$ 51.25	4.0%
2024	53.30	4.0
2025	55.44	4.0
2026	58.22	5.0
2027	61.72	6.0

Source: King County Wastewater Treatment Division

The projected Sewer Rates shown in the table above are based on funding the capital improvement program as presented in Table 17. Capital spending is expected to increase significantly after adoption of the Clean Water Plan, and the rate proposal for 2023 is expected to include additional rate impacts for these costs, which are not reflected in Table 10. See "—Regional Wastewater Services and Clean Water Plan" and "—Capital Improvement Plan."

Sewer System Operating Revenues

Sewage Disposal Charges, based on the adopted Sewer Rates described above, contributed on average 80% of Sewer System operating revenues between 2016 and 2020.

The next-largest single source of Sewer System operating revenues is the capacity charge, which has been imposed by County ordinance since 1990 on customers who establish new connections to the Sewer System. WTD bills and collects capacity charges on customers directly. Annual capacity charge revenues have averaged 17% of total Sewer System operating revenues between 2016 and 2020. In 2020, WTD experienced a reduction in reported new connections, due to local sewer agency offices being closed or partially staffed and reduced construction activity during a period of mandated closure in that sector. New 2020 connections were lower than 2019 by 48%. Table 11 shows the number of new capacity charge connections for the past five years.

TABLE 11
HISTORICAL NEW CAPACITY CHARGE CONNECTIONS

Year	Connections
2016	10,743
2017	12,484
2018	12,906
2019	12,513
2020	6,522

Capacity charges are based upon the year of connection and remain fixed for a term of 15 years. The capacity charge assessed for customers who establish new connections to the Sewer System in 2021 is $68.34 per month, compared to $64.50 for customers who established service in 2020. State law authorizes WTD to collect capacity charges subject to certain restrictions, but capacity charges do not require the approval of the Washington State Utilities and Transportation Commission or the Participants or Agency Customers.

Provisions that expand the low-income housing rate classification, establish new reductions in capacity charges for shelter housing for persons experiencing homelessness, and permit qualified low-income seniors and disabled people to defer payment of the capacity charge through a low-interest lien became effective in June 2019.

Changes in the capacity charge rate structure became effective in January 2021, to more equitably assess wastewater flow capacity demand based on a review of customer classification criteria. The changes were revenue-neutral, meaning that they will impact how the charge is allocated to different building types, not the amount of revenue that WTD will collect.

In April 2020, WTD began offering additional payment options for capacity charge customers that have been financially impacted by the COVID-19 pandemic. These include:

(i) Deferral of one capacity charge invoice for up to one year.

(ii) Flexible payment plan offerings including due date extensions with no interest and late fee penalties.

(iii) Suspension of “Intent to File Lien” notifications to delinquent customers during this time.

As of June 30, 2021, WTD has outstanding 64 deferrals in the amount of $211,000. Capacity charge payments more than 90 days in arrears are $6.7 million as of June 30, 2021, compared to $6.9 million as of June 30, 2020. Capacity charge payments less than 90 days in arrears are $3.7 million as of June 30, 2021, compared to $4.0 million as of June 30, 2020.

The County allows the capacity charge to be prepaid on a discounted basis at the customer's option. The annual discount rate is set to reflect the 15-year mortgage rate and the yields on the 10- and 20-year Treasury bonds. The discount rate is 2.6% in 2020 and 2021.

A number of other charges, including fees paid by septage haulers for treatment, payments for the by-products of the sewage treatment process, and surcharges imposed for high strength and heavy metal discharges into the Sewer System, collectively have accounted for approximately 3% of operating revenue between 2016 and 2020.

Financial Policies

Coverage Policy. The County Council is obligated by applicable bond covenants to set rates and charges for sewage disposal service at a level adequate to provide Net Revenue equal to at least 1.15 times the amounts required, together with certain interest earnings, to pay debt service on both Parity Bonds and Parity Lien Obligations. The County has also covenanted to establish, maintain, and collect rates and charges for sewage disposal service that, together with interest to be earned on investments, will provide in each calendar year Net Revenue, after deducting therefrom amounts required in such year to pay Annual Debt Service on Parity Bonds and Parity Lien Obligations, in an amount equal to at least 1.10 times the amounts required to pay the Annual Debt Service for all Junior Lien Obligations and Multi-Modal LTGO/Sewer Revenue Bonds for that year. See "Security and Sources of Payment for the Bonds—Rate and Coverage Covenants." The County Council's policy is to achieve debt service coverage of at least 1.25 times, which is higher than what is required by the bond covenants, on both Parity Bonds and Parity Lien Obligations and higher than what is required by the covenant in the ordinance authorizing the Junior Lien Obligations and Multi-Modal LTGO/Sewer Revenue Bonds.

To further strengthen the financial position of the Sewer System, the County established in 2001 the policy of setting Sewer Rates and other charges at a level that would achieve an overall debt service coverage target of at least 1.15 times coverage on all Sewer System Obligations (see "Security and Sources of Payment for the Bonds—Outstanding Sewer System Obligations"), in addition to continuing to satisfy the existing policy of providing at least 1.25 times coverage on Parity Bonds and Parity Lien Obligations.

In proceedings for the adoption of the 2022 Sewer Rate, the County Council was presented with projected Sewer Rates that, after payment of Operating and Maintenance Expenses and debt service, would generate net operating revenue equal to 40% of projected capital expenditures through 2027. These Sewer Rates would provide projected coverage ratios on all Sewer System Obligations between 1.44 and 1.48 times. The Sewer Rates that appear in Table 10—Projected Sewer Rates for Residential Customers and Residential Customer Equivalents are based on rate increases that are subject to County Council approval and have been used to determine operating revenues from Sewage Disposal Charges in "—Projected Customers, Revenues, and Expenses." Only rates through 2022 have been adopted.

Reserve Policy. In 2012, the County Council established an operating Liquidity Reserve equal to 10% of annual operating expenses plus $5 million of ending cash balance in the capital fund, and a Capital Emergency Reserve equal to $15 million for "unanticipated system repairs or equipment replacement in the event of a natural disaster or some unforeseen system failure."

As of December 31, 2020, these reserves were fully funded, with balances of $20.8 million and $15 million, respectively. Additionally, as of December 31, 2020, the balance in the Rate Stabilization Fund was $46.25 million (see "—Rate and Coverage Covenants—Rate Stabilization Fund").

Sewer System Interfund Borrowing

The Sewer System periodically uses interfund borrowing from other County funds held in the King County Investment Pool (the "Investment Pool") to provide interim financing for its capital improvement plan ("CIP") pending the issuance of long-term bonds or the receipt of SRF Loan funds. (See "King County–King County Investment Pool.") Such borrowings are to be fully repaid upon the receipt of the subsequent bond proceeds or SRF Loan funds. In 2015, the Sewer System borrowed $40.1 million from the Investment Pool, fully repaying the principal with proceeds of the County's Sewer Improvement and Refunding Revenue Bonds, 2015, Series B. In 2019, the Sewer System had, but did not utilize, authorization to draw $35 million from the Investment Pool. There are currently no such loans outstanding.

In addition, the Sewer System is authorized to borrow up to $272.5 million from other County funds held in the Investment Pool to provide liquidity for the payment of maturing commercial paper notes through January 1, 2026 (subject to extension from time to time until December 2050). Amounts drawn must be paid in full, and if not repaid within three years of the draw, the Sewer System must annually provide an updated repayment plan to the County Executive Finance Committee.

The Sewer System does not anticipate utilizing interfund borrowing for operating or capital purposes.

Historical Customers, Revenues and Expenses

Table 12 sets forth a summary of customers, revenues and expenses, and debt service coverage of the Sewer System. The debt service coverage calculations shown in Table 12 are based on provisions of the applicable bond ordinances, incorporating data from the audited financial statements and financial records of the Sewer System.

TABLE 12
HISTORICAL FINANCIAL STATEMENTS
($ EXPRESSED IN THOUSANDS) (FISCAL YEAR ENDING DECEMBER 31)

	2016	2017	2018	2019	2020
Residential Customer and Residential Customer Equivalents (RCEs) (Annual Average, Rounded) [1]	756,430	756,916	760,571	763,436	767,265
Percentage Annual Increase	2.76%	0.06%	0.48%	0.38%	0.50%
Operating Revenues					
Sewage Disposal Charges	$381,513	$401,650	$403,589	$415,279	$417,361
Capacity Charge Revenues	71,200	82,615	86,836	102,146	92,622
Other Operating Revenues	11,828	18,308	19,125	19,024	19,956
Total Operating Revenues	$464,541	$502,573	$509,550	$536,449	$529,939
Operating Expenses [2]	(136,321)	(148,199)	(152,589)	(154,272)	(158,018)
Net Operating Revenue	$328,220	$354,374	$356,961	$382,177	$371,921
Interest Income [3]	4,549	6,055	8,956	10,765	7,971
Rate Stabilization [4]	-	-	-	-	-
Net Revenue Available for Debt Service	$332,769	$360,429	$365,917	$392,942	$379,892
Debt Service					
Parity Bonds	$160,957	$159,761	$163,967	$171,321	$162,385
Parity Lien Obligations	53,164	52,650	49,121	41,529	50,755
Subordinate Debt Service [5]	21,316	26,277	33,139	35,174	30,367
Total Debt Service	$235,437	$238,688	$246,227	$248,024	$243,507
Debt Service Coverage [6]					
On Parity Bonds	2.07	2.26	2.23	2.29	2.34
On Parity Bonds and Parity Lien Obligations	1.55	1.70	1.72	1.85	1.78
On All Sewer System Obligations	1.41	1.51	1.49	1.58	1.56

NOTES TO TABLE:

(1) The small (0.06%) increase in billed RCEs in 2017 reflects non-recurring adjustments to Sewage Disposal Charges relating to prior periods that increased Revenue of the System by $1.9 million in 2016 and decreased Revenue of the System by $2.0 million in 2017. When billed RCEs are adjusted for these prior period changes, total RCEs increased by 0.60%, to 757,240 in 2017 from 752,710 in 2016.

(2) Excludes depreciation and amortization expense along with non-cash accounting adjustments for pension and other employee benefit costs.

(3) Excludes unrealized gains and losses that are included in the audited financial statements.

(4) Withdrawals from (deposits into) the Rate Stabilization Fund not utilized in 2016 through 2020.

(5) Subordinate Debt Service consists of debt service on the Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, Subordinate Lien Obligations, and SRF Loans and PWTF Loans. The amount shown in the table for 2016 excludes $1.4 million for Subordinate Debt Service, representing excess premium on the Junior Lien Sewer Revenue Bonds, Series 2015A and 2015B, which was deposited in the Bond Fund.

(6) Operating Revenues and Expenses in the 2017 and 2018 Audited Financial Statements exclude $10 million of expenses associated with repairs at West Point and an insurance advance of $12.5 million in 2017 and a final insurance settlement of $10 million in 2018. These amounts, with other items, were reported as non-operating revenues and expenses and have been excluded from the computation of debt service coverage in 2017 and 2018. See "—West Point Situational Analysis and Plans" herein.

Source: Audited Financial Statements and financial records of the Water Quality Enterprise Fund 2016-2020, Finance and Business Operations Division

Management Discussion of 2020 Sewer System Financial Results

The Sewer System's net operating revenue (excluding depreciation expense) in 2020 was $371.9 million, a 2.7%, or $10.3 million, decrease from the $382.2 million of net operating revenue in 2019. Total operating revenues decreased by $6.5 million, or 1.2%, to $529.9 million from $536.4 million, while operating expenses (excluding depreciation) increased by $3.7 million, or 2.4%, to $158.0 million in 2020 from $154.3 million in 2019.

Revenues. The $6.5 million, or 1.2%, decrease in operating revenue in 2020 from 2019 can be attributed to a 9.3 % decrease in capacity charge revenue. Sewage Disposal Charges increased by $2.0 million, or 0.5%, compared to 2019 due to a small increase in the number of RCEs and increased reported usage prior to the pandemic. Capacity charge revenues decreased by 9.3%, or $9.5 million, to $92.6 million in 2020 from $102.1 million in 2019, due to a reduction in early payoffs. Other operating revenues increased by $0.9 million, or 4.9%, to $20 million.

Expenses. Operating expenses of the Sewer System, excluding depreciation and adjusted for non-cash accounting adjustments associated with employee benefits, increased $3.7 million to $158.0 million in 2020, an increase of 2.4%. Labor expenses of $59.0 million in 2020 increased by $7.9 million, or 15.5%, from 2019 primarily due to changes in pension expense and to increased accrued vacation leave expense associated with the COVID-19 pandemic. Utility and service costs increased by $0.6 million, or 1.7%, to $36.2 million in 2020 from $35.6 million in 2019. Intragovernmental expenses of $40.8 million in 2020 increased by $1.3 million from 2019.

Interest Income. Interest income decreased by $2.8 million to $8.0 million in 2020 due to lower average yields in the Investment Pool (1.40% in 2020; 2.25% in 2019).

Debt Defeasance. In December 2020, the County used $85.9 million of operating cash and excess cash in its Parity Bond Reserve Account to purchase U.S. Treasury securities and defease $80.0 million of outstanding Sewer Revenue and Refunding Bonds, Series 2012.

Debt Service Coverage. The Sewer System achieved a coverage ratio of 1.78x on the combined debt service of Parity Bonds and Parity Lien Obligations in 2020, exceeding the 1.25x minimum coverage target stipulated by the County's adopted financial policies. The debt service coverage ratio of 1.56x on all Sewer System Obligations in 2020 exceeded the 1.15x minimum coverage target stipulated by the County's adopted financial policies.

Projected Customers, Revenues, and Expenses

Table 13 sets forth a summary of WTD's projections of the Sewer System's Customers, Operating Revenues, and Operating Expenses for the fiscal years ending December 31, 2021, through December 31, 2027.

Revenues projected in Table 13 reflect the assumed monthly Sewer Rates presented in Table 10—Projected Sewer Rates for Residential Customers and Residential Customer Equivalents. These projected Sewer Rates are designed to produce Net Revenue sufficient to satisfy the debt service coverage targets stipulated by the County's adopted financial policies and the 40% average cash-funding target for the CIP presented to the County Council in proceedings for the adoption of the 2022 Sewer Rate.

Estimates for 2021 are based on year-to-date unaudited revenues and expenses through May 2021 and WTD's projections for the remainder of the year.

Approximately 55% of Sewer Rate revenues (Sewage Disposal Charges) in 2020 were from single-family residential customers who pay a fixed monthly Sewer Rate that is not based on reported water use. The flow-based RCE customer class reported reduced water use beginning with the second quarter (Q2) in 2020, though due to the lags in the billing cycle and the rolling average basis for flow-based RCE billing, there was minimal impact to 2020 revenue. The 2020 reduction in reported water use is projected to impact 2021 billings and Revenue of the System. The Q3 billings in 2021 will be the first to include four quarters that reflect reduced water use resulting from the COVID-19 pandemic (Q2 2020 through Q1 2021).

The 2021 projection of Revenue of the System includes both an adopted 4.5% rate increase and the reduced flow-based RCE customer impacts, resulting in 2021 Revenue of the System projected to be nearly equal to 2020. The forecast assumes recovery to pre-pandemic levels for flow-based RCEs by Q1 2023. Capacity charge revenues are expected to increase by $0.3 million, or 0.3%, reflecting continued new connections at a reduced growth rate of 3% and a reduction to the assumed prepayments.

The $1.5 million, or 7.5%, projected decrease in Other Operating Revenues for 2021 compared to 2020 reflects exceptionally high revenues from heavy metal fees in 2020. Annual revenues from the sale of Renewable Identification Numbers ("RINs")[1] from WTD's contract with IGI Resources, Inc. are projected to be approximately $4.0 million in 2021 ($0.1 million more than 2020), and $3.0 million annually in 2022 through 2024. No RINs sales are projected after 2024, conservatively assuming that the enabling legislation remains in effect only through the current administration.

Projected operating expenses for 2021 of $175.8 million are $17.8 million, or 11.3%, above 2020 actuals. This figure includes approximately $4 million carried forward from the previous biennium (funds that were budgeted for 2020 but weren't spent, and are now reappropriated to be spent in 2021).

Interest income is expected to be $4.5 million in 2021, a decrease of $3.5 million from 2020, due to the lower expected average interest rate on WTD funds in the Investment Pool (0.75% projected for 2021, compared to 1.40% in 2020). See "—Management Discussion of 2020 Sewer System Financial Results."

Total debt service is projected to increase from $243.4 million in 2020 to $328.8 million in 2027 to support capital investments identified in Table 17—Capital Improvement Plan—Projected Expenditures, in accordance with estimates given to the County Council with the adoption of the 2022 Sewer Rate.

The Sewer System is expected to generate net operating revenue of $352.8 million in 2021, a decrease of $19.1 million, or 5.1%, from $371.9 million in 2020. Total operating revenues are projected to decrease by $1.3 million, or 0.2%, to $528.6 million in 2021 from $529.9 million in 2020, while operating expenses are projected to increase by $17.8 million, or 11.3%, to $175.8 million in 2021 from $158.0 million in 2020. As of June 30, 2021, approximately 97% of 2021 Sewer Rate revenue is already known due to the four-quarter averaging of RCEs and current level of Residential Customers.

---

(1) An identification number attached to units of biofuel and used as proof of compliance for regulated oil companies to be able to meet the blending requirements set forth in EPA's Renewable Fuel Standard. *Source: www.growtheenergy.org*

TABLE 13
PROJECTED FINANCIAL STATEMENTS
($ EXPRESSED IN THOUSANDS) (FISCAL YEAR ENDING DECEMBER 31)[1]

	2021[2]	2022	2023	2024	2025	2026	2027
Residential Customer and Residential							
Customer Equivalents (Average for Year, Rounded)	734,063	733,403	754,682	758,606	762,551	766,516	770,502
Percentage Annual Increase	-4.3%	-0.1%	2.9%	0.5%	0.5%	0.5%	0.5%
Monthly Sewer Rate	$47.37	$49.27	$51.25	$53.30	$55.44	$58.22	$61.72
Percentage Annual Increase	4.5%	4.0%	4.0%	4.0%	4.0%	5.0%	6.0%
Operating Revenues							
Sewage Disposal Charges[3]	$ 417,271	$ 433,617	$ 464,129	$ 485,205	$ 507,310	$ 535,519	$ 570,665
Capacity Charge Revenues	92,878	95,999	98,879	101,846	106,938	112,285	117,899
Other Operating Revenues	18,468	16,495	16,589	16,685	13,783	13,883	13,986
Total Operating Revenues	$ 528,618	$ 546,112	$ 579,598	$ 603,735	$ 628,031	$ 661,687	$ 702,549
Operating Expenses[4]	(175,780)	(177,121)	(182,844)	(192,170)	(202,686)	(211,433)	(220,562)
Net Operating Revenue	$ 352,837	$ 368,991	$ 396,754	$ 411,565	$ 425,345	$ 450,254	$ 481,987
Interest Income[5]	$ 4,496	$ 3,230	$ 2,630	$ 2,931	$ 3,359	$ 3,899	$ 4,771
Rate Stabilization	-	-	-	-	-	-	-
Net Revenue Available for Debt Service	$ 357,332	$ 372,222	$ 399,384	$ 414,496	$ 428,703	$ 454,153	$ 486,759
Debt Service							
Parity Bonds[6]	$ 145,907	$ 161,509	$ 171,693	$ 182,379	$ 192,753	$ 207,762	$ 221,291
Parity Lien Obligations[7]	60,226	68,074	65,761	65,700	65,701	62,462	62,055
Subordinate Debt Service[8]	24,866	28,632	30,580	34,110	35,842	38,190	44,380
Total Debt Service	$ 230,999	$ 258,215	$ 268,034	$ 282,189	$ 294,296	$ 308,414	$ 327,727
Debt Service Coverage							
On Parity Bonds	2.45	2.30	2.33	2.27	2.22	2.19	2.20
On Parity Bonds and Parity Lien Obligations	1.73	1.62	1.68	1.67	1.66	1.68	1.72
On All Sewer System Obligations	1.55	1.44	1.49	1.47	1.46	1.47	1.49

NOTES TO TABLE:

(1) Totals may not add due to rounding.

(2) Projections for 2021 are based on unaudited financial statements for the five months ending May 2021, and estimated results through December.

(3) Based on adopted and projected Sewer Rates and rates for capacity charges. See "—Sewer Rates—Adopted Sewer Rates" and "—Projected Sewer Rates."

(4) Operating expenses in 2021 and 2022 are based on the Sewer System's operating budget. Operating expenses after 2022 are assumed to increase at an annual rate of 3% for general inflation and 4% for labor inflation, plus a 1% growth factor to account for operating cost increases for new facilities that are expected to go into service. The forecast includes separate operating cost additions for the Joint Ship Canal Project and the Georgetown Project.

(5) Based on the Investment Pool earning at projected annual rates of 0.75% in 2021, 0.55% in 2022, 0.55% in 2023, 0.58% in 2024, 0.65% in 2025, 0.74% in 2026, and 1.00% in 2027. Projected Investment Pool earnings rates are provided by the County's Office of Economic and Financial Analysis.

(6) Projections do not reflect the refunding of the Sewer Refunded Bonds. Projections assume full draws on the $134.5 million Georgetown WIFIA Bond of $134.5 million in 2023 at its 3.06% interest rate, draws on the $96.8 million Joint Ship Canal WIFIA Bond of $96.8 million in 2026 at its 1.69% interest rate, and the issuance of additional Parity Bonds with 30-year terms at an interest rate of 4.5% in 2022 and 5.00% thereafter, in the amount of $65 million in 2022, $85 million in 2023, $164 million in 2024, $162 million in 2025, $187 million in 2026, and $294 million in 2027. See "—Future Sewer System Financing Plans."

(7) Projections do not reflect the refunding of the LTGO (Sewer) Refunded Bonds but do include the portion of the 2021A LTGO (Sewer) Bonds issued to refund the Refunded SRF Loans.

(8) Subordinate Debt Service consists of debt service on the Variable Rate Bonds, SRF Loans, PWTF Loans, and Commercial Paper Notes, and excludes debt service on the Refunded SRF Loans.

Projections assume the issuance of $102 million of Variable Rate Bonds between 2021 and 2027, along with the issuance and redemption of $202 million of Commercial Paper Notes to provide financing for WIFIA Loan projects on an interim basis pending the final drawdown of those loans after project completion. See "—Future Sewer System Financing Plans." The projections assume an aggregate average interest rate on Variable Rate Bonds of 1.25% in 2021, 1.50% in 2022, 2.00% in 2023, 2.50% in 2024, 3.00% in 2025, and 3.50% in 2026 and 2027. See Table 15—Scheduled Debt Service on All Obligations of the Sewer System, footnote 2.

Projections include debt service on $125.6 million of signed loan commitments from Ecology and the PWB. Signed loan commitments include three loans from Ecology with 30-year terms, one for $13.5 million at a rate of 2.6%, a second loan for $37.1 million at a rate of 2.70%, and a third loan for $66 million at a rate of 1.6%, two loans totaling $2.0 million from the PWB at an average rate of 0.81% with five-year terms, and a $5.0 million, 20-year PWB loan at a rate of 1.58%. See "—Future Sewer System Financing Plans."

Source: King County Wastewater Treatment Division

Debt Service Requirements Payable from Revenue of the System

Table 14 sets forth the scheduled amounts required to be paid from Revenue of the System in each year for the LTGO (Sewer) Bonds, and Table 15 sets forth the scheduled amounts required to be paid from Revenue of the System in each year for all the Sewer System Obligations. Notes to the tables are provided on the following pages.

TABLE 14
SCHEDULED DEBT SERVICE ON THE BONDS
(Fiscal Year Ending December 31)

Year Ending	2021A LTGO (Sewer) Bonds		2021B LTGO (Sewer) Bonds		LTGO (Sewer) Bonds (Combined)			Sewer Revenue Bonds		
December 31[1]	Principal	Interest	Principal	Interest	Principal	Interest	Total	Principal	Interest	Total
2021	$ 4,610,000	$ 3,899,786	$ 1,080,000	$ 669,344	$ 5,690,000	$ 4,569,129	$ 10,259,129	$ 2,130,000	$ 2,084,652	$ 4,214,652
2022	9,770,000	9,818,600	1,790,000	1,705,789	11,560,000	11,524,389	23,084,389	3,115,000	5,315,583	8,430,583
2023	10,055,000	9,525,500	1,790,000	1,701,977	11,845,000	11,227,477	23,072,477	3,120,000	5,308,162	8,428,162
2024	18,655,000	9,223,850	1,800,000	1,695,194	20,455,000	10,919,044	31,374,044	3,135,000	5,294,782	8,429,782
2025	27,035,000	8,477,650	1,810,000	1,683,789	28,845,000	10,161,439	39,006,439	3,155,000	5,273,337	8,428,337
2026	25,560,000	7,396,250	1,825,000	1,668,862	27,385,000	9,065,112	36,450,112	3,185,000	5,245,715	8,430,715
2027	22,490,000	6,373,850	1,845,000	1,650,123	24,335,000	8,023,973	32,358,973	3,215,000	5,211,440	8,426,440
2028	9,255,000	5,249,350	1,865,000	1,627,485	11,120,000	6,876,835	17,996,835	3,260,000	5,170,307	8,430,307
2029	27,680,000	4,786,600	1,895,000	1,601,282	29,575,000	6,387,882	35,962,882	6,655,000	5,097,107	11,752,107
2030	25,595,000	3,402,600	1,920,000	1,572,361	27,515,000	4,974,961	32,489,961	3,240,000	5,020,056	8,260,056
2031	25,870,000	2,122,850	1,955,000	1,541,527	27,825,000	3,664,377	31,489,377	3,290,000	4,966,465	8,256,465
2032	8,090,000	829,350	14,365,000	1,396,847	22,455,000	2,226,197	24,681,197	10,160,000	4,845,125	15,005,125
2033	8,410,000	505,750	14,650,000	1,126,030	23,060,000	1,631,780	24,691,780	10,755,000	4,644,536	15,399,536
2034	6,485,000	337,550	14,960,000	831,185	21,445,000	1,168,735	22,613,735	10,990,000	4,422,570	15,412,570
2035	5,645,000	207,850	15,295,000	514,786	20,940,000	722,636	21,662,636	2,850,000	4,275,735	7,125,735
2036	3,645,000	94,950	15,665,000	175,526	19,310,000	270,476	19,580,476	19,085,000	4,019,457	23,104,457
2037	735,000	22,050	-	-	735,000	22,050	757,050	2,540,000	3,763,858	6,303,858
2038	-	-	-	-	-	-	-	31,340,000	3,329,728	34,669,728
2039	-	-	-	-	-	-	-	23,615,000	2,615,016	26,230,016
2040	-	-	-	-	-	-	-	24,540,000	1,972,994	26,512,994
2041	-	-	-	-	-	-	-	955,000	1,629,242	2,584,242
2042	-	-	-	-	-	-	-	985,000	1,601,685	2,586,685
2043	-	-	-	-	-	-	-	1,010,000	1,573,346	2,583,346
2044	-	-	-	-	-	-	-	1,040,000	1,544,226	2,584,226
2045	-	-	-	-	-	-	-	1,070,000	1,514,253	2,584,253
2046	-	-	-	-	-	-	-	28,525,000	1,093,856	29,618,856
2047	-	-	-	-	-	-	-	24,240,000	344,329	24,584,329
2048	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-
Total	$ 239,585,000	$ 72,274,386	$ 94,510,000	$ 21,162,108	$ 334,095,000	$ 93,436,494	$ 427,531,494	$ 231,200,000	$ 97,177,563	$ 328,377,563

(1) January 1 payments shown in the prior year.

TABLE 15
SCHEDULED DEBT SERVICE ON ALL OBLIGATIONS OF THE SEWER SYSTEM[1]
(Fiscal Year Ending December 31)

Year Ending December 31[1]	Parity Bonds Outstanding[2]	Parity Bonds Sewer Revenue Bonds	Parity Bonds Total	Parity Lien Obligations Outstanding[2]	Parity Lien Obligations LTGO (Sewer) Bonds	Parity Lien Obligations Total	Junior Lien Obligations[3]	Multi-Modal LTGO/Sewer[3]	SRF Loans and PWTF Loans[4]	QECB Bonds[5]	Total
2021	$ 140,938,241	$ 4,214,652	$ 145,152,893	$ 50,934,350	$ 10,259,129	$ 61,193,479	$ 1,937,758	$ 4,897,788	$ 16,861,644	$ 66,220	$ 230,109,782
2022	147,592,200	8,430,583	156,022,783	48,884,750	23,084,389	71,969,139	1,504,425	6,354,750	7,275,243	3,076,220	246,202,560
2023	148,114,091	8,428,162	156,542,253	46,607,525	23,072,477	69,680,002	1,504,425	8,473,000	6,272,496	-	242,472,176
2024	148,101,979	8,429,782	156,531,760	48,611,385	31,374,044	79,985,429	3,384,956	10,591,250	6,795,446	-	257,288,841
2025	147,954,104	8,428,337	156,382,441	46,618,525	39,006,439	85,624,964	3,886,431	12,709,500	5,659,285	-	264,262,621
2026	146,627,916	8,430,715	155,058,631	46,579,650	36,450,112	83,029,762	7,020,650	14,827,750	5,647,447	-	265,584,241
2027	141,033,859	8,426,440	149,460,300	46,545,025	32,358,973	78,903,998	7,020,650	14,827,750	5,578,722	-	255,791,420
2028	140,865,764	8,430,307	149,296,071	44,769,825	17,996,835	62,766,660	7,020,650	14,827,750	5,530,111	-	239,441,242
2029	128,327,280	11,752,107	140,079,387	53,312,150	35,962,882	89,275,032	7,020,650	14,827,750	5,158,264	-	256,361,083
2030	137,144,332	8,260,056	145,404,388	54,998,175	32,489,961	87,488,136	7,020,650	14,827,750	5,149,625	-	259,890,549
2031	145,594,588	8,256,465	153,851,052	45,732,600	31,489,377	77,221,977	107,315,650	14,827,750	5,088,456	-	358,304,886
2032	138,319,501	15,005,125	153,324,626	30,193,950	24,681,197	54,875,147	3,510,325	14,827,750	5,014,804	-	231,552,652
2033	136,692,825	15,399,536	152,092,361	22,166,050	24,691,780	46,857,830	3,510,325	14,827,750	5,006,510	-	222,294,777
2034	137,948,025	15,412,570	153,360,595	2,906,350	22,613,735	25,520,085	3,510,325	14,827,750	5,007,226	-	202,225,981
2035	125,323,101	7,125,735	132,448,836	11,596,350	21,662,636	33,258,986	3,510,325	14,827,750	4,999,176	-	189,045,073
2036	107,968,241	23,104,457	131,072,698	11,596,850	19,580,476	31,177,326	3,510,325	14,827,750	4,993,811	-	185,581,910
2037	127,850,848	6,303,858	134,154,705	30,029,400	757,050	30,786,450	3,510,325	14,827,750	4,573,754	-	187,852,984
2038	94,585,521	34,669,728	129,255,249	19,997,100	-	19,997,100	3,510,325	14,827,750	3,922,313	-	171,512,737
2039	104,538,362	26,230,016	130,768,378	-	-	-	3,510,325	111,182,750	3,082,816	-	248,544,269
2040	96,221,650	26,512,994	122,734,644	-	-	-	3,510,325	11,455,325	2,829,949	-	140,530,243
2041	109,486,975	2,584,242	112,071,217	-	-	-	103,805,325	11,455,325	2,831,059	-	230,162,926
2042	85,414,350	2,586,685	88,001,035	-	-	-	-	111,455,325	2,832,195	-	202,288,555
2043	85,257,900	2,583,346	87,841,246	-	-	-	-	7,955,325	2,833,364	-	98,629,935
2044	81,994,350	2,584,226	84,578,576	-	-	-	-	7,955,325	2,834,562	-	95,368,463
2045	81,941,000	2,584,253	84,525,253	-	-	-	-	156,050,325	2,835,795	-	243,411,373
2046	46,064,600	29,618,856	75,683,456	-	-	-	-	2,772,000	2,837,053	-	81,292,509
2047	28,741,850	24,584,329	53,326,179	-	-	-	-	2,772,000	2,838,350	-	58,936,529
2048	28,741,925	-	28,741,925	-	-	-	-	2,772,000	2,839,677	-	34,353,602
2049	28,742,475	-	28,742,475	-	-	-	-	2,772,000	2,841,040	-	34,355,515
2050	12,302,200	-	12,302,200	-	-	-	-	81,972,000	2,842,438	-	97,116,638
2051	7,545,200	-	7,545,200	-	-	-	-	-	2,631,852	-	10,177,052
2052	-	-	-	-	-	-	-	-	2,376,081	-	2,376,081
2053	-	-	-	-	-	-	-	-	2,375,386	-	2,375,386
Total	$ 3,237,975,250	$ 328,377,563	$ 3,566,352,813	$ 662,080,010	$ 427,531,494	$ 1,089,611,504	$ 290,035,145	$ 746,356,738	$ 150,195,950	$ 3,142,440	$ 5,845,694,590

NOTES TO TABLE:

(1) January 1 payments shown in the prior year.

(2) Excludes debt service on the Refunded Bonds.

(3) The projections assume an aggregate average interest rate on the Variable Rate Bonds of 1.25% in 2021, 1.50% in 2022, 2.00% in 2023, 2.50% in 2024, 3.00% in 2025, and 3.50% in 2026 and 2027. The Junior Lien Obligations have bullet maturities in 2032, 2042, and 2043. The Multi-Modal LTGO/Sewer Revenue Bonds have bullet maturities in 2040 and 2046 and the Multi-Modal LTGO/Sewer commercial paper program has a final maturity date of December 15, 2050. Projections exclude planned optional redemptions of Variable Rate Bonds prior to their final maturity dates. See "Security and Sources of Payment for the Bonds—Outstanding Sewer System Obligations—Summary of Credit Agreements."

(4) Excludes debt service on the Refunded SRF Loans. Does not include debt service on $68.1 million in undrawn, signed loan commitments from Ecology and the PWB that are expected to be drawn upon through 2024. See "—Future Sewer System Financing Plans."

(5) Although debt service on the QECB Bonds is paid from Revenue of the System, the County has not pledged Revenue of the System to the payment of the QECB Bonds. See "Security and Sources of Payment for the Bonds—Outstanding Sewer System Obligations." Annual interest expense does not include the federal subsidy that is expected to be received.

Regional Wastewater Services and Clean Water Plan

The RWSP guides improvements to the regional wastewater system to ensure the continuation of high quality wastewater treatment services in the future. The RWSP was adopted in 1999 and established a number of programs to guide long-term planning and investments in wastewater infrastructure. RWSP Program Updates and periodic reviews have been carried out to ensure that wastewater infrastructure planning and investments are based on current data. The County is currently undertaking a master planning effort that will be a successor to the RWSP called the Clean Water Plan. Over the next three years, the Clean Water Plan is intended to define regional water quality investments over both near-term (up to ten years) and long-term time horizons (ten to 40 years). The Clean Water Plan will explore the complex and expensive demands that WTD is facing, which include regional growth, aging infrastructure, current and potential regulatory regimes, affordability of service, natural disasters, and climate change. The new plan is intended to set the direction for investments in the regional wastewater system and water quality to achieve the best water quality outcomes for those investments.

Development of the Clean Water Plan is nearing the mid-point. WTD seeks to present an Executive-preferred alternative to the County Council for review in 2022, commencing with County Council review and approval through the legislative process. The final plan will serve as a guide to near- and long-term investments in the regional wastewater system.

WTD completed a summary report in November 2019 that assessed the flows, loadings, and limitations of the treatment processes at each of the regional treatment plants. The report found that most of the capacity limitations for all three regional plants are projected to occur in the 2030s and are related to digestion and secondary treatment processes. WTD will continue addressing many of the findings from the study through the Treatment Planning Program (the "TPP") that began in 2021, as well as within the Clean Water Plan.

The TPP, a new, ongoing program with dedicated funding that was approved starting with the 2021-2022 budget, focuses on providing comprehensive and strategic near-term and long-term wastewater treatment planning at both the facility (treatment plant) and regional system level. The TPP assesses current and future facility and regional treatment system needs to address regulatory requirements and accommodate planned growth anticipated by the 34 component agencies, and identifies the policies, conceptual capital projects, and funding needed to meet these treatment needs. Initial work on the program includes addressing the findings of the treatment plant flow and loads study completed in 2019 and addressing potential new nutrient reduction requirements. See "—Puget Sound Nutrient Source Reduction Project." Future work will include development of a long-term regional wastewater treatment plan to identify specific CIP projects to guide treatment process projects through 2060, to address treatment capacity limitations and anticipated regulatory requirements.

Combined Sewer Overflow Projects

CSOs are untreated discharges of mixed stormwater and diluted wastewater into water bodies during heavy rainfall events when the capacity of the existing sewer system is full. Combined sewers, which carry both wastewater and stormwater, exist in many parts of older cities across the nation, including Seattle. Stormwater can cause extreme variations in wastewater flows, resulting in the need for large wastewater facilities and in challenges to the treatment process. To avoid damage to the regional sewer system and treatment plants during heavy rainfall events, combined sewers in Seattle sometimes overflow into Puget Sound, the Duwamish Waterway, Elliott Bay, Lake Union, the Lake Washington Ship Canal, and Lake Washington. Within the County wastewater service area, CSOs exist only within a portion of Seattle. Based on agreements made at the start of the regional system in 1958, depending on the size of the drainage basin, either the County or Seattle is responsible for CSOs, and both entities are working to control them under separate long-term CSO control plans.

The County currently has 39 CSO outfall locations and four wet weather treatment facilities which control overflows that still occur in some older parts of Seattle during heavy rains. Past investments have resulted in a reduction in untreated CSOs from a baseline of 2.3 billion gallons per year (based on data from 1980 to 1983) to about one billion gallons in a typical year of rainfall (based on long-term averages). The County's combined sewer system discharged 1,144 million gallons of CSOs in 2020 and 752 million gallons in 2019.

In 2013, the United States District Court for the Western District of Washington (the "Court") approved a consent decree (the "2013 Consent Decree") between the County, the U.S. Department of Justice, EPA, and Ecology to undertake and construct nine capital projects to control 14 uncontrolled overflow locations in the Sewer System by 2030. The CSO control measures outlined in the 2013 Consent Decree were consistent with a Long-Term Control Plan ("LTCP") approved by the County Council in 2012.

There are nine CSO control projects included in the LTCP as well as the four "Beach" CSO projects, consisting of North Beach, South Magnolia, Murray, and Barton, which were underway prior to the LTCP development. Except as noted for South Magnolia and Barton, the Beach projects have been completed and are operating. The Rainier Valley Wet Weather Storage Project achieved substantial completion on June 9, 2018, and began operation in winter 2018. Rainier Valley has since been monitored to ensure that it achieves the required regulatory performance standard. Construction on the Georgetown Wet Weather Treatment Station (the "Georgetown Project") began in January 2018 and is expected to be completed in late 2022. The County is also working with Seattle on the Joint Ship Canal Project, as further described below.

The 2013 Consent Decree establishes critical milestones for the submission of facilities plans, completion of bidding, and completion of construction for all of the projects through 2030. The 2013 Consent Decree also requires that the County prepare Supplemental Compliance Plans when performance criteria have not been met at the completed projects and other CSO outfall locations.

The South Magnolia Wet Weather Storage project did not achieve controlled status of no more than one event per year, within one year of construction completion. Construction on South Magnolia was completed in December 2015, and the facility was apparently operating correctly until a conveyance pipe failure that completely prevented storm flows from reaching the storage tank was discovered in the fall of 2016.

WTD submitted a Supplemental Compliance Plan to Ecology and EPA in January 2017 (with an addendum containing the specific plan and schedule submitted in April 2018), outlining plans to bring the facility back into service and compliance. Remedial action was undertaken, and South Magnolia went back online in late December 2018 and has been operating as designed. Costs incurred by the County for replacement of the damaged pipe were $23.6 million. Of this amount, $10 million was paid for with an insurance settlement that the County received in March 2020. The County is pursuing legal action against the contractor and its sureties for full recovery of costs incurred.

There are also Supplemental Compliance Plans for the Barton Street, Denny Way, Harbor Avenue, and Hanford #1 CSO locations, where CSO control projects were constructed but did not achieve the standard of one event per year on average. Operational adjustments, additional modeling, and minor capital improvements are being performed, and the outfalls will be monitored to determine compliance.

The Elliott West Wet Weather Station has experienced permit violations in recent years despite the implementation of several operating changes and capital projects designed to optimize facility performance. In an August 2019 letter to Ecology, updated in August 2020, WTD expressed a commitment to developing and implementing a compliance strategy for the Elliott West facility. WTD has proposed that an alternatives analysis be completed during 2021 to identify the best alternatives to improve compliance. Once the alternatives analysis is complete and the scope of the corrections understood, a draft facility plan will be submitted to Ecology for review and approval. WTD will not move into implementation or construction on this project until after completion of the Clean Water Plan and the update to the LTCP.

Projected CSO expenditures included in the Regulatory category of Table 16 total $441 million for the period 2021 through 2027. Expenditures from 2021 through 2027 for the two largest projects currently in construction are $124 million for the Joint Ship Canal Project (described below under "—Joint Ship Canal Project with Seattle") and $63 million for the Georgetown Project. Design estimates for the Elliott West facility in the 2021-2022 biennium total $11.8 million and include funding for the alternatives analysis and facility plan. Estimates will be updated for full project implementation as part of the 2023-2024 biennial budget process.

At the time of the 2021 Sewer Rate proposal, the CSO costs were not updated, so the forecast did not fully reflect the cost of those investments. Current estimates for CSO costs are substantially higher than previous estimates and have been incorporated into the 2022 adopted Sewer Rate plan. The example CSO timeline of 2040 completion used in the 2022 adopted Sewer Rate plan anticipates CSO Consent Decree modifications. Actual timeline and project sequencing will be determined following completion of the Clean Water Plan and the Consent Decree negotiations described below.

Request for 2013 Consent Decree Modification

In January 2020, the County initiated negotiations to modify the 2013 Consent Decree to address changed conditions since the Consent Decree was signed. These changed conditions include substantially higher cost estimates for planned CSO control projects, climate change impacts, anticipated future increases in regulatory requirements for nutrient discharges to Puget Sound, and rate affordability. See "—Environmental Regulations—Puget Sound Nutrient Source Reduction Project." In the letter requesting negotiations to modify the 2013 Consent Decree, the County also requested an extension for two milestones associated with the Chelan Avenue CSO: the completion of the bidding milestone by December 31, 2020, and the completion of the construction milestone by December 31, 2023, and new milestones dates were proposed to match the Hanford #2, Lander, King, and Kingdome projects. The 2020 milestone was not met, and an official notification was submitted to the regulators as required by the Consent Decree. New milestone dates will be negotiated as part of the modification to the Consent Decree. The County is reviewing alternatives for controlling the CSOs in the Lower Duwamish area that may result in a more cost-effective CSO control measure for the Chelan Avenue CSO than the one identified in the Chelan Facility Plan. Extension of the Chelan Avenue CSO milestones will allow for the planning process to be completed to determine the best project moving forward.

Any potential modification agreed to by EPA, Ecology, the U.S. Department of Justice, and the Court would also need County Council approval.

Joint Ship Canal Project with Seattle

On July 27, 2016, the County and Seattle signed a Joint Project Agreement ("JPA") to implement the Joint Ship Canal Project to control County overflows at its 3rd Avenue West and 11th Avenue Northwest locations and four of Seattle's overflow locations designated in its separate consent decree. Seattle is the lead agency for design and construction of a 2.7-mile long and 18-foot, 10-inch-inside-diameter storage tunnel to capture and store 29 million gallons of stormwater mixed with sewage from the six CSO sites during a storm event. The Joint Ship Canal Project is expected to reduce the total amount of uncontrolled current CSO discharges by approximately 75 million gallons and eliminate an average of 130 CSO events per year. The Joint Ship Canal Project is being implemented to reduce community and environmental impacts in the project area relative to separate individual agency projects and to realize operational efficiencies.

On October 25, 2016, the Court approved an "Agreed Non-Material Consent Decree Modification" filed by EPA, Ecology, the U.S. Department of Justice, and the County to incorporate the Joint Ship Canal Project as part of the original 2013 Consent Decree.

The current estimate for the total cost of the Joint Ship Canal Project is $570 million. The County's 35% share of the agreed elements of the Joint Ship Canal Project is currently $176.5 million. Periodic assessments after the achievement of design and construction milestones may result in increases in the total costs and the County's share. The County is also evaluating the purchase of additional storage capacity in the tunnel, which may also increase its costs.

Completion of the Joint Ship Canal Project is currently scheduled for April 2025, eight months before the construction completion milestone in the modified 2013 Consent Decree for the County.

West Point Situational Analysis and Plans

On February 9, 2017, a partial interruption of power supply occurred at the West Point treatment plant, resulting in major equipment failure and culminating in flooding of the plant, the emergency bypass of the treatment system, and the discharge into Puget Sound of an estimated 244 million gallons of stormwater mixed with untreated sewage. Because of the accident, WTD was unable to meet the discharge limits required by West Point's National Pollutant Discharge Elimination System ("NPDES") permit until May 10, 2017, when biological treatment processes were fully restored. Ecology assessed a $361,000 penalty against the County for permit violations and required six corrective actions at West Point, which WTD completed by February 2019.

WTD incurred $23.8 million in operating and capital costs to remediate damage at West Point in 2017 and 2018. In December 2018, the County reached a final settlement of $22.5 million with its insurer for the damage that was sustained from the flood. Neither the insurance settlements nor the costs have been included in the calculation of debt service coverage that appears in Table 12—Historical Financial Statements.

On July 19, 2019, the emergency bypass gate was opened at West Point, resulting in the discharge of an estimated 2.1 million gallons of untreated stormwater and sewage into Puget Sound. The bypass was initiated after a power disruption caused plant equipment to fall offline. While emergency bypass pumps were back online approximately 20 minutes after the power disturbance, it was necessary to open the plant's emergency bypass gate for 27 minutes before hydraulic control at West Point could be reestablished. The plant's emergency flow control equipment performed as designed and the operators as trained, and there was no damage to plant facilities. Ecology investigated the incident and issued Administrative Order 19477 on February 2, 2021, requiring WTD to evaluate and implement near-term operational actions to minimize pumping interruptions caused by power supply interruptions, and to develop and implement a strategic master plan by the end of 2025 to improve overall power reliability and resiliency. In response to the Administrative Order, the County Executive proposed, and the County Council approved, an emergency declaration and supplemental budget request for up to $65 million to quickly purchase services and equipment necessary to improve the electrical system at West Point. Preliminary costs for these capital investments have been included in Table 16—Capital Improvement Plan—Projected Expenditures.

In July 2020, the Suquamish Tribe submitted a Notice of Intent to Sue under the Clean Water Act for County discharges of untreated wastewater in violation of the County's discharge permits. In March 2021, the Suquamish Tribe submitted a Supplemental Notice of Intent to Sue under the Clean Water Act for additional County discharges. See Appendix C—King County Water Quality Enterprise Fund 2020 Audited Financial Statements—Note 13.

WTD has identified over $600 million in capital investments at West Point over the next decade. These investments include major asset replacements and refurbishments throughout many process areas at West Point, including major electrical system upgrades and major pumping replacements and refurbishments. WTD initiated the West Point Renovations Program to efficiently deliver these capital projects and to ensure that the projects are coordinated and sequenced appropriately and inter-dependencies between projects are considered.

Capital Improvement Plan

As shown in Table 16, the Sewer System's CIP for the period 2021-2027 includes seven classifications described below under "—Capital Portfolio Categories." The projected expenditures shown in the table do not include an increase in spending expected when the Clean Water Plan is adopted. See "—Regional Wastewater Services and Clean Water Plan."

The CIP reflects a new investment priority strategy for asset management and includes more than 50 new projects within the CIP to address an inventory of priority asset management projects. Asset management is set to become the largest investment category by 2023, given the new priority assigned to those projects by WTD and its regional stakeholders.

Increases in the monthly Sewer Rate that are less than what is shown in Table 9 may reduce projected spending on asset management projects and lengthen the period of time needed to complete all of the inventory of projects.

TABLE 16
CAPITAL IMPROVEMENT PLAN—PROJECTED EXPENDITURES AND FUNDING SOURCES[1]
($000)

Capital Portfolio Category	2021	2022	2023	2024	2025	2026	2027	Total
Asset Management	$ 72,745	$ 96,178	$ 119,242	$ 132,871	$ 143,307	$ 207,224	$ 215,563	$ 987,129
Capacity Improvement	29,095	41,458	77,628	96,922	77,212	42,477	134,015	498,807
Operational Enhancements	11,313	13,727	15,195	4,654	4,701	4,816	13,087	67,494
Planning and Administration	14,720	11,948	8,379	7,190	7,380	7,576	7,435	64,629
Resource Recovery	4,233	3,869	2,078	2,715	5,988	5,980	23,203	48,066
Regulatory	107,994	118,450	87,297	50,428	48,115	64,295	59,898	536,477
Resiliency	18,658	22,309	24,822	17,813	12,315	12,369	13,820	122,108
Total	$ 258,758	$ 307,939	$ 334,642	$ 312,594	$ 299,019	$ 344,737	$ 467,021	$ 2,324,710

Capital Funding Plan	2021	2022	2023	2024	2025	2026	2027	Total
Use of Cash/Reserves	$ 88,342	$ 197,716	$ 112,733	$ 129,630	$ 130,220	$ 132,193	$ 143,776	$ 934,610
Debt Proceeds	169,885	109,676	221,346	182,384	168,202	211,929	322,612	1,386,035
Other Revenues	530	546	563	580	597	615	633	4,065
Total	$ 258,758	$ 307,939	$ 334,642	$ 312,594	$ 299,019	$ 344,737	$ 467,021	$ 2,324,710

(1) In nominal dollars.

Note: totals may not add due to rounding.

Source: King County Wastewater Treatment Division

Beginning in 2017, WTD focused on developing a more comprehensive and structured approach to managing its capital program with the goal of aligning the mix of projects in WTD's CIP with its strategic initiatives and overall mission. A pilot of this prioritization approach informed the 2019 Sewer Rate development and since then has been used to inform rate and budget-setting processes.

Capital Portfolio Categories. Projects are organized and prioritized within the following capital portfolio categories ("Portfolio Categories"):

(i) *Asset Management Plants and Conveyance*: Maintain level of service through the rehabilitation or replacement of critical assets. The subcategory Asset Management Plants includes projects that focus on the useful life of assets and systems to maintain a historic chosen level of service, inclusive of those assets that are at or near their end of service life under the County's capitalization policy. This includes possible extension of life through refurbishment or in-kind asset replacement of existing wastewater facilities, including associated enhancements to mitigate risk. Assets include equipment, structures, tanks, and building envelopes. The subcategory Asset Management Conveyance includes projects that focus on the useful life of existing linear conveyance assets and supporting structures, inclusive of conveyance assets that are forecasted to require action within a given timeframe as defined by the inspections and investigations conducted. This includes possible extension of life through refurbishment or in-kind asset replacement of existing linear conveyance assets including, associated enhancements to mitigate risk.

(ii) *Capacity Improvement*: Increase capacity in WTD facilities to accommodate future growth. Relates to projects with the objective of changing the treatment or conveyance capacity of an existing wastewater facility or constructing a new wastewater facility in order to meet anticipated demand. Demand is based on population projections and infiltration and inflow, and can include hydraulic or process capacity.

(iii) *Operational Enhancements*: Reduce/improve operating costs at treatment plants through the delivery of projects that create efficiencies. Includes projects which improve operations and reduce maintenance, and could enhance other areas of WTD's core mission. Projects in this Portfolio Category generally improve redundancy, increase efficiency, improve reliability, enhance process control and/or seek to avoid workplace safety issues, and improve process quality. Projects in this Portfolio Category also include consideration of adaptation and responses to changing process conditions as well as seeking to improve compliance with permit conditions (i.e., effluent quality, air quality, biosolids, noise, etc.).

(iv) *Planning and Administration*: Incorporate programs and projects that facilitate execution of the overall capital portfolio through a series of planning and administration related efforts. Planning and Administration is not a traditional Portfolio Category and does not adhere to the same set of objectives, business rules, and business processes of Portfolio Management that the other Portfolio Categories employ. This designation may, on occasion, be used for projects that do not conform to the specific Portfolio Categories, particularly if the identified effort facilitates the overall CIP and Capital Portfolio delivery or there are instances in which specific efforts are directed and/or mandated by the County Executive Office or other external stakeholders.

(v) *Resource Recovery*: Support the Strategic Climate Action Plan ("SCAP") initiative through the delivery of projects that reduce energy use or recover valuable resources from wastewater. Projects in this Portfolio Category improve reliability, resiliency, and efficiency in the wastewater treatment system. The primary goal of these projects is to increase, enhance, and improve the recovery of WTD's resources (e.g., recycled waste, recycled water, and energy). If there is not a primary Resource Recovery driver, the project will not reside in this Portfolio Category.

(vi) *Regulatory*: Deliver projects and programs that respond to permit, regulation, and/or consent decree legal deadlines. Projects in this Portfolio Category require actions to satisfy a permit, order, settlement, or consent decree with a legal deadline. This Portfolio Category is intended to focus on projects not primarily addressed by other Portfolio Categories and are effectively those projects that WTD must do at some point in time in terms of a regulatory obligation. The criteria are intended to distinguish how well a given project satisfies regulatory obligations with other considerations such as timing, sequence, and cost/risk of non-compliance.

(vii) *Resiliency*: Improve the survivability and operability of core assets against natural disasters through the delivery of projects that address known deficiencies. This Portfolio Category includes projects that improve the survivability and operability of core assets against natural disasters, climate change, or those aspects of the Sewer System that are crucial to the operation and/or management of flow. This includes both the conveyance system and the plants and supporting operational facilities. Projects in this Portfolio Category primarily mitigate the impacts of acute natural hazards (seismic, extreme weather, flooding, landslides, tsunami risk) and climate change (primarily sea level rise and saltwater intrusion) on core WTD assets.

The capital expenditures shown above were used to develop projected Sewer Rates and the projections shown in Table 13 and are based on an expected accomplishment rate of 85% of total expenditures authorized in the County budget for WTD, including pending amendments and the priority investment strategy for an inventory of asset management projects. Changes in the scope and increases in the cost of projects may increase total capital spending, but increases that are expected to exceed 15% of a project's budget must first be approved by the County Council. Additional capital spending, both prior to and after 2027, may also arise from new federal and State environmental regulations or new requirements in the permits for Sewer System facilities. See "Environmental Regulations."

West Seattle High Rise Bridge. The West Seattle High Rise Bridge (the "Bridge"), completed in 1984, is a seven-lane cantilevered bridge that crosses the West Duwamish Waterway to connect the communities of West Seattle to downtown Seattle. The Seattle Department of Transportation ("SDOT") first noticed cracks in the concrete in 2013, and subsequent inspections have noted increases in the cracks. On March 23, 2020, SDOT announced the closure of the Bridge to all traffic due to structural defects found on the main span of the Bridge, which will necessitate major repairs to or, potentially, demolition of the Bridge. The City plans to repair and re-open the bridge, targeting a re-opening date as soon as late 2022.

The Sewer System has three major conveyance lines buried eight to 15 feet underneath a shorter span of the Bridge or alongside the Bridge. Since early 2020, WTD has worked with an interagency task force led by the Seattle Office of Emergency Management to develop and update a coordinated emergency contingency plan in the event of a Bridge failure. The task force includes a number of federal, State, and local agencies, including WTD. Although the conveyance lines are buried, the Bridge has a height of 140 feet and debris falling from that height has the potential for damaging these lines or preventing or delaying WTD from undertaking necessary repairs should damage occur. As a result, WTD has created a comprehensive emergency contingency plan that details its response to various bridge failure or collapse scenarios.

WTD's current assessment is that it has the ability to divert flows from the area to protect public health; however, these diversions may result in controlled releases of partially treated or untreated wastewater into local water bodies. WTD has developed plans that would reduce or eliminate the amount of partially or untreated wastewater releases should flow diversion be required.

Future Sewer System Financing Plans

The current financial plan for the Sewer System projects the issuance of approximately $1.3 billion of additional debt through 2027 to fund the CIP, including $1.1 billion of additional Parity Bonds (including draws on the WIFIA Bonds described below), $102 million of additional variable rate Junior Lien Obligations, and $83 million from signed and pending loan commitments received from Ecology and the PWB. Offsetting this anticipated issuance of $1.3 billion of additional debt are scheduled principal payments on outstanding obligations and the Bonds of approximately $934 million. The financial plan also includes the issuance and redemption of $202 million of Commercial Paper Notes to provide financing for WIFIA Loan projects on an interim basis pending the final drawdown of those loans after project completion. See Table 16—Capital Improvement Plan—Projected Expenditures and Funding Sources.

Other than such new money issuances and draws on the WIFIA Bonds described below, when and if market conditions allow refunding of any outstanding bonds for the purpose of realizing debt service savings, the County may issue additional obligations to pursue such refundings. In addition, the County may from time to time consider the defeasance of outstanding Parity and Parity Lien Bonds from operating cash as was done in 2020. See "Management Discussion of 2020 Sewer System Financial Results—Debt Defeasance."

Georgetown WIFIA Bond. On April 19, 2018, the County entered into a WIFIA Loan Agreement for up to $134.5 million (the "Georgetown WIFIA Loan") with EPA (the "WIFIA Lender") to provide financing for the Georgetown Project. The Georgetown WIFIA Loan is evidenced by the County's Sewer Revenue Bond, 2018 (WIFIA—N17107WA) (the "Georgetown WIFIA Bond").

The Georgetown WIFIA Bond is available to be drawn from time to time in an aggregate principal amount not to exceed $134.5 million solely to pay project costs for the Georgetown Project. The County expects to draw on the Georgetown WIFIA Bond in 2023. No draws are permitted after the date that is one year after substantial completion of the project, which is estimated to occur in early 2022. The Georgetown WIFIA Bond has a final maturity date of January 1, 2051, unless earlier paid, with principal payment dates beginning on January 1, 2033. Amounts drawn bear interest at a fixed rate of 3.06%, except as described below. The Georgetown WIFIA Bond is subject to prepayment at the option of the County at any time at par plus accrued interest to the date of prepayment.

Joint Ship Canal WIFIA Bond. On January 19, 2021, the County closed on a $96.8 million loan (the "Joint Ship Canal WIFIA Loan") agreement with the WIFIA Lender for the Joint Ship Canal

Project. Draws under the loan agreement are evidenced by the County's Sewer Revenue Bond, 2021 (WIFIA—N19128WA), authorized by the County Council on June 23, 2020 (the "Joint Ship Canal WIFIA Bond").

The Joint Ship Canal WIFIA Bond is available to be drawn from time to time in an aggregate principal amount not to exceed $96.8 million solely to pay project costs for the Joint Ship Canal Project. The County expects to draw on the Joint Ship Canal WIFIA Bond in 2026. No draws are permitted after the date that is one year after substantial completion of the project, which is estimated to occur in 2025. The Joint Ship Canal WIFIA Bond has a final maturity date of July 1, 2055, unless earlier paid, with principal payment dates beginning on July 1, 2026. Amounts drawn bear interest at a fixed rate of 1.69%, except as described below. The Joint Ship Canal WIFIA Bond is subject to prepayment at the option of the County at any time at par plus accrued interest to the date of prepayment.

WIFIA Bonds. The Georgetown WIFIA Bond and the Joint Ship Canal WIFIA Bond (together, the "WIFIA Bonds") are Parity Bonds, entitled to all of the benefits of a Parity Bond, and payable solely from Net System Revenues and amounts in the Parity Bond Fund. In addition, draws on the WIFIA Bonds are subject to conditions precedent (such as minimum ratings, no material adverse effect, and no default requirements). The County has covenanted for the benefit of the WIFIA Lender to engage a professional utility consultant to review and analyze the operations of the Sewer System and make recommendations in certain circumstances. The County has further agreed to apply project insurance in the event of a loss to repair or replace the project and, in some circumstances, to prepay the WIFIA Bonds. If an event of default has occurred and is continuing, WIFIA Lender consent is required for the issuance of additional bonds payable from Sewer System revenues. The County has agreed not to provide holders of Parity Bond obligations with the right to accelerate such obligations, or require mandatory prepayment in full of such obligations, unless the WIFIA Lender is provided the same rights with respect to the Georgetown WIFIA Loan and the Joint Ship Canal WIFIA Loan (together, the "WIFIA Loans"). The County also has agreed not to adopt any supplemental ordinances that amend the pledge of revenues, the priority of payment, the rate covenant, or the requirements for Future Parity Bonds without WIFIA Lender consent. Events of default under the WIFIA Loans include payment defaults, covenant and misrepresentation defaults, the acceleration of any Parity Bond obligations, cross default of any Parity Bond obligation, materially adverse judgments, failure to maintain existence, the occurrence of a bankruptcy-related event, project defaults, and invalidity. Remedies include suspension or termination of rights to draw on the WIFIA Bonds, mandamus and suspension and disbarment from federal programs in addition to the rights and remedies of Parity Bond owners. In the event of a payment default or project abandonment, the default interest rate applies.

Commercial Paper Program. The County's Commercial Paper ("CP") program provides flexible, short-term financing and refinancing for WTD capital projects. CP can be used to provide interim financing to pay for capital projects pending permanent financing from State and federal loans and from long-term fixed- or variable-rate debt.

The CP program is funded through the issuance from time to time of Multi-Modal Limited Tax General Obligation Notes (Payable from Sewer Revenues) (Commercial Paper), Series A and Multi-Modal Limited Tax General Obligation Notes (Payable from Sewer Revenues) (Commercial Paper), Series B (Taxable) (collectively, the "CP Notes") pursuant to Ordinance 19114, passed by the County Council on June 23, 2020, and Ordinance 18898, adopted by the County Council on May 22, 2019. The County is authorized to issue CP Notes in an aggregate principal amount not to exceed $250,000,000, including up to $175,000,000 for new project costs, outstanding at any time. The CP Notes are Multi-Modal LTGO/Sewer Revenue Bonds. The CP Notes are not secured by any third-party credit enhancement or liquidity facility. Maturing principal of and interest on CP Notes is to be paid from proceeds of refunding CP Notes and, if not, from other funds made available by the County, including proceeds of refunding bonds. The County has approved draws on County funds (and not funds held on behalf other public entities) in the Investment Pool to provide liquidity for payment of maturing CP Notes when due.

The CP program has been used to pay the Georgetown Project and Joint Ship Canal Project costs prior to receiving reimbursement and long-term fixed-rate financing from the SRF and WIFIA Loans secured for these projects. By issuing CP and delaying WIFIA and SRF draws, WTD is expected to incur lower-interest costs over the extended construction periods for these projects. CP in the amount of $100 million has been used as a long-term component of WTD's variable rate debt portfolio. CP can also be issued to provide interim financing for the cash-funded portion of WTD's CIP. See Table 5—Outstanding Sewer System Obligations."

Environmental Regulation

Federal Clean Water Act and State Reclaimed Water Act. The Clean Water Act requires that discharges of pollutants be permitted under the NPDES program administered by EPA, which has delegated to Ecology authority to administer NPDES permits in Washington. The NPDES permits cover the treatment plants, their conveyance systems, and related CSO facilities and extend for a period of five years.

The County also distributes reclaimed water at three of the five regional wastewater plants. The State's Reclaimed Water Act (Chapter 90.46 RCW) and associated Water Reclamation and Reuse Standards contain requirements to assure that distribution and use of reclaimed water are protective of public health and the environment. Reclaimed water permits can be authorized separately or in combination with the NPDES permits. The status of the NPDES and Reclaimed Water permits is shown below:

TABLE 17
NPDES PERMITS

Facility	Expiration Date
Brightwater	February 2023
Brightwater-Reclaimed Water	April 2024
Carnation (Includes Reclaimed Water)	December 2018(1)
South Plant	July 2020(1)
South Plant-Reclaimed Water	July 2020(1)
Vashon	February 2022
West Point	January 2020(1)

(1) Administratively extended.

Source: King County Wastewater Treatment Division

The Carnation permit is in the process of being renewed, and WTD reviewed an initial draft permit in April 2021 that contained some new provisions of potential concern. As written, the allowable discharge rate of reclaimed water to a wetland could be constrained in the future as the service area population and flows increase. However, WTD is engaging with Ecology to provide additional information on the wetland benefits and anticipates the conditions will be modified. Regardless, the facility has an alternative discharge location, and any wetland conditions would not affect operations or require any actions in the next decade.

The application for renewal of the West Point NPDES permit was submitted in January 2019, and the application for renewal of the South Plant NPDES and Reclaimed Water permits was submitted in July 2019. The schedule for renewal of these permits is uncertain at this time; however, the West Point permit is anticipated by early 2022 to facilitate startup and commissioning of the Georgetown Project, which is under construction.

The NPDES permit for West Point includes limits and operating requirements for WTD's four CSO wet weather treatment facilities (Alki, Carkeek, Elliott West and Henderson MLK, as shown in Figure 1). These facilities store and convey sewage and stormwater to West Point during wet weather events and, when storage volumes are exceeded, provide partial primary treatment of the effluent prior to its discharge into regional waters. Permit violations have occurred at each of these CSO treatment facilities with variable frequency; as noted above, the majority of them have been at Elliott West. WTD has undertaken operating and capital projects that are intended to bring effluent levels at these facilities in compliance with permit standards. See "—Combined Sewer Overflow Projects." In connection with the renewal of the permit for West Point, Ecology may require WTD to initiate new operating procedures or perform studies and undertake capital improvements that are not currently in its six-year CIP shown in Table 16.

All five of the regional wastewater treatment plants, except as noted herein, have been in substantial compliance with their permit effluent limits.

There have been several discharges of untreated stormwater and sewage into Puget Sound from the West Point Treatment Plant, which have resulted in the issuance of penalties and the Administrative Order 19477 from Ecology referenced above. See "—West Point Situational Analysis and Plans."

On July 18, 2019, an estimated 3.43 million gallons of secondary treated effluent were discharged without disinfection from the South Plant. The discharge occurred during a planned upgrade of one of the plant's control systems when power was lost, resulting in the closure of a valve that prevented effluent that was leaving the plant from receiving disinfection. Staff performed a shutdown to stop flow out of the facility, determined the origin of the problem, and resumed disinfection later that day. Ecology investigated the incident and issued an administrative penalty of $10,000 on February 2, 2021, finding fault that additional procedures could have lessened the risk of disinfection loss.

Puget Sound Nutrient Source Reduction Project. The reduction of nutrient discharges from point and non-point sources has been identified as a major policy initiative by Ecology, EPA, and the Puget Sound Partnership's Action Agenda for Puget Sound (a National Estuary Program). A significant number of water bodies nationwide, including some Puget Sound locations, experience low dissolved oxygen that at times fails to meet water quality standards. In early 2017, Ecology launched the Puget Sound Nutrient Source Reduction Project (the "Nutrient Reduction Project") aimed at reducing human sources of nutrient loads, such as wastewater discharged from sewage treatment plants, excessive use of fertilizer, which enters waterways when it rains, poor land management, especially regarding livestock, and on-site septic systems, all of which contribute to decreased dissolved oxygen in Puget Sound. The Nutrient Reduction Project is a multi-year undertaking and will involve collaboration among many stakeholders, including the County, to both understand the impacts of nutrients on Puget Sound and develop strategies to manage the problem.

Ecology, via a contract with Battelle Pacific Northwest National Laboratory (a division of the Department of Energy), completed development of a computer model (the "Salish Sea Model") of Puget Sound. Ecology initiated the Nutrient Forum multi-stakeholder outreach process in late 2017, began releasing information through 2018 on the model, and published an initial "Bounding Scenarios" modeling report in January 2019. The report provides a baseline assessment and problem definition of nutrient loading and dissolved oxygen conditions in Puget Sound. Ecology began performing additional modeling analyses in mid-2019 to assess wastewater and other nutrient sources on a regional watershed basis, as well as an assessment of population growth and climate change effects on Puget Sound water quality. This effort will inform nutrient removal targets and limits which are expected to be addressed in the Nutrient Reduction Project that is scheduled to be completed in 2022. Ecology has indicated that it is considering development of a watershed model (or other tools) to better understand the nonpoint source watershed sources (e.g., stormwater, agriculture, septic systems, and forestry).

In 2018, separate but complementary to Ecology's Nutrient Reduction Project, Ecology and the Puget Sound Partnership (a State agency created to coordinate and lead the effort to restore and protect Puget Sound) initiated the marine water quality Implementation Strategy ("IS") process to develop a broad strategic framework for nutrient reduction strategies. A draft IS document originally scheduled to be completed by late 2019 was delayed due to stakeholders requesting further deliberations on the underlying scientific information with which to develop the IS, and due to the COVID-19 pandemic. However, Ecology and the Puget Sound Partnership intend for the IS to be completed, and the results of the IS process will support Ecology in its development of the Nutrient Reduction Project. The Puget Sound Institute, a research consortium of the University of Washington, is working with Ecology to independently expand the Salish Sea Model's capabilities, reduce scientific and modeling uncertainties, and use the model for discharger-specific analyses that may be required to support development of nutrient source reduction approaches and programs.

Ecology announced in January 2020 that it intended to develop a Puget Sound Nutrient General Permit (the "General Permit") for the nearly 70 wastewater treatment plants that discharge into Puget Sound. In March 2020, Ecology formed an Advisory Committee of volunteer representatives from wastewater utilities, State and federal resource agencies, and environmental organizations to discuss potential issues and approaches to address in the General Permit. Ecology released a preliminary draft of the General Permit for public review in January 2021 and a draft of the General Permit for public comments in June 2021; WTD comments to Ecology are expected on August 2, 2021. These outline requirements over an initial five-year permit cycle for data collection, development of treatment process optimization plans, and implementation of feasible actions to limit nitrogen discharge to a current loading "action level." The draft General Permit also includes a second-tier action level of current loading + 5% that, if exceeded, requires planning for actions that would be necessary to reduce loading to current levels. Finally, the General Permit also requires each discharger to develop planning-level information, either individually or via a collective group effort, of future treatment upgrades that could achieve two significant target nitrogen reduction levels (i.e., 3 milligrams/liter ("mg/L") and 10 mg/L). Ecology has indicated that the General Permit will be finalized in 2021, and following completion of the additional Salish

Sea Model analyses, the next five-year cycle General Permit will be amended to include nutrient reduction requirements (i.e., in approximately 2026).

As an interim measure before the General Permit is developed, Ecology issued several draft individual NPDES permits that were overdue for renewal with nitrogen load caps and planning requirements. The dischargers that received the renewed individual permits have subsequently filed appeals to Ecology challenging the nutrient-related requirements. Additionally, two petitions have been filed in local superior courts challenging whether the available science and approaches Ecology has undertaken support development of the General Permit. The individual permit appeals and the court petitions have not been resolved at this time.

In September 2020, WTD completed a study identifying the most feasible technologies available for reducing nutrient levels at its three regional treatment plants. The study is being used in formulating potential action planning scenarios for the Clean Water Plan. The study also provides updated planning information for understanding the relative sizing of facility improvements and implications for additional capital and operational costs for different levels of nutrient removal technologies. In addition, the study updates assessments conducted for South Plant (in 2010) and West Point (in 2011), which at the time indicated that capital and operating costs over 20 years were approximately $2.9 billion (in 2010 dollars) for the most stringent type of year-round nutrient reduction requirements at both plants. The updated study assessed nitrogen removal at 8 mg/L and 3 mg/L at the three regional treatment plants. These costs are estimated at $1.2 billion and $6.0 billion respectively, in total for the three plants. These costs are in 2020 dollars and do not include capacity improvements or operating costs.

The operating and capital costs associated with any nutrient control requirements will not be known until a final adopted NPDES permit process is completed with feasible and agreeable requirements, and treatment upgrade plans are completed. These costs, which are not included in WTD's six-year CIP shown in Table 16, could be considerable. It is anticipated that if WTD becomes subject to nutrient reduction, time will be allowed to design and construct facilities that would be needed to achieve the nutrient reduction levels specified in any adopted permit.

Superfund Liability. The Comprehensive Environmental Response, Compensation and Liability Act of 1980 created the federal Superfund, the program administered by EPA that addresses abandoned hazardous waste sites. The two basic kinds of liability described under the Superfund law are liability related to historic contamination and liability related to damages to natural resource values.

In 2001, EPA listed the Lower Duwamish Waterway south of downtown Seattle as a Superfund site. EPA issued an administrative order that required the County, Seattle, the Boeing Company, and the Port of Seattle to conduct studies to determine the nature and extent of contamination in the Lower Duwamish Waterway. Further information regarding existing and potential environmental remediation liabilities is contained in Appendix C—King County Water Quality Enterprise Fund 2020 Audited Financial Statements—Notes 8 and 13.

Endangered Species Act. The federal Endangered Species Act ("ESA") includes requirements that the County consult with the National Marine Fisheries Service or the United States Fish and Wildlife Service (together, the "Services") about Sewer System capital projects that receive federal funding or federal permits. Since Chinook salmon from rivers and streams flowing into Puget

Sound were listed as threatened in 1999, the consultation process has changed significantly and become more complicated, time-consuming, and expensive.

Initially, the County sought to obtain long-term programmatic agreements with the Services covering ESA compliance for all Sewer System capital projects. After more than five years spent pursuing these long-term programmatic agreements, the County determined that completing ESA consultations on individual projects was preferable to pursuing long-term programmatic agreements such as a habitat conservation plan or programmatic biological assessment. Since that time other species have also been listed as threatened. The County continues to comply with the ESA through the traditional consultation process on a project-by-project basis.

The orca population in Puget Sound has been on the list of endangered species since 2005. The Southern Resident Killer Whale Task Force (the "Task Force") convened by the Governor issued its final report with recommendations on November 7, 2019, after extensive public review and comment.

With respect to the wastewater utility sector, one of the Task Force's recommendations is currently being implemented by Ecology: developing a framework for NPDES permits for advanced treatment to reduce nutrients in wastewater discharges to Puget Sound. The Task Force also recommended that Ecology expedite development of a prioritized list of chemicals of emerging concern that threaten the health of orcas and their prey. Ecology, in collaboration with the Puget Sound Ecosystem Monitoring Program's Toxics work group, is working with regional partners to conduct a risk-based contaminants of emerging concern prioritization. The report also recommended that Ecology improve pollution permitting to reduce contaminant exposure of orcas and their prey by updating aquatic life water quality standards and developing stronger pre-treatment standards for municipal wastewater discharges under NPDES permits.

At this time, the County cannot predict the impact on its operations of any changes in its NPDES permits that Ecology may initiate based on recommendations made by the Task Force.

Revisions to State Water Quality Standards. Following several years of development, Ecology submitted new water quality standards for human health protection to EPA on August 1, 2016, for approval. On November 15, 2016, EPA partially approved Ecology's proposal, but disapproved most of the standards and published lower (more stringent) standards. The rule sets applicable human health standards for State water bodies to adequately protect residents from exposure to toxic pollutants. The adopted water quality standards include substantial revisions to previous assumptions, including the fish consumption rate used in the criteria derivation process used to calculate the criterion for each regulated contaminant. The majority of both the Ecology- and EPA-adopted criteria were substantially more stringent than the previous version of the State's applicable human health water quality standards.

In a reversal of position, EPA approved Ecology's originally proposed criteria in May 2019 and announced that the EPA-adopted criteria would be rescinded (a process that was completed on March 25, 2020). The State's Attorney General filed suit in June 2019 challenging EPA's reversal in position, claiming that it would create confusion and disrupt the work the State had already completed to implement the standards. Until the lawsuit is resolved, a question remains over which standards will be enforced and applied within the State.

The Sewer System's secondary and CSO treatment facilities must operate in compliance with all standards that apply to those discharges. The NPDES permits for both the Vashon and Brightwater treatment plants were renewed in consideration of the initial and most restrictive criteria adopted in November 2016 and resulted in no changes to the effluent limitations for these facilities. The County will continue to monitor the progress of Ecology's lawsuit, the implementation of the water quality standards, and the potential effects of any proposed changes to effluent limitations of the Sewer System's discharges.

Earthquakes, Climate Change, and Wildfires

The Sewer System is located above or near a number of geological faults capable of generating significant earthquakes. The Puget Sound region is characterized by geotechnical conditions that could result in areas of liquefaction and landslide in an earthquake. In anticipation of such potential disasters, the County designs and constructs Sewer System facilities to the seismic codes in effect at the time the projects are designed. Although the County has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Damage to components of the Sewer System could cause a material increase in costs for repairs and a material adverse impact on Revenue of the System. The County is not obligated under the Ordinance to maintain earthquake insurance on the Sewer System, and the County does not now and does not plan to maintain earthquake insurance sufficient to replace all components of the Sewer System.

Rising sea levels and changing regional rainfall patterns, such as an increase in winter rainstorm frequency or intensity, are potential climate change impacts for the Sewer System. Sea level rise has been incorporated as a factor in the siting and planning of new facilities since 2008 and include the elevation of critical components, installing barriers (tide gates and flaps), and siting new facilities on higher ground for protection from possible future intrusion and corrosion. Studies at that time evaluated the potential for sea level rise to flood existing coastal facilities and found that the risk of flooding at WTD facilities is expected to remain low until at least after 2050. New studies on the risk of sea level rise at WTD facilities are in progress and are expected to be completed before the end of 2021.

WTD and the County's Water and Land Resources Division ("WLRD") contracted with researchers at the University of Washington to develop new projections for precipitation in the region. Results from the May 2018 report show the potential for large increases in future rain intensity, but with results differing substantially among seasons and across climate scenarios. WTD staff has used the results of this research to model the possible impacts of these changes on wastewater conveyance in the combined sewer system. Final results will be available in 2021.

The potential for wildfire to directly impact WTD core facilities is very limited due to the location of those facilities deep within the County's urban area and close to the shoreline. They are mostly surrounded by non-vegetated areas where the wildland-urban fire risk level is considered exceptionally low or non-existent. An indirect risk to WTD facilities is wildfires disrupting power lines and energy supply to WTD's facilities. WTD is in permanent dialogue with Seattle City Light and Puget Sound Energy to minimize potential risks and disruptions.

Strategic Climate Action Plan

The County updated its SCAP, which was adopted by County Council on May 4, 2021. For more information on the SCAP, see "Other Considerations—Climate Change and the County's Strategic Climate Action Plan."

In furtherance of the existing SCAP, the County required WTD to achieve carbon neutrality in its operations, including embodied carbon, by 2025. WTD has estimated that, in 2019, 72% of its total greenhouse gas ("GHG") emissions were being offset through the application of biosolids as a soil amendment on farms and forests (which stores carbon in the soil, promotes plant growth that further removes carbon from the atmosphere, and replaces commercial fertilizer that is fossil-fuel intensive to produce).

The fuel mix of WTD's energy suppliers has a significant impact on the quantity of WTD's GHG emissions. Based on emissions data from its energy suppliers, WTD estimates that, due to the land application of biosolids and carbon offsets purchased from WLRD, WTD has been carbon-neutral for its operations, excluding embodied carbon, since 2016. In 2017, 2018, and 2019, WTD paid WLRD for carbon offsets to address emissions not offset by biosolids and purchased offsets for 22,960, 18,108, and 23,056 metric tons of carbon dioxide equivalent, respectively. Annual costs for the offsets have been less than $300,000.

Since mid-2019, electric energy purchased for the South Plant and other WTD facilities in the service territory of Puget Sound Energy ("PSE") has been 100% renewable. The County entered into a ten-year contract with PSE in 2019 for green energy from a wind facility in western Washington. The cost of these purchases has been included as operating expenses in the "Projected Financial Statements" herein.

WTD evaluates the energy savings and GHG emission reductions from changes in its operations and its capital improvement program and is identifying programs and projects that are needed to achieve carbon neutrality in its operations, including embodied carbon, by 2025. Although the costs of current carbon reduction initiatives are reflected in the CIP, additional costs that may be incurred to achieve carbon neutrality by 2025 cannot be determined at this time.

Cybersecurity

WTD has implemented cybersecurity measures including isolating its distributed control system ("DCS") network from the corporate network and controlling access to the DCS network, using a variety of tools such as anti-virus clients, patch management, internal firewalls, and centrally managed policies and permissions. WTD has not experienced any known breaches. WTD completed a $1.2 million cybersecurity upgrade to the control systems at all three major plants that included the purchase of additional software and hardware designed to further tighten security and identify and resolve potential threats. Run on a dedicated server, this system facilitates safe and secure security patch updates to the system while continually scanning for malware and cyber-intrusion by external parties. The system is highly redundant and configured to immediately alert senior systems engineers via text/email when a threat event is detected to enable rapid response to ameliorate WTD's risk exposure. In addition, WTD is in the procurement process to initiate a cybersecurity assessment project dedicated to its DCS networks and facilitated through an independent consultant. DCS represents a local collection of distributed control systems that have individual capabilities and require some orchestration. The scope of this project includes top-down assessment of the system network and software and hardware configurations, and will culminate in documenting known vulnerabilities and implementing control measures to ameliorate exposure from both internal and external threats. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage WTD systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. See "King County—Risk Management and Insurance" for a discussion of the cyber liability insurance maintained by the County.

KING COUNTY

The County

The County is located in the western part of the State, along the shores of Puget Sound, and includes Seattle, the largest city in the State. It is the largest county in the State in terms of population, number of cities, and employment, and the twelfth most populated county in the United States. See Appendix G—Demographic and Economic Information.

Impact of COVID-19

The effect that the COVID-19 pandemic has had and will continue to have on the County is significant, and the nature of the impact is likely to evolve over the next several years. Although the County does not yet have sufficient information to quantify the full impact of the COVID-19 pandemic on the County's finances, it expects that County tax and other revenues will be materially adversely affected.

Many County funds, including the General Fund, receive most or all of their revenue from property taxes. Although the values of certain properties will likely be adversely affected by COVID-19, the system of property taxation used in the State largely protects the annual amount of property tax revenues received by senior taxing districts like the County from the effect of lowered property tax values.

The County uses a biennial budget on a calendar-year basis. The County Council approved the final budget for 2021-2022 (the "2021-2022 Adopted Budget") in November 2020.

At the beginning of the County Executive's budget development process, a General Fund deficit of approximately $150 million was projected for the 2021-2022 biennium. The 2021-2022 Adopted Budget eliminated this deficit by finding efficiencies in service delivery, eliminating staff positions, using revenue from the rent for the right-of-way recently upheld by the State Supreme Court, reducing growth in employee compensation, utilizing higher than projected 2020 year-end balances, and using reserves. The 2021-2022 Adopted Budget lowers the projected year-end 2022 unreserved General Fund balance from its current 8% (the maximum set by policy) to 6% (the minimum set by policy). The 6% level previously occurred in the years following the Great Recession. The 2021-2022 Adopted Budget appropriated $5.9 million out of the Rainy Day Reserve Fund to bridge some County COVID-19 relief programs between eligibility timelines for federal stimulus packages. If the economic recovery continues, it is likely the County will be able to refill the Rainy Day Reserve Fund during the 2021-2022 biennium.

Upon the President's emergency declaration in response to COVID-19, the County became eligible to access the FEMA Public Assistance program to support certain extraordinary operating costs incurred. The County also received funding under the American Rescue Plan Act and the CARES

Act, including additional FEMA funding, Coronavirus Relief Fund appropriations, additional Community Development Block Grants, transit, airport, and other funding. The County received a direct allocation of $261.6 million in Coronavirus Relief Funds (CARES Act) to pay for necessary expenditures incurred due to the public health emergency that were not included in the County's budget and other more targeted funding, as well as $437.0 million in Coronavirus Local Fiscal Recovery Funds (American Rescue Plan Act). The County's Office of Performance, Strategy and Budget, Office of Emergency Management, and Finance and Business Operations Division have developed a coordinated approach to track County expenses and match them with available funding sources. As of April 15, 2021, the County expects that almost all of its direct costs for COVID-19 response will be covered with federal or State funds.

The forecast information described in this section is a "forward-looking statement," speaking only as of its date. The forecast information represents the County's forecast of future results as of the date of preparation based on information then available to the County as well as estimates, trends, and assumptions that are inherently subject to economic, political, regulatory, and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the County. Actual results may differ materially. In this respect, the words "estimate," "project," "forecast," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. In addition to the typical limitations of any forecast, the forecast information included in this Official Statement also is subject to the additional uncertainties associated with preparing projections regarding the impact of the COVID-19 pandemic during the course of the pandemic and in the context of the evolving public health response.

The prospective financial information contained in the forecast information was not prepared with a view toward compliance with published guidelines of the United States Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information.

General

As a general purpose government, the County provides roads, solid waste disposal, flood control, certain airport facilities, public health and other human services, park and recreation facilities, courts, law enforcement, agricultural services, property tax assessment and collection, fire inspection, planning, zoning, animal control, and criminal detention and rehabilitative services. In addition, with its assumption of the Municipality of Metropolitan Seattle in 1994, the County provides transit ("Metro Transit") and wastewater treatment services ("Wastewater") (collectively, the "metropolitan functions"). Certain of these services are provided on a County-wide basis and certain others only to unincorporated areas or by intergovernmental contract.

Organization of the County

The County is organized under the executive-council form of government and operates under a Home Rule Charter adopted by a vote of the electorate in 1968. The County Executive, the members of the Metropolitan King County Council (the "County Council"), the Prosecuting Attorney, the County Assessor (the "Assessor"), the Director of Elections, and the Sheriff are all elected to four-year terms.

County Executive. The County Executive serves as the chief executive officer of the County. The County Executive presents to the County Council annual statements of the financial and governmental affairs of the County, budgets, and capital improvement plans. The County Executive signs, or causes to be signed on behalf of the County, all deeds, contracts, and other instruments. All County employees report to the County Executive except those appointed by the County Council, Superior and District Courts, Prosecuting Attorney, Assessor, Director of Elections, or Sheriff. As a result of a Charter amendment approved by voters in November 2020, the Sheriff will become an appointed official on January 1, 2022, and Sheriff's Office employees will report to the County Executive.

County Council. The County Council is the policy-making legislative body of the County. The nine Councilmembers are elected by district to four-year staggered terms and serve on a full-time basis. The County Council sets tax levies, makes appropriations, and adopts and approves the operating and capital budgets for the County, including WTD's budget.

Superior and District Courts. The State Constitution provides for county superior courts as the courts of general jurisdiction. The County currently has 53 superior court judges who are elected to four-year terms and 21 district court judges who are elected to four-year terms. Due to caseload growth, an additional superior court judge position is included in the 2021-2022 Adopted Budget.

County's Budget Process

Revenue forecasts are developed by the County's independent Office of Economic and Financial Analysis and submitted to the King County Forecast Council for approval. The Forecast Council consists of the County Executive, two Councilmembers, and the Director of the Office of Performance, Strategy and Budget ("PSB").

The PSB, under the direction of the County Executive, is responsible for (i) preparation and management of the operating and capital budgets, (ii) expenditure and revenue policy, and (iii) planning and growth management. The County has adopted biennial budgets for all agencies.

These budgets must be presented to the County Council on or before September 27 of each year. The County Council holds public hearings and may increase or decrease proposed appropriations. Any changes in the budget must be within the revenues and reserves estimated as available, or the revenue estimates must be changed by an affirmative vote of at least six Councilmembers. The County Executive has general and line-item veto power over appropriation ordinances approved by the County Council. Each appropriation ordinance establishes a budgeted level of authorized expenditures that may not be exceeded without County Council approval of supplemental appropriation ordinances. The County Executive, within the restrictions of any provisos of the appropriation ordinances, may establish and amend line-item budgets as long as the total budget for each appropriation unit does not exceed the budgeted level of authorized expenditures. By an affirmative vote of at least six Councilmembers, the County Council may override any general or line-item veto by the County Executive.

Finance and Business Operations Division

The Finance and Business Operations Division includes four sections. The Treasury Operations Section manages the receipt and investment of assigned revenues due to the County or to other agencies for which the section performs the duties of treasurer and is responsible for the issuance and administration of the County's debt programs. The Financial Management Section is responsible for the accounting and disbursing of assigned public funds. The other sections are responsible for managing the County's procurement and contracting practices.

Auditing

Legal compliance and fiscal audits of all County agencies are conducted by examiners from the State Auditor's office. The County is audited annually. The most recent State Auditor's Report is for the year ended December 31, 2019, and is incorporated into the County's Comprehensive Annual Financial Report ("Annual Report") for 2019.

The County's 2019 Annual Report in its entirety may be accessed on the internet at the following link:

https://www.kingcounty.gov/depts/finance-business-operations/financial-management

See Appendix D—Excerpts from King County's 2019 Comprehensive Annual Financial Report.

County Fund Accounting

The County uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the County are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Most of the basic services provided by the County are paid from its governmental funds. The County's governmental funds include a General Fund and individual Special Revenue, Debt Service, and capital project funds. The proprietary funds are generally used to account for services for which the County charges customers a fee, while the fiduciary funds are used to account for resources held for the benefit of parties other than the County.

Major Governmental Fund Revenue Sources

The County's two major revenue sources for general County purposes are taxes and intergovernmental revenues. The General, Special Revenue, and Debt Service Funds received approximately 93% of taxes and 96% of intergovernmental revenues in 2019. Taxes and intergovernmental revenues provided approximately 49% of the total revenue in the governmental funds of the County in 2019. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

Taxes. Table 18 lists various taxes collected and deposited in the governmental funds of the County, excluding the Flood Control Zone District Fund and the Ferry District Fund. As noted in this Official Statement, the historical financial information for periods occurring prior to the COVID-19 pandemic speak only as of their dates and for the periods shown, and may not be indicative of future results or performance due to a variety of factors. A description of each type of tax follows the table.

TABLE 18
TAXES COLLECTED
AS OF DECEMBER 31 ($000)

Source	2016	2017	2018	2019	2020[5]
Real and Personal Property Tax[1]	$ 752,462	$ 778,591	$ 840,323	$ 865,830	$ 942,669
Retail Sales and Use Tax[2]	191,716	200,434	217,625	230,779	222,264
Penalty and Interest on Property Taxes	17,563	19,849	20,857	21,293	20,380
Hotel/Motel Tax[3]	3,287	-	-	-	-
Real Estate Excise tax	14,863	15,887	15,994	15,536	17,920
E-911 Excise Tax	21,430	22,270	22,264	22,468	23,357
Other Taxes[4]	20,559	20,903	10,206	10,192	7,065
Total	$ 1,021,880	$ 1,057,934	$ 1,127,269	$ 1,166,098	$ 1,233,655

(1) Excludes revenue generated by real and personal property taxes to support public transit.
(2) Excludes revenue generated by the 0.9% levy to support public transit.
(3) See "—Hotel/Motel Tax" below.
(4) Excludes revenue reported as taxes prior to 2018, now reported as charges for services.
(5) Unaudited.

Source: King County Finance and Business Operations Division—Financial Management Section

REAL AND PERSONAL PROPERTY TAX. The method of determining the assessed value of real and personal property, the County's taxing authority, tax collection procedures, tax collection information, and the allocation of such taxes are described in "Property Tax Information" herein.

RETAIL SALES AND USE TAX. The State first levied a retail sales tax and a corresponding use tax on taxable uses of certain services and personal property in 1935. Counties, cities, and certain other municipal corporations in the State are also authorized to levy various sales and use taxes. Neither the State nor local governments in the State collect an income tax.

Varying slightly due to local city levies, a sales and use tax is currently charged at a rate of between 10.0% and 10.2% on all gross retail sales in the County within the boundaries of the Central Puget Sound Regional Transit Authority ("Sound Transit") and at rates of between 8.6% and 8.9% outside such boundaries. The bulk of the revenue from the sales and use tax goes to the State (a levy rate of 6.5%) and to Sound Transit (a levy rate of 1.4%). Of the remainder, 0.9% is allocated to the County to support public transit, 0.15% is allocated to the County in incorporated areas or 1.0% to the County in unincorporated areas to support general government operations, 0.1% is allocated to cities and to the County for criminal justice programs, and 0.1% is allocated to the County for the purpose of providing new or expanded chemical dependency or mental health treatment services and for the operation of new or expanded therapeutic court programs.

In the 2019 Regular Session, the State Legislature approved and the Governor signed Substitute House Bill 1406 (codified at RCW 82.14.540) ("SHB 1406"), authorizing cities and counties in the State to impose a local sales and use tax for the acquisition, construction, or rehabilitation of affordable housing or facilities providing supportive housing, for the operations and maintenance costs of affordable or supportive housing, and for certain cities and counties, providing rental assistance to tenants. The tax may be imposed for a period not to exceed 20 years and is credited against sales and use taxes collected by the State within the city or county imposing the tax. The sales and use tax available to participating cities under SHB 1406 may be imposed at a rate of 0.0073% or, if a participating city has enacted one or more of certain voter-approved taxes designated in SHB 1406 as qualifying local taxes, at a rate of 0.0146%. In unincorporated areas of a county or within the corporate limits of a nonparticipating city, a county may impose the tax at a rate of 0.0146%. Within the corporate limits of any participating city without a qualifying local tax, a county may impose the tax at a rate of 0.0073%. In 2019, the County adopted Ordinance No. 18973 (codified at K.C.C. 4A.501), imposing the sales and use tax beginning July 29, 2020, within the unincorporated area of the County and within the limits of any nonparticipating city located in the County at the rate of 0.0146%, and within the limits of any participating city that is not levying a qualifying local tax, at the rate of 0.0073%.

The sales tax currently is applied to a broad base of tangible personal property and selected services purchased by consumers, including construction (labor and materials), machinery and supplies used by businesses, services and repair of real and personal property, and many other transactions not taxed in other states. The use tax supplements the sales tax by taxing the use of certain services and the use of certain personal property on which a sales tax has not been paid (such as items purchased in a state that imposes no sales tax). The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion, and this may occur again in the future. See "Initiatives and Referenda." Among the various items not currently subject to the sales and use tax are most personal services, most food for off-premises consumption, trade-ins, and purchases for resale. Most lodging is not subject to the sales tax because the State Legislature has limited the total sales taxes that may be imposed on lodging. See "Hotel/Motel Tax" below.

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

The State Legislature enacted certain provisions to mitigate net losses in sales and use tax collections of local taxing jurisdictions resulting from the change to a destination-based system during 2007. In 2017, the State Legislature enacted Engrossed House Bill 2163, Chapter 28, Laws of 2017, 3rd special session ("EHB 2163"). Pursuant to EHB 2163, the State ceased mitigation payments to local governments on September 30, 2019; however, EHB 2163 is expected to increase revenues from local sales and use taxes remitted by customers within the State and by sellers and "marketplace facilitators" located outside the State, including from certain online purchases. In *South Dakota v. Wayfair* (No. 17-494, June 21, 2018), the U.S. Supreme Court held for the first time that states have the authority to collect sales taxes directly from out-of-state sellers having no physical presence in the taxing state. Mitigation payments were halted before September 30, 2019, if a jurisdiction's voluntary compliance and marketplace/remote seller revenue exceeds the losses due to destination-based taxation. The County stopped receiving all mitigation payments at the end of 2017.

The 2021-2022 Adopted Budget includes an additional 0.1% sales tax levy, as allowed by RCW 82.14.530 and approved by the County Council on October 13, 2020. This revenue will be used to avoid cuts to behavioral health programs in 2022 and potentially reduce some of the cuts to the Mental Illness and Drug Dependency ("MIDD") Behavioral Health Sales Tax Fund. In addition, the funds can be used for affordable housing, as noted above; the County is developing a plan to use funds for permanent supportive housing, in which housing is paired with services so individuals can rebuild their lives.

PENALTY AND INTEREST ON PROPERTY TAXES. Interest of 12% per annum is charged on all delinquent real and personal property taxes until the taxes are paid. There is an 11% penalty in addition to the 12% interest rate on delinquent taxes: 3% is assessed on the amount of tax delinquent on June 1 of the year in which the tax is due and 8% is assessed on the total amount of delinquent tax on December 1 of the year in which the tax is due. The amount of penalty and interest collected is credited to the County's General Fund.

HOTEL/MOTEL TAX. Under the authority of State legislation, the County levies a 2% excise tax on all transient lodging within the County. Effective January 1, 2013, the County no longer levies this tax on transient lodging within the City of Bellevue. The tax is collected by the State through its sales tax program and distributed to the County. The revenue has been used for the payment of certain of the County's general obligation bonds, excluding the Bonds.

Beginning January 1, 2021, all such taxes are distributed to the County and used to pay or reimburse payments for arts, culture, and heritage programs, affordable workforce housing within one-half mile of a transit station, services for homeless youth, projects to promote sustainable workplace opportunities near a community impacted by the construction or operation of tourism-related facilities, and tourism promotion.

REAL ESTATE EXCISE TAX. The County imposes a real estate excise tax of 0.5% on property sales in unincorporated areas. The funds are used for capital projects benefiting unincorporated area residents and parks in unincorporated areas of the County. The County's tax is in addition to the current State real estate excise tax. A portion of the revenue is used for the payment of certain of the County's general obligation bonds, excluding the Bonds.

E-911 EXCISE TAX. The County has levied a tax on all telephone access lines since 1984, to provide enhanced emergency telephone service throughout the entire County.

OTHER TAXES. Other taxes include an automobile rental sales and use tax, business taxes, a leasehold excise tax, a timber harvest tax, and gambling taxes.

Intergovernmental Revenue. Table 19 lists various intergovernmental revenues. A description of each type of intergovernmental revenue follows the table.

TABLE 19
VARIOUS INTERGOVERNMENTAL REVENUES
AS OF DECEMBER 31 ($000)

Source	**2016**	**2017**	**2018**	**2019**	**2020**[(3)]
Grants[(1)]	$ 146,873	$ 149,166	$ 145,791	$ 145,700	$ 227,936
Revenue Sharing	13,801	14,200	14,566	15,040	14,248
Gas Tax	13,542	13,422	13,228	12,857	10,996
Liquor Tax and Profits	1,466	1,459	1,478	1,510	1,606
Intergovernmental Payments[(2)]	182,883	83,506	22,050	16,128	21,250
Other Intergovernmental Revenues	10,270	12,125	19,241	16,256	17,735
Total	$ 368,835	$ 273,878	$ 216,354	$ 207,491	$ 293,771

(1) The large increase in 2020 is due to the receipt of State and federal relief funds related to COVID-19 assistance.

(2) Due to a change in State reporting requirements, specific amounts previously reported as intergovernmental payments are reported as charges for services.

(3) Unaudited.

Source: King County Finance and Business Operations Division—Financial Management Section

GRANTS. In 2019, operating, health, public employment, and capital improvement grants from the federal government, either directly or indirectly through the State or local governmental agencies, contributed an estimated $99.3 million in federal grant revenue to the County. This comprised 68.3% of total 2019 grant revenue received by the County. The remaining 31.7% of estimated grant revenue was from the State.

Table 20 lists by source and function the various grants received by the County for the years ended December 31, 2019 and 2020.

TABLE 20
2019 AND 2020 GRANT REVENUE
BY SOURCE AND FUNCTION
(YEARS ENDED DECEMBER 31)

	2019		2020(1)	
	Actual	Item as a Percent of Total Actual	Actual	Item as a Percent of Total Actual
Federal				
General Government Services	$ 148	0.1%	$ 164	0.1%
Law, Safety and Justice	11,421	7.8%	19,255	8.4%
Physical Environment	3,168	2.2%	2,374	1.0%
Transportation	3,022	2.1%	2,234	1.0%
Economic Environment	30,665	21.0%	87,012	38.2%
Mental and Physical Health	50,865	34.9%	58,934	25.9%
Culture and Recreation	-	0.0%	6	0.0%
Total Federal	$ 99,289	68.1%	$ 169,979	74.6%
State:				
General Government Services	$ 171	0.1%	$ 1,016	0.4%
Law, Safety and Justice	7,768	5.3%	9,457	4.1%
Physical Environment	3,853	2.6%	1,731	0.8%
Transportation	361	0.2%	868	0.4%
Economic Environment	16,062	11.0%	23,206	10.2%
Mental and Physical Health	16,296	11.2%	21,003	9.2%
Culture and Recreation	1,900	1.3%	676	0.3%
Total State	$ 46,411	31.9%	$ 57,957	25.4%
Total Grants	$ 145,700	100.0%	$ 227,936	100.0%

(1) Unaudited.

Source: King County Finance and Business Operations Division—Financial Management Section

REVENUE SHARING. In 1999, passage of Initiative 695 and the subsequent repeal of the Motor Vehicle Excise Tax by the State Legislature in 2000 eliminated a dedicated funding source for public health. As backfill, the State Legislature began allocating State General Fund revenues to local health jurisdictions in support of their responsibilities under the Health Reform Act of 1993. In 2019, this legislative allocation generated $12.7 million in revenues for public health purposes in the County.

GAS TAX. Counties are entitled to 19.2287% of the 49.4 cents (RCW 82.38.030) of the State motor vehicle fuel tax collected by the State, less amounts for State supervision and studies and amounts withheld for the County Road Administration Board (RCW 46.68.090(2)(h)). The motor vehicle fuel tax is allocated to counties by the County Road Administration Board according to a formula based on population, needs, and financial resources. The County received 8.0757% of the tax distributed to counties in 2019.

In addition, the County Road Administration Board program allocates funds to the County for the construction of arterial streets in urban areas. The State's County Arterial Preservation Program receives 1.9565% of the 49.4 cents of the State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The County received 3.6280% of these funds in 2019, based on the County's share of State-wide arterial preservation funds.

LIQUOR TAX AND PROFITS. Liquor distribution and sales within the State have been privatized since June 1, 2012, following voter approval of Initiative 1183. Accordingly, the State receives revenue from both excise taxes on liquor and license fees on distributors and retailers. Local governments receive a share as intergovernmental revenues in separate distributions reflecting each of these sources.

Thirty-five percent of State liquor excise tax revenues are deposited in the liquor excise tax account for distribution to cities and counties. From this amount, $2.5 million per quarter is remitted to the State general fund, with the remainder distributed 80% to cities and 20% to counties.

Distributions of liquor board profits come from the license fees on distributors and retailers. Initiative 1183 required that these distributions remain at least as large as liquor board profit distributions prior to privatization and that, beginning in 2012, an additional $10 million annually be distributed on a quarterly basis to cities, counties, and border areas. After revenues are distributed to border areas (0.3% of the total), 80% of the remainder goes to cities and 20% to counties.

INTERGOVERNMENTAL PAYMENTS. These are payments made to one unit of government for performing a service that is a statutory responsibility of another unit of government. In 2019, these payments included amounts related to the County's provision of public health, law enforcement, housing opportunity, and roads.

OTHER INTERGOVERNMENTAL REVENUE. Other sources of intergovernmental revenue currently include distributions from the State for criminal justice purposes and criminal justice costs related to aggravated murder costs, foundational public health services, vessel registration fees, and other miscellaneous items.

Operating Deficits

If a County fund experiences an operating deficit, that fund is able to borrow from the County's portion of the King County Investment Pool (the "Investment Pool"). All such borrowings must comply with the procedures established by the Executive Finance Committee. Interest accrues on borrowed amounts at the interest rate earned by the Investment Pool during the term of such borrowing. County policies with respect to such borrowings do not require that funds be repaid prior to the end of the County's fiscal year. At no time in the past five years was there an operating deficit in the General Fund. County funds held in the Investment Pool also provide liquidity for the payment of maturing commercial paper notes issued on behalf of the County's Sewer System (authorized to be issued from time to time up to a maximum principal amount of $250 million) that are not paid from the proceeds of refunding notes or other sources, pursuant to an interfund loan facility approved by the Executive Finance Committee.

Financial Results

The following tables provide a comparative balance sheet and comparative statement of revenues, expenditures, and changes in fund balance for the County's General Fund and a comparative statement of revenues, expenditures, and changes in fund balance for the governmental funds (General, Special Revenue, and Debt Service) (notes for that statement are on the succeeding page). As noted in this Official Statement, the historical financial results for periods occurring prior to the COVID-19 pandemic speak only as of their dates and for the periods shown, and may not be indicative of future results or performance due to a variety of factors.

TABLE 21
GENERAL FUND
COMPARATIVE BALANCE SHEET
(YEARS ENDED DECEMBER 31) ($000)

	2016	2017	2018	2019	2020[(1)]
ASSETS					
Cash and cash equivalents	$ 80,231	$ 85,179	$ 109,419	$ 142,666	$ 173,293
Taxes receivable - delinquent	7,879	8,086	8,465	8,760	11,515
Accounts receivable net	13,122	17,237	15,390	8,998	14,759
Interest receivable	11,497	14,323	16,594	19,857	20,517
Due from other funds	1,896	1,489	3,836	278	53
Due from other governments, net	57,459	64,207	60,265	82,987	63,829
Prepayments	-	-	-	6	44
Advances to other funds	-	-	-	3,000	7,150
Notes receivable	-	-	-	-	911
TOTAL ASSETS	$ 172,084	$190,521	$ 213,969	$ 266,552	$ 292,071
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	$ 8,331	$ 4,561	$ 6,485	$ 5,588	$ 29,252
Due to other funds	4,339	4,944	4,266	12,180	2,570
Due to other governments	2,200	2,025	542	1,312	500
Wages payable	18,133	19,720	24,852	31,882	35,883
Taxes payable	180	147	122	125	94
Unearned revenues	-	-	-	3	3,396
Deposits	78	1,589	939	7,340	2,306
Advances from other funds	-	-	-	11,500	-
Total liabilities	$ 33,183	$ 32,986	$ 37,206	$ 69,930	$ 74,001
Deferred inflows of resources					
Unavailable revenue	$ 13,344	$ 12,765	$ 12,682	$ 12,801	$ 17,280
Fund balance					
Nonspendable	$ -	$ -	$ -	$ 6	$ 44
Restricted	1,659	2,016	1,348	1,807	1,559
Committed	20,497	25,161	26,310	27,038	28,942
Assigned	35,128	19,181	28,578	13,435	37,147
Unassigned	68,195	98,412	107,845	141,535	133,098
Total fund balance	$ 125,479	$144,770	$ 164,081	$ 183,821	$ 200,790
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 172,006	$190,521	$ 213,969	$ 266,552	$ 292,071

Totals may not foot due to rounding.

(1) Unaudited.

Source: King County Finance and Business Operations Division—Financial Management Section

TABLE 22
GENERAL FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(YEARS ENDED DECEMBER 31) ($000)

	2016	2017	2018	2019	2020[3]
REVENUES					
Taxes:					
Property taxes[1]	$ 352,009	$ 344,847	$ 357,771	$ 366,911	$ 377,248
Retail sales and use taxes	128,582	134,140	144,422	153,118	146,286
Business and other taxes	4,264	4,295	4,034	4,128	3,319
Licenses and permits	5,712	7,783	8,075	7,582	5,017
Intergovernmental revenues	21,422	21,304	28,218	27,350	130,245 (4)
Charges for services	255,363	257,517	260,059	287,376	273,960
Fines and forfeits[1]	8,191	25,754	26,888	26,774	22,968
Interest earnings	3,881	8,114	15,562	23,640	14,094
Miscellaneous revenues	10,743	18,191	18,002	19,113	18,410
TOTAL REVENUES	$ 790,167	$ 821,945	$ 863,031	$ 915,992	$ 991,547
EXPENDITURES					
Current:					
General government	$ 208,575	$ 218,379	$ 142,418	$ 156,562	$ 176,763
Law, safety and justice	467,661	471,092	581,513	620,476	677,151
Economic environment	406	503	435	73	9,369
Health and human services	31,638	38,560	43,091	49,199	49,232
Debt service:					
Interest and other debt service costs	203	75	5	58	107
Capital outlay	1,861	1,138	2,635	2,032	2,907
TOTAL EXPENDITURES	$ 710,344	$ 729,747	$ 770,097	$ 828,400	$ 915,529
Excess of revenues over expenditures	$ 79,823	$ 92,198	$ 92,934	$ 87,592	$ 76,018
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 11,119	$ 13,255	$ 11,797	$ 18,481	$ 20,785
Transfers out	(68,094)	(84,358)	(85,421)	(87,277)	(79,978)
Sale of capital assets	2	168	1	944	144
TOTAL OTHER FINANCING SOURCES (USES)	$ (56,973)	$ (70,935)	$ (73,623)	$ (67,852)	$ (59,049)
Net change in fund balances	$ 22,850	$ 21,263	$ 19,311	$ 19,740	$ 16,969
Fund balances - beginning	102,629	125,479	144,770	164,081	183,821
Prior period adjustment	-	(1,972)	-	-	-
Fund balances (deficit) - ending[2]	125,479	144,770	164,081	183,821	200,790

Notes to Table 22 are on the following page.

NOTES TO TABLE:

Totals may not foot due to rounding.

(1) Beginning in 2017, amounts previously reported as penalties and interest on delinquent taxes are reported as fines and forfeits due to a change in State reporting requirements.

(2) Includes the Rainy Day Reserve Fund.

(3) Preliminary, unaudited.

(4) Increase due to receipt of federal grants related to COVID-19 pandemic.

Source: King County Finance and Business Operations Division—Financial Management Section

TABLE 23
GENERAL GOVERNMENT FUNDS
COMBINED COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE [1]
(YEARS ENDED DECEMBER 31) ($000)

	2016[2]	2017[2]	2018[2]	2019[2]	2020[3]
REVENUES					
Taxes	$ 1,016,654	$ 1,031,306	$ 1,111,237	$ 1,141,563	$ 1,206,479
Licenses and permits	23,525	28,002	29,254	28,999	25,379
Intergovernmental revenues	211,481	224,316	207,307	200,903	487,178
Charges for services	774,817	757,105	781,445	791,258	815,738
Fines and forfeits	8,989	26,368	27,662	27,793	23,213
Interest earnings	7,596	12,545	25,828	47,212	32,341
Miscellaneous revenues	67,321	45,668	45,043	52,034	52,302
TOTAL REVENUES	$ 2,110,383	$ 2,125,310	$ 2,227,776	$ 2,289,762	$ 2,642,630
EXPENDITURES					
General government	$ 262,528	$ 248,639	$ 173,021	$ 188,620	$ 238,881
Law, safety and justice[4]	592,710	604,713	719,701	758,684	833,394
Physical environment	55,042	24,470	21,278	24,920	23,072
Transportation	68,749	73,062	69,455	82,077	81,900
Economic environment	116,746	179,724	198,999	194,192	256,788
Health and human services[5]	677,657	646,839	715,975	762,885	943,660
Culture and recreation	79,950	54,601	58,895	65,320	63,183
Debt service:					
Principal	57,641	63,702	64,093	67,990	68,672
Interest and other debt service costs	35,590	33,363	33,231	30,742	29,165
Capital outlay	20,577	37,647	32,300	18,740	38,454
TOTAL EXPENDITURES	$ 1,967,190	$ 1,966,760	$ 2,086,948	$ 2,194,170	$ 2,577,169
Excess (deficiency) of revenues over (under)	$ 143,193	$ 158,550	$ 140,828	$ 95,592	$ 65,461
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 188,895	$ 225,949	$ 206,772	$ 276,047	$ 259,163
Transfers out	(270,268)	(298,651)	(295,399)	(350,875)	(347,031)
General government debt issued	25,025	6,050	5,845	-	-
Premium on general government bonds issued	3,764	880	863	-	-
Refunding bonds issued	-	-	-	55,877	54,065
Premium on refunding bonds issued	-	-	-	8,248	-
Insurance recoveries	-	-	-	-	-
Sale of capital assets	3,371	2,912	5,226	982	1,167
Payment to refunded bonds escrow agent	(8,417)	-	(2,329)	(63,652)	(54,520)
TOTAL OTHER FINANCING SOURCES (USES)	$ (57,630)	$ (62,860)	$ (79,022)	$ (73,373)	$ (87,156)
Net change in fund balances	$ 85,563	$ 95,690	$ 61,806	$ 22,219	$ (21,695)
FUND BALANCE - JANUARY 1 - RESTATED	$ 520,972	$ 606,535	$ 702,645	$ 763,694	$ 785,909
Prior period adjustments	-	420	(757)	(4)	110
FUND BALANCE - DECEMBER 31	$ 606,535	$ 702,645	$ 763,694	$ 785,909	$ 764,324

Notes to Table 23 are on the following page.

NOTES TO TABLE:

Totals may not foot due to rounding.

(1) Major governmental funds, nonmajor special revenue funds, and nonmajor debt service funds.

(2) Unaudited.

(3) Preliminary, unaudited.

(4) Law, safety, and justice was reported as public safety in 2016.

(5) Health and human services was reported as mental and physical health in 2016.

Source: King County Finance and Business Operations Division—Financial Management Section

Management Discussion of Financial Results

COVID-19. On March 1, 2020, the County Executive issued a Proclamation of Emergency in response to increased number of confirmed COVID-19 cases in the County. The County is working closely with federal, State, and other local health officials to actively respond to the pandemic. The County has received and will continue to apply for federal and State support for expenses related to responding to the pandemic. While the full impact on the County and General Fund resources is currently uncertain, certain anticipated effects of COVID-19 were incorporated into the March 2021 Economic and Revenue Forecast, and the evolving situation will continue to be monitored and incorporated into future forecasts.

Revenues and Economic Conditions. As of March 2021, the unemployment rate was 5.4% in the County. The region's performance was driven by the strength of major industry sectors, including information, business, and professional services as well as construction. See "—2021 Preliminary Results."

Tax Limitation Legislation. Future property tax revenue growth will remain low due to State law limiting annual property tax revenue growth without voter approval to the lesser of inflation or 1%, plus certain adjustments, including an adjustment to reflect new construction. See "Property Tax Information" below.

Annexations and Incorporations. Cities that aid the efforts of certain counties, including the County, to move all urban unincorporated residents into cities by annexing areas with more than 10,000 residents are eligible for a sales tax credit (which would otherwise be payable to the State). This credit, which is equivalent to a sales tax rate of 0.1%, is applied in both the newly annexed area and within the prior city boundaries. Annexations of more than 20,000 residents are eligible for a credit of 0.2%. The credit is available for a period of ten years, although the date by which annexation proceedings must have commenced was January 1, 2015. Only the possible annexation of the North Highline area, comprised of approximately 19,000 residents, to Seattle meets this requirement. Other provisions in the law give incentives to cities to annex additional areas, even if they are already receiving a sales tax credit for a previous annexation.

The County routinely reviews fiscal impact studies of potential incorporations, negotiates cost-reimbursable contracts for new cities desiring to contract with the County for services, and makes budget adjustments consistent with the anticipated savings in expenditures and loss of tax and service revenues.

No significant annexations or incorporations are currently expected before 2023, at the earliest.

Fund Balances. The financial policies of the County require that appropriate levels of reserves and undesignated balances be established based on the specific characteristics and purposes of each fund.

The County's fiscal policies provide that the undesignated balance for the General Fund be maintained between 6% and 8% of estimated annual revenues. This fund balance has been maintained above 6% each year without exception over the last two decades. At the end of 2016, this amount increased to 8%, which is the high end of the policy. The 2019-2020 Budget maintains this level, but the County Executive proposed and the County Council agreed to lower this amount to 6% as part of the 2021-2022 Adopted Budget in response to the economic downturn caused by the COVID-19 pandemic.

The County also continues to maintain a separate balance in the Rainy Day Reserve Fund as a sub-fund of the General Fund. Use of this fund requires a declaration of emergency by the County Council. Prior to the American Rescue Plan Act being adopted in early 2021, $5.9 million was used to bridge the cost of certain COVID-19 response programs. It is likely that these funds can be reimbursed with federal monies later in the 2021-2022 biennium. The County has received funds through the American Rescue Plan Act and is currently working on programming these funds. See "—Impact of COVID-19."

Enterprise Funds. The County has four enterprises that fund operations from sources other than the General Fund: the Metro Transit, Water Quality, Solid Waste, and Airport enterprises. Each enterprise functions under different fiscal policies designed to make it self-sustaining with minimal risk that General Fund subsidies will be necessary during financial hardship.

2020 Preliminary Results

The financial results of the General Fund included a great deal of uncertainty during 2020 due to the effects of the COVID-19 pandemic. In the end, 2020 financial performance ended up more positive than mid-year forecasts, due to unexpectedly quick recovery of sales tax revenues and federal stimulus package revenues that were not contemplated in the adopted budget.

The General Fund ended 2020 with an estimated fund balance of $169.3 million, which was an increase of about $12 million over the 2019 ending fund balance. About $52 million of this fund balance is reserved for COVID-19 response spending backed by federal stimulus revenues. Combined with the Rainy Day Reserve Fund's balance of $26.5 million, the total General Fund balance at fiscal year-end was $195.8 million. Even though a higher than usual portion of the fund balance is reserved for specific purposes, including COVID-19 relief expenditures, the County was able to meet its 8% undesignated fund balance target at the end of the 2019-2020 biennium as it did in 2017-2018.

2021-2022 Adopted Budget

The 2021-2022 Adopted Budget totals $12.6 billion, including $1.9 billion for the General Fund. Many County programs have been affected by the COVID-19 pandemic and the resulting economic recession. The 2021-2022 Adopted Budget focuses on balancing the budget while maintaining services for residents, continuing progress on critical priorities such as the environment, and advancing the County's anti-racism agenda.

The County Executive followed eight principles in developing the 2021-2022 Adopted Budget: (i) advance the County's anti-racism agenda; (ii) continue criminal legal system reform; (iii) expand opportunities for community engagement and co-creation; (iv) utilize multi-biennial planning to allow investments in new initiatives and divestment from existing systems; (v) continue progress on critical priorities, especially environmental initiatives; (vi) make prudent use of reserves; (vii) continue effective human resources management to reduce the effect of job reductions; and (viii) propose use of reserves to buy time for federal action.

The 2021-2022 Adopted Budget continues to support and promote strong financial practices in several ways:

(i) The general obligation bond rating continues to be supported. The County has the highest possible ratings for its voter-approved and non-voted general obligation bonds, and often uses its general obligation bond rating to support debt issued by other County agencies, including Wastewater, Solid Waste, and Metro Transit. These agencies pay a credit enhancement fee to the County's General Fund to reflect part of the savings they realize. Half of the credit enhancement fee will be used to continue to increase the General Fund balance in future years. The 2021-2022 Adopted Budget draws down the General Fund unreserved fund balance from 8% to 6%, as was done in the Great Recession. In addition, the 2021-2022 Adopted Budget retains a projected Rainy Day Reserve Fund balance of $20.8 million.

(ii) Metro Transit's financial policies, approved by the County Council in 2016, are maintained. These focus on defining clearer purposes for various reserves, setting target funding levels for each reserve, establishing rules about drawing on and refilling reserves, and defining an updated method for financing bus purchases that involves building fund balances and occasionally using short-term debt in peak purchasing periods. The 2021-2022 Adopted Budget fully funds all the reserves outlined in these policies.

(iii) Routine quarterly financial monitoring of significant County funds is continued. Starting in mid-2015, the PSB began regular quarterly reviews of all major County funds, including the development of a standard financial plan and the use of consistent accounting practices across all funds, which replaced a variety of different approaches used previously for various funds. This standardized reporting and review allowed excess balances in some funds to be identified during the 2021-2022 budget process that were used to reduce cost growth or expand services.

Significant reductions were required in many areas of the 2021-2022 Adopted Budget, including services supported by the County's General Fund. Very large budget reductions were made by finding efficiencies in service delivery, requiring internal service agencies to reduce their costs and charges, eliminating positions, and reducing or eliminating services. Labor cost growth assumptions were reduced to assume no wage increase for 2021 and a 2% increase for 2022. The County will also utilize new revenue to balance the General Fund, including revenue from charging utilities rent for the use the right-of-way on County-owned land. In addition, the County will close an office building in downtown Seattle, resulting in savings of about $5 million in operating costs in the 2021-2022 biennium and $40 million in deferred maintenance costs.

The 2021-2022 Adopted Budget prioritizes $41.6 million in new investments to implement the County's anti-racism agenda and improve community engagement, despite the economic difficulties facing the County. Most of these investments, which are funded from the General Fund, are grouped into five categories:

(i) The first group of investments includes $10.8 million for programs to reduce the racial inequities in the criminal legal system. These include diverting lower-risk juvenile and adult cases from the legal system to community-based alternatives (including restitution for victims), working with the Sheriff's Office and communities to design programs that would supplement Sheriff's deputies in responses in urban unincorporated areas, and building and operating a unit in the King County Correctional Facility that would divert people from jail into a location that provides behavioral health and reentry services.

(ii) The second group includes investments in community programs, mostly funded by redirecting the entire $4.6 million of marijuana tax revenue received by the County away from law enforcement and into community programs. This includes programs to help individuals vacate drug convictions and relieve legal financial obligations and investments in community programs to offset the adverse effects of cannabis dispensaries. These community investments will be co-created with a new advisory board working within unincorporated King County. This category also includes $600,000 to continue the regional gun violence response program started in 2020.

(iii) The third group includes capital investments to be supported by a future $20 million bond issue. Of this total, $10 million is set aside to begin planning and development of a community center in the urban unincorporated area. The other $10 million is allocated to capital projects to be selected by communities in the unincorporated area.

(iv) The fourth group is focused on community engagement. This includes $5.1 million in funding to support development by community-based organizations, including training in grant writing, support for information technology, and similar activities. Expanded translation of important materials on the kingcounty.gov website is also included.

(v) The final category includes $1.0 million in support for Black, Indigenous, and people of color employees of the County.

In 2020 and 2021, the County has been providing a wide array of COVID-related services, relying mostly on federal and State funds. Many new programs and facilities were developed, including (i) expanded testing and contact tracing; (ii) a comprehensive public education campaign with particular emphasis on immigrant and Limited English Proficiency populations; (iii) establishment of a call center; (iv) facilities for individuals to isolate and quarantine if they could not do so at home; (v) lease of hotels and/or hotel vouchers so homeless individuals previously housed in large shelters could have individual rooms; and (vi) reduction in the jail population and ensuring social distancing to help protect the health of inmates and staff. The County expects to continue to incur costs associated with COVID-19 impacts on County operations, including costs associated with providing in-person and other services that were delayed during the pandemic. See "—Impact of COVID-19."

Metro Transit is the County's single largest agency and has been heavily affected by COVID-19. Metro derives the vast majority of its revenue from sales taxes and fares, both of which fell substantially in 2020. Projected sales tax revenues for 2021-2022 are about $200 million less than the pre-COVID-19 forecast. Metro has suspended about 400,000 hours of service in response to ridership declines during the pandemic. The 2021-2022 Adopted Budget has funding to restore all these hours in 2021, but hours will only be added back when demand increases. Prior to the COVID-19 recession, Metro had built a reserve sufficient to get through a typical recession without service reductions, along with a significant unreserved fund balance. These funds, in addition to the federal COVID funding, are expected to allow Metro to continue pre-COVID-19 service levels through at least 2024.

The 2021-2022 Adopted Budget includes a proposal to implement an additional 0.1% sales tax as allowed by RCW 82.14.530. The County Council approved this proposed additional levy on October 13, 2020. This revenue will be used to avoid cuts to behavioral health programs in 2022 and potentially reduce some of the cuts to the MIDD Behavioral Health Sales Tax Fund. In addition, the funds can be used for affordable housing, and the County is developing a plan to use funds for permanent supportive housing, in which housing is paired with services so individuals can have access to social services, healthcare, and housing. This new tax is referred to as "Health Through Housing."

2021 Preliminary Results

Continued economic recovery from the COVID-19 pandemic has slightly increased the revenue outlook for the 2021 fiscal year compared to budget, while expenditure forecasts for expenses not backed by federal stimulus dollars remain approximately stable.

While uncertainty still remains related to COVID-19 relief spending, potential future federal infrastructure packages, and the speed of the economic recovery, the General Fund is projected to end the 2021-2022 biennium with a fund balance of about \$151 million and an additional \$21 million in the Rainy Day Reserve Fund, for a total of \$172 million. This amount will allow the General Fund to surpass its minimum target of 6% for undesignated fund balance, although it may land below the 8% target that was met in the 2017-2018 and 2019-2020 biennia.

Future General Obligation Financing Plans

In addition to the LTGO (Sewer) Bonds, the County has identified the need to issue additional new limited tax general obligation bonds over the current 2021-2022 biennium to finance approximately \$750 million of capital projects. These bonds will primarily provide funding for various land purchases, the capital program of the Solid Waste Division, and the acquisition and development of affordable housing.

Beyond this amount, the County's Wastewater Treatment and Solid Waste Divisions anticipate undertaking substantial capital improvement programs over the balance of the decade, some or all of which will be financed through the issuance of LTGO bonds. Such anticipated capital expenditures beyond the next biennium will be subject to County Council approval of future capital budgets, and the issuance of debt beyond what is described in the previous paragraph will require subsequent authorization by the County Council.

In November 2020, voters approved the issuance of \$1.7 billion of unlimited tax general obligation bonds to finance a substantial capital improvement program for the County's Harborview Medical Center. These bonds will be sold in annual installments over the course of this decade, with the first issuance in an expected amount of approximately \$50 million scheduled for the fourth quarter of this year.

Beyond such new money issuances, when and if market conditions allow refunding of any outstanding bonds for the purpose of realizing debt service savings, the County may pursue such opportunities.

Debt Repayment Record

The County has met promptly all principal and interest payments on its outstanding bonds and notes. Furthermore, the County has never issued refunding bonds for the purpose of avoiding an impending default.

King County Investment Pool

The Investment Pool invests cash reserves for all County agencies and approximately 110 other public entities such as fire, school, sewer, and water districts. It had an average asset balance of more than $7.9 billion during 2020. As of March 31, 2021, the balance in the Investment Pool was $7.5 billion. Assets of County agencies in 2020 averaged approximately 40% of the Investment Pool.

The Executive Finance Committee establishes the County's investment policy and oversees the portfolio to ensure that specific holdings comply with both the investment policy and State law. The Investment Pool is allowed to invest only in certain types of highly-rated securities, including certificates of deposit, U.S. Treasury obligations, federal agency obligations, municipal obligations, repurchase agreements, bankers' acceptances, corporate notes, and commercial paper. A summary of the County's current investment policy is attached as Appendix E.

The County has commissioned an outside financial consultant, Public Financial Management ("PFM"), to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of March 31, 2021, PFM concluded that "the County's Investment Pool appears to provide ample liquidity, is well diversified, and is of sound credit quality." The most recent portfolio review can be obtained at the following website:

https://kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx

County Employees

The number of full- and part-time employees of the County at year-end is shown below:

TABLE 24
COUNTY EMPLOYEES

Year	Full-time	Part-time
2016	13,821	883
2017	14,395	872
2018	14,652	943
2019	15,198	957
2020	14,988	1,615

Source: King County Department of Human Resources—Benefits, Payroll, and Retirement Operations Section

The County's Office of Labor Relations negotiates, implements, and administers 81 collective bargaining agreements with 33 unions covering the terms of employment for the County's approximately 12,000 represented employees.

Many of the County's labor contracts expired at the end of 2020 and are currently under negotiation. This includes the agreement with a coalition of unions representing 6,200 employees, approximately 40% of the County's workforce.

Several unions that are not part of the coalition are under contract through 2021 and are currently at the beginning stages of negotiating a subsequent contract. The current contract with the King County Police Officers Guild, covering about 700 employees, provided for pay increases for the years 2017-2021. The contract with the King County Corrections Guild covers 2020 and 2021, providing a general wage increase of 2.25% in 2020 and no increase in 2021. These contracts have both been ratified by the respective unions and adopted by the County Council.

The Amalgamated Transit Union, the County's largest union, representing approximately 3,800 employees, is party to a contract with the County that specifies general wage increases for 2020 through the second half of 2022. This contract has also been ratified by the union and adopted by the County Council.

All ratified agreements are submitted to the County Council for adoption.

There have been no strikes or work stoppages by County employees during the last ten years.

Retirement Systems

Substantially all full-time and qualifying part-time employees of the County are covered by one of the following retirement systems:

TABLE 25
RETIREMENT SYSTEMS

Number of Employees As of December 31, 2020	Retirement System
13,353	State of Washington—Public Employees Retirement System ("PERS")
826	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System ("LEOFF")
498	State of Washington—Public Safety Employees Retirement System ("PSERS")

Source: King County Department of Human Resources—Benefits, Payroll, and Retirement Operations Section

These retirement systems are State-wide governmental cost-sharing, multiple-employer retirement systems administered by the State's Department of Retirement Systems ("WSDRS"). The County administers payroll deductions and remits the deductions together with County contributions to the respective retirement systems annually.

TABLE 26
OVERVIEW OF RETIREMENT PLANS

Retirement System/Plan	Benefit Type	Plan Status
PERS - Plan 1	Defined Benefit	Closed in 1977
PERS - Plan 2	Defined Benefit	Open
PERS - Plan 3	Defined Benefit/Defined Contribution Hybrid	Open
PSERS - Plan 2	Defined Benefit	Open
LEOFF - Plan 1	Defined Benefit	Closed in 1977
LEOFF - Plan 2	Defined Benefit	Open

Source: State Department of Retirement Systems

In addition to these programs, 17 County employees who were employees of Seattle's Health Department and Seattle Transit, both of which were taken over by the County, participate in the Seattle City Employees Retirement System.

In 2012, GASB approved Statement Nos. 67 and 68 ("GASB 67" and "GASB 68," respectively), which modify the accounting and financial reporting of pensions by state and local governments and pension plans. GASB 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans. GASB 68, Accounting and Financial Reporting for Pensions, established new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements changed how governments calculate and report the costs and obligations associated with pensions. The WSDRS-administered plans are subject to GASB 67; the County is subject to GASB 68. GASB 67 was effective in Fiscal Year 2014; GASB 68 was effective in Fiscal Year 2015.

Each biennium, the State establishes contribution rates for the WSDRS-administered retirement plans. Retirement funds are held in the Commingled Trust Fund and invested by the State Investment Board (the "WSIB"), a 15-member board created by the State Legislature. The average annual dollar-weighted investment return of the Commingled Trust Fund for the ten-year period from July 1, 2009, to June 30, 2019, was 10.31%. The actuarial assumptions used in the most recent rate calculations are summarized in Table 27:

TABLE 27
ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS

Investment return	7.50%(1)
General salary increases	3.50
Consumer Price Index increase	2.75
Annual growth in membership	0.95

(1) Assumed rate of 7.40% for LEOFF Plan 2.

Source: 2019 Actuarial Valuation from the Office of the State Actuary

The County's employer and employee contribution rates and contribution amounts for all WSDRS-administered plans for the fiscal year ended December 31, 2020, and current contribution rates for 2021 are shown in Table 28. WTD's share of the County's employer contribution amount for the year ended December 31, 2020, was $9.3 million.

TABLE 28
COUNTY CONTRIBUTION RATES AND AMOUNTS

	PERS Plan 1	PERS Plan 2	PERS Plan 3	LEOFF Plan 1	LEOFF Plan 2	PSERS Plan 2
2020						
Average Employer Contribution Rate (%)	12.90 (1)	12.90 (1)	12.90 (1)	0.18 (1)	5.33 (1)	12.18 (1)
Average Employee Contribution Rate (%)	6.00 (2)	7.90 (2)	Varies (2)(3)	0.00	8.59	7.20
Employer Contribution Amount ($000)	815	133,173	28,226	-	6,657	5,920
Employee Contribution Amount ($000)	379	82,048	15,126	-	10,724	3,500
Total Contribution Amount ($000)	1,194	215,221	43,353	-	17,381	9,420
2021						
Current Employer Contribution Rate (%)(4)	12.97 (1)	10.25 (1)	10.25 (1)	0.18 (1)	5.30 (1)	10.39 (1)
Current Employee Contribution Rate (%)(4)	6.00 (2)	6.36 (2)	Varies (2)(3)	0.00	8.53	6.50

Note: Totals may not add due to rounding.

(1) The employer contribution rate includes an employer administrative expense fee of 0.18%.

(2) Under the Judicial Benefit Multiplier Program, County judges participating in PERS Plans 1, 2, and 3 may pay higher employee rates in exchange for enhanced benefits.

(3) The employee contributions to PERS Plan 3, which may range between 5% and 15% of employees' compensation, are paid into a defined contribution plan rather than funding a defined retirement benefit.

(4) Effective July 1, 2021.

Sources: King County Finance and Business Operations Division—Financial Management Section and WSDRS

Under State statute, contribution rates for WSDRS-administered plans are adopted by the State Pension Funding Council ("PFC") (and, for LEOFF 2, by the LEOFF 2 Board) in even-numbered years for the next ensuing State biennium. The rate-setting process begins with an actuarial valuation by the Office of the State Actuary, which makes non-binding recommendations to the Select Committee on Pension Policy, which then recommends contribution rates to the PFC and the LEOFF 2 Board. No later than the end of July in even-numbered years, the PFC and LEOFF 2 Board adopt contribution rates, which are subject to revision by the State Legislature. The County has met its funding obligations to these systems when they have come due. While the County's contributions represent its full statutorily required contribution to the retirement systems, any unfunded pension benefit obligations could be reflected in future years as higher contribution rates. The State Actuary has cautioned that the economic and fiscal impacts of the COVID-19 pandemic will most likely impact pension plan funding by (i) reducing investment returns below expectations, and (ii) reducing the amount of revenue available for participating employers to meet contribution requirements. If the State Legislature deems actuarial contributions to be unaffordable for participating employers, then it may decide to adopt contribution rates that are lower than those recommended by the State Actuary; however, as of the date of this Official Statement, the State Legislature has not taken such an action.

To calculate the funded status, the WSDRS-administered plans compare the Actuarial Value of Assets ("AVA") to the Entry Age Normal ("EAN") liabilities. The EAN cost method projects future benefits under the plans, using salary growth and other assumptions, and applies the service that has been earned as of the valuation date to determine accrued liabilities. The AVA is calculated using a methodology that smooths the effect of short-term volatility in the Market Value of Assets ("MVA") by deferring a portion of the annual investment gains or losses over a period of up to eight years. This helps limit fluctuations in contribution rates and funded status that would otherwise arise from short-term changes in the MVA. Additional information on this measure is provided in the 2019 Actuarial Valuation Report (published September 2020), which can be found on the Office of the State Actuary's website at:

http://leg.wa.gov/osa/pensionfunding/Pages/Valuations.aspx

Retirement System Funded Status. Information regarding the funded status from the most recent actuarial report for each WSDRS-administered plan (as of June 30, 2019) is shown in Table 29:

TABLE 29
RETIREMENT SYSTEM FUNDED STATUS[(1)]
($000,000)

	Plan Status	2019 Actuarial Accrued Liability[(2)] (a)	2019 Actuarial Valuation of Assets[(3)] (b)	2019 UAAL[(4)] (a-b)	2019 Funded Ratio % (b/a)	2018 Funded Ratio % (b/a)	2017 Funded Ratio % (b/a)
PERS - Plan 1	Closed in 1977	$ 11,535	$ 7,461	4,074	65 %	60 %	57 %
PERS - Plan 2/3	Open	42,600	40,766	1,834	96	91	89
PSERS - Plan 2	Open	685	690	(5)	101	96	95
LEOFF - Plan 1	Closed in 1977	4,077	5,734	(1,444)	141	135	131
LEOFF - Plan 2	Open	11,992	13,294	(1,302)	111	108	109

(1) As of June 30, 2019, the most recent actuarial valuation date. All assets valued under the actuarial method. Reflects the full retirement systems, not the County's share of each system.

(2) Liabilities valued using the EAN cost method at an assumed investment rate of return of 7.5% (7.4% for LEOFF Plan 2).

(3) All assets valued under the actuarial method, which incorporates the smoothing of investment gains and losses.

(4) Unfunded actuarial accrued liability. Totals may not agree due to rounding.

Source: 2019 Actuarial Valuation from the Office of the State Actuary

As shown in Table 29, the funded status on an actuarial basis for some plans is greater than 100%, while others are underfunded. Other than PERS Plans 2 and 3, assets from one plan may not be used to fund benefits for another plan. Retirement funds for the WSDRS-administered plans are invested by the Washington State Investment Board.

Table 30 shows historical investment returns for retirement funds held in the WSDRS-administered plans.

TABLE 30
HISTORICAL ONE-YEAR INVESTMENT RETURNS ON RETIREMENT FUNDS

Year	Investment Return(1)
2011	21.1%
2012	1.4
2013	12.4
2014	17.1
2015	4.9
2016	2.7
2017	13.4
2018	10.2
2019	8.4
2020	3.7

(1) As of June 30.

Source: Washington State Investment Board

The County implemented GASB 68 for the year 2015. In accordance with GASB 68, the County's collective net pension liability for all WSDRS pension plans was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability was based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date. The net pension liability for SCERS was measured as of December 31, 2018, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2018, with update procedures used to roll forward the total pension liability to the measurement date taking into account any significant changes between the valuation date and the fiscal year end. Table 31 represents the aggregate pension amounts for all pension plans subject to the requirements of GASB 68.

TABLE 31
AGGREGATE PENSION AMOUNTS—ALL PLANS, 2019
($000)

Net pension liabilities	$415,828
Net pension assets	73,838
Deferred outflows of resources	135,218
Deferred inflows of resources	267,015
Pension expense/expenditures	22,885

Source: 2019 Annual Report—Note 9

For more information on employee retirement plans, see Appendix D—Excerpts from King County's 2019 Comprehensive Annual Financial Report.

Other Post-Employment Benefits

The King County Health Plan (the "Health Plan") is a single-employer defined-benefit healthcare plan administered by the County. The Health Plan provides medical, prescription drug, vision, and other unreimbursed medical benefits to eligible retirees and employees. LEOFF Plan 1 retirees are not required to contribute to the Health Plan. Entry into LEOFF Plan 1 is now closed. All other retirees are required to pay the COBRA rate associated with the elected plan. The County's liability for other post-employment benefits ("OPEB") is limited to the direct Health Plan subsidy associated with LEOFF Plan 1 retirees and the implicit rate subsidy for other Health Plan retiree participants, which is the difference between (i) what retirees pay for their health insurance as a result of being included with active employees for rate-setting purposes, and (ii) the estimated required premiums if their rates were set based on claims experience of the retirees as a group separate from active employees. For the fiscal year ended December 31, 2019, the County contributed an actuarially estimated $5.0 million to the Health Plan. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to prefund benefits. For the fiscal year ended December 31, 2019, the County's net OPEB liability was $111.3 million. WTD's share of the County's OPEB liability for the year ended December 31, 2019, was $1.5 million.

For additional information regarding the County's OPEB liability, see Appendix D—Excerpts from King County's 2019 Comprehensive Annual Financial Report.

Risk Management and Insurance

The County has a separate division that is responsible for claims handling, insurance, and loss control programs. The County has implemented a program of self-insurance to cover general and automobile liability, Health Department professional malpractice, police professionals, and public officials' errors and omissions. The County purchases reinsurance and excess liability insurance above a $7.5 million per occurrence self-insured retention ("SIR") for Metro Transit and a $6.5 million SIR per occurrence for non-Metro Transit operations. The County maintains $67.5 million in limits above the SIR for Metro Transit claims and $68.5 million in limits above the SIR for non-Metro Transit operations. The County maintains $62.5 million in limits for public official errors and omissions and professional liability claims and $52.5 million in limits for medical malpractice claims.

As of July 1, 2021, insurance policies in force covering major exposure areas are as follows:

TABLE 32
INSURANCE POLICIES

Coverage	Limits
Combined Property Damage and Extra Expense for covered County property (includes $100 million earthquake and $250 million flood)	$750 million
Stand-Alone Terrorism Insurance for covered County property (including the airport)	$500 million
Stand-Alone Terrorism Insurance for Liability (excluding the airport)	$40 million
Airport Liability	$300 million
Airport Property Damage and Extra Expense for covered airport property (includes $25 million earthquake and $100 million flood)	$246 million
Fiduciary Liability	$20 million
Fiduciary Liability–Investment Pool	$10 million
Crime Insurance/Employee Dishonesty	$2.5 million
Aviation (Police Helicopter) Program	$50 million
Excess Workers' Compensation	Statutory above $2 million deductible per occurrence
Marine Liability	$150 million
Cyber Liability	$40 million
Cedar Hill Pollution Legal Liability	$50 million

Source: King County Risk Management Office

The balance of current assets in the Insurance Fund was $78.8 million (unaudited) as of December 31, 2020. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2020, was $72.8 million (unaudited).

For additional information, see Appendix D—Excerpts from King County's 2019 Comprehensive Annual Financial Report.

Emergency Management and Preparedness

The County's Office of Emergency Management ("OEM") is responsible for managing and coordinating the County's resources and responsibilities in dealing with all aspects of emergencies. It also provides regional leadership in developing operational and communication strategies among cities, tribes, private businesses, and other key stakeholders within the County. The OEM prepares for emergencies, trains County staff in emergency response, provides education to the community about emergency preparedness, plans for emergency recovery, and works to mitigate known hazards. It has identified and assessed many types of hazards that may impact the County, including geophysical hazards (e.g., earthquakes, seismic seiches, landslides, tsunamis, volcanic eruptions, and lahars), infectious disease outbreaks, intentional hazards (e.g., terrorism and civil disorder), transportation incidents, fires, hazardous materials, and unusual weather conditions (e.g., floods, snow, extreme temperatures, water shortages, and wind storms). However, the County cannot anticipate all potential hazards and their impacts on people, property, the environment, the local economy, and the County's finances. See "—Impact of COVID-19" for a more specific discussion of costs the County is incurring in connection with the COVID-19 pandemic and the funding available to cover those costs.

GENERAL OBLIGATION DEBT INFORMATION

General Obligation Debt Limitation

For counties in the State, the statutory limitation (RCW 39.36.020) on non-voted general obligation debt, such as the LTGO (Sewer) Bonds, is 1.5% of the assessed value of all taxable property within the county at the time of issuance. Of this, 0.75% may be incurred by a county that performs metropolitan functions, such as the County. Voter approval is required to exceed these limits. Any election to authorize debt incurred for county purposes must have a voter turnout of at least 40% of those who voted in the last State general election, and of those voting, 60% must vote in the affirmative. The statutory limitations on the combination of voted and non-voted general obligation debt are 2.5% of the assessed value of all taxable property within a county at the time of issuance for county purposes and 2.5% for metropolitan functions.

The State constitution limits non-voted general obligation debt of a county to 1.5% of the assessed value of taxable property within the county, and limits all general obligation debt of the county—voted and non-voted debt together—to 5% of the assessed value of taxable property within the county.

Debt Capacity and Debt Service Summary

Table 33 shows a computation of the County's debt capacity for voted (unlimited tax general obligation, or "UTGO") and non-voted (LTGO) debt for County purposes and for metropolitan functions. Table 34 summarizes the total general obligation debt service requirements of the County.

UTGO bonds are payable from excess property taxes levied specifically for the purpose of paying debt service on such bonds. LTGO bonds, such as the LTGO (Sewer) Bonds, are payable from revenues and money of the County legally available for such purposes, including regular property taxes permitted to counties within the State without voter approval. See "Property Tax Information."

In determining the total amount of indebtedness outstanding, the County may offset certain assets against the aggregate amount of debt outstanding. Such assets include taxes and levies of the current year, uncollected taxes that are not delinquent for longer than six years, and cash on hand and received for general business purposes. Once the debt has been issued, changes in assessed value have no effect on the validity of outstanding debt or the County's ability to refund outstanding debt. Future declines in assessed value can impact the ability to issue future general obligation debt.

TABLE 33
COMPUTATION OF STATUTORY DEBT CAPACITY
(AS OF DECEMBER 31, 2020, ADJUSTED FOR SUBSEQUENT TRANSACTIONS)

2020 Assessed Value (for 2021 Tax Year)	$ 659,534,881,337
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions	
1.5% of Assessed Value	$ 9,893,023,220
County Purposes	
Outstanding Limited Tax General Obligation Bonds for County Purposes	$ 871,295,074
General Obligation Lease Revenue Bonds for County Purposes[1]	7,793,000
County Credit Enhancement Program for Housing[2]	286,485,456
Capital Leases/Installment Purchase Contracts for County Purposes	-
General Obligation Long-Term Liabilities for County Purposes	139,066,000
Less: Amount Legally Available for Payment of All Limited Tax General Obligation Indebtedness for County Purposes	(6,254,000)
Net Limited Tax General Obligation Debt for County Purposes	$ 1,298,385,530
Metropolitan Functions	
Outstanding Limited Tax General Obligation Bonds for Metropolitan Functions	$ 37,790,000
Outstanding Sales Tax Limited Tax General Obligation Bonds	31,445,000
Outstanding Limited Tax General Obligation Bonds (Payable from Sewer Revenues)[3]	891,965,000
The LTGO (Sewer) Bonds	334,095,000
General Obligation Long-Term Liabilities for Metropolitan Functions	69,801,000
Capital Leases/Installment Purchase Contracts for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Limited Tax General Obligation Indebtedness for Metropolitan Functions	(37,705,884)
Net Limited Tax General Obligation Debt for Metropolitan Functions	$ 1,327,390,116
Total Net Limited Tax General Obligation Debt for County Purposes and Metropolitan Functions	$ 2,625,775,646
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$ 7,267,247,574
Total General Obligation Debt Capacity for County Purposes	
2.5% of Assessed Value	$ 16,488,372,033
Outstanding Unlimited Tax General Obligation Debt for County Purposes[4]	38,785,000
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for County Purposes	(2,570,658)
Net Unlimited Tax General Obligation Debt for County Purposes	$ 36,214,342
Net Limited Tax General Obligation Debt for County Purposes (from above)	1,298,385,530
Total Net General Obligation Debt for County Purposes	$ 1,334,599,872
Remaining Capacity: General Obligation Debt for County Purposes	$ 15,153,772,161
Total General Obligation Debt Capacity for Metropolitan Functions	
2.5% of Assessed Value	$ 16,488,372,033
Outstanding Unlimited Tax General Obligation Debt for Metropolitan Functions	-
Less: Amount Legally Available for Payment of all Unlimited Tax General Obligation Indebtedness for Metropolitan Functions	-
Net Unlimited Tax General Obligation Debt for Metropolitan Functions	$ -
Net Limited Tax General Obligation Debt for Metropolitan Functions (from above)	1,327,390,116
Total Net General Obligation Debt for Metropolitan Functions	$ 1,327,390,116
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$ 15,160,981,917

Notes to Table 33 are on the following page.

NOTES TO TABLE:

(1) Beginning in 2017, NJB Properties, Inc., a component unit of the County, changed from being blended to being discretely presented for financial reporting. As a result, the liability of the NJB Properties Lease Revenue Bonds (King County, Washington Project), 2006 Series A and 2006 Series B, was removed from the County and reported with the component unit. Because of the existing project lease agreement between the two parties, the County retroactively recognized a capital lease liability. Under the lease agreements, the County's obligation to pay rent to NJB Properties, Inc. is a limited tax general obligation.

(2) Reflects the outstanding principal amount plus accrued interest as of December 31, 2020, under contingent loan agreements authorized by the County Credit Enhancement Programs. See "—Contingent Loan Agreements" below.

(3) Excludes the LTGO (Sewer) Refunded Bonds. Includes $179.2 million in outstanding CP Notes as of July 8, 2021.

(4) A proposition that authorizes the County to issue up to $1.74 billion in general obligation bonds for improvements to Harborview Medical Center was approved by a supermajority of voters on November 3, 2020. To date, none of the authorized bonds have been issued.

Source: King County Finance and Business Operations Division—Financial Management Section

TABLE 34
AGGREGATE DEBT SERVICE REQUIREMENTS FOR ALL GENERAL OBLIGATION DEBT OF THE COUNTY
(FISCAL YEARS ENDING DECEMBER 31)

		Limited Tax General Obligation Bonds								
				Metropolitan Functions[2]						
					2021A LTGO (Sewer) Bonds		2021B LTGO (Sewer) Bonds			
Year	Unlimited Tax General Obligation Bonds	County Purposes[1]	Lease Revenue Bonds	Outstanding[3]	Principal	Interest	Principal	Interest	Total	Total LTGO Debt Service
2021	$ 13,807,700	$ 104,275,849	$ 765,374	$ 67,635,226	$ -	$ -	$ -	$ -	$ 67,635,226	$ 172,676,449
2022	14,126,950	111,568,722	767,467	70,367,530	4,610,000	8,809,086	2,870,000	1,523,080	88,179,695	200,515,884
2023	14,460,825	93,580,487	763,457	79,570,074	9,770,000	9,672,050	1,790,000	1,704,107	102,506,231	196,850,175
2024	-	90,657,298	763,621	68,499,789	10,055,000	9,374,675	1,800,000	1,699,847	91,429,311	182,850,230
2025	-	84,914,270	762,683	68,449,719	18,655,000	8,850,750	1,810,000	1,690,541	99,456,010	185,132,963
2026	-	72,420,340	765,643	68,464,489	27,035,000	7,936,950	1,825,000	1,677,038	106,938,477	180,124,460
2027	-	67,956,133	762,226	68,423,273	25,560,000	6,885,050	1,845,000	1,660,686	104,374,009	173,092,368
2028	-	63,663,650	762,706	68,305,736	22,490,000	5,811,600	1,865,000	1,639,561	100,111,897	164,538,253
2029	-	58,897,501	766,809	66,494,379	9,255,000	5,017,975	1,895,000	1,615,409	84,277,763	143,942,073
2030	-	50,626,697	764,259	87,459,341	27,680,000	4,094,600	1,920,000	1,587,155	122,741,096	174,132,051
2031	-	42,480,674	765,332	62,611,781	25,595,000	2,762,725	1,955,000	1,557,567	94,482,073	137,728,079
2032	-	38,206,479	764,751	51,077,131	25,870,000	1,476,100	14,365,000	1,525,486	94,313,717	133,284,947
2033	-	29,869,669	762,518	41,699,422	8,090,000	667,550	14,650,000	1,268,209	66,375,181	97,007,367
2034	-	29,874,704	763,631	35,424,016	8,410,000	421,650	14,960,000	983,852	60,199,518	90,837,853
2035	-	27,527,094	762,816	19,447,400	6,485,000	272,700	15,295,000	678,519	42,178,619	70,468,528
2036	-	27,515,074	770,073	27,851,900	5,645,000	151,400	15,665,000	351,053	49,664,353	77,949,499
2037	-	16,679,786	-	46,655,025	3,645,000	58,500	-	-	50,358,525	67,038,311
2038	-	16,231,756	-	46,683,625	735,000	11,025	-	-	47,429,650	63,661,406
2039	-	15,760,006	-	16,551,800	-	-	-	-	16,551,800	32,311,806
2040	-	14,248,663	-	112,551,800	-	-	-	-	112,551,800	126,800,463
2041	-	2,700,600	-	12,551,800	-	-	-	-	12,551,800	15,252,400
2042	-	1,849,950	-	112,551,800	-	-	-	-	112,551,800	114,401,750
2043	-	1,844,550	-	8,551,800	-	-	-	-	8,551,800	10,396,350
2044	-	1,841,850	-	8,551,800	-	-	-	-	8,551,800	10,393,650
2045	-	1,846,600	-	8,551,800	-	-	-	-	8,551,800	10,398,400
2046	-	1,843,400	-	156,646,800	-	-	-	-	156,646,800	158,490,200
2047	-	1,847,450	-	2,628,000	-	-	-	-	2,628,000	4,475,450
2048	-	1,838,250	-	2,628,000	-	-	-	-	2,628,000	4,466,250
2049	-	1,841,300	-	2,628,000	-	-	-	-	2,628,000	4,469,300
2050	-	1,845,900	-	68,328,000	-	-	-	-	68,328,000	70,173,900
2051	-	826,800	-	-	-	-	-	-	-	826,800
Total	$ 42,395,475	$ 1,077,081,500	$ 12,233,364	$ 1,557,841,256	$ 239,585,000	$ 72,274,386	$ 94,510,000	$ 21,162,108	$ 1,985,372,750	$ 3,074,687,613

Notes to Table 34 are on the following page.

NOTES TO TABLE:

(1) Reflects taxable rates on certain bonds issued as taxable bonds and eligible for a federal subsidy but does not reflect the interest credit subsidy associated with those bonds.

(2) These bonds are primarily secured by an additional pledge of certain taxes and revenues of the metropolitan functions of the County. Includes debt service at an assumed interest rate of 4.00% on the Multi-Modal Limited Tax General Obligation Bonds (Payable From Sewer Revenue), Series 2017A and Series 2017B, the principal of which is payable in full on January 1, 2040, and the Multi-Modal Limited Tax General Obligation Bonds (Payable From Sewer Revenue), Series 2019A and Series 2019B, the principal of which is payable in full on January 1, 2046. Includes assumed debt service for the Wastewater Treatment Division's Commercial Paper Program at an interest rate of 4%.

(3) Excludes the LTGO (Sewer) Refunded Bonds.

Source: King County Finance and Business Operations Division—Financial Management Section

Net Direct and Overlapping Debt Outstanding

Table 35 lists the net outstanding direct debt and overlapping debt payable from taxes on property within the County.

TABLE 35
NET DIRECT AND OVERLAPPING DEBT
(AS OF DECEMBER 31, 2020, ADJUSTED FOR SUBSEQUENT COUNTY TRANSACTIONS)

2020 Assessed Value (for 2021 Tax Year)	$ 659,534,881,337
Net Direct Debt (rounded)*	$ 706,789,000
Estimated Overlapping Debt	
School Districts	$ 5,236,531,000
City of Seattle	882,938,000
Other Cities and Towns	896,063,000
Port of Seattle	311,175,000
Hospital Districts	247,405,000
Fire Districts	78,992,000
Sewer Districts	-
Park Districts	18,490,000
King County Library System	54,234,000
Library Capital Facilities	-
Parks and Recreation Service District	73,000
Total Estimated Overlapping Debt	$ 7,725,901,000
Total Net Direct and Estimated Overlapping Debt	$ 8,432,690,000
County Debt Ratios	
Net Direct Debt to Assessed Value	0.11%
Net Direct and Overlapping Debt to Assessed Value	1.28%
2020 Population	2,260,800
Per Capita Net Direct Debt	$313
Per Capita Net Direct and Overlapping Debt	$3,730
Per Capita Assessed Value	$291,726

NOTES TO TABLE:

* Total net general obligation debt per debt capacity schedules, as of December 31, 2020, adjusted for subsequent County debt-related transactions(1):

Total Net General Obligation Debt for County Purposes	$ 1,334,599,872
Total Net General Obligation Debt for Metropolitan Functions	1,327,390,116
Total Net General Obligation Debt	$ 2,661,989,988
General Obligation Debt Serviced by Proprietary-Type Funds(2)	(179,753,074)
General Obligation Debt Issued for Component Units(2)	(161,572,018)
General Obligation Debt Issued for Metropolitan Functions(2)	(1,327,390,116)
County Credit Enhancement Program(3)	(286,485,456)
Net Direct Debt	$ 706,789,324

(1) Excludes the LTGO (Sewer) Refunded Bonds.
(2) The debt service on these bonds is payable first from other revenues of the County.
(3) Reflects the outstanding principal amount plus accrued interest as of December 31, 2020, under contingent loan agreements authorized by the County Credit Enhancement Program.

Source: King County Finance and Business Operations Division—Financial Management Section

Contingent Loan Agreements

Since 1997, the County has maintained a program to provide credit enhancement by entering into contingent loan agreements in connection with the financing of housing projects assisting the poor and infirm. The program permits the County to provide credit enhancement for projects undertaken by public housing authorities, non-profit organizations, for-profit organizations, local governments, public agencies, and public development authorities, primarily the King County Housing Authority ("KCHA"). In 2017, the County authorized an additional credit enhancement program in the maximum principal amount available solely to the KCHA. The combined maximum outstanding principal amount permitted under the County's two credit enhancement programs is $400 million. The aggregate outstanding principal of and accrued interest on the contingent loan agreements provided under the County's credit enhancement programs was $286,485,456 as of December 31, 2020.

Based on case law, the principal amount of any contingent loan agreement plus any accrued interest (but not interest still to be accrued) may be considered debt of the County for purposes of calculating constitutional and statutory debt limits. See the notes to Table 33—Computation of Statutory Debt Capacity and Table 35—Net Direct and Overlapping Debt.

Bank Agreements

The County has entered into certain agreements to which it has pledged its full faith and credit. Unless extended, such agreements terminate prior to the final maturity of the obligations secured thereby. A summary of such facilities is shown in Table 36.

TABLE 36
SUMMARY OF BANK AGREEMENTS

Series	Amount Outstanding as of 7/1/2021	Type of Facility	Provider	Expiration	Term-Out Provision(1)	Maturity
Multi-Modal Limited Tax General Obligation Bonds (Payable from Sewer Revenue), Series 2017 A and B	$96,355,000	Continuing Covenant Agreement	State Street Public Lending Corporation	1/28/2022	Three Years	1/1/2040
Multi-Modal Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenue), Series 2019 A and B	$148,095,000	Standby Bond Purchase Agreement	TD Bank N.A.	6/26/2024	Three Years	1/1/2046

(1) Subject to conditions under the agreements.

The County currently intends to keep these obligations outstanding until the stated maturity date. However, if the County is unable to extend or replace any such credit facility, the provider of that credit facility is obligated to purchase the outstanding obligations secured thereby before that credit facility terminates. In that case, the County would be obligated to repay during a "term-out" period all principal of the obligations secured thereby before the stated maturity date. Each of the credit facilities includes conditions to the term-out provisions, events of default (or events of termination), and remedies. Events of default include certain cross defaults, judgments against the County, and downgrade below certain thresholds of ratings. Remedies included in the credit facilities or available pursuant to a "most-favored nation" provision include acceleration or a requirement that the County immediately pay the outstanding principal amount of bank bonds as well as other available legal and equitable remedies, including the right of mandamus against the

County and its officials. The Bonds are not subject to acceleration upon an event of default of payment or otherwise.

In addition, if fees for extensions or replacements of any such credit facility increase substantially or such extensions or replacements otherwise cease to benefit the County, the County may seek to refund or convert the obligations secured by that credit facility with fixed rate bonds, which may increase debt service associated with those obligations above that currently projected by the County. See Table 34—Aggregate Debt Service Requirements for All General Obligation Debt of the County.

PROPERTY TAX INFORMATION

Authorized Property Taxes

The County is authorized to levy both "regular" property taxes and "excess" property taxes.

Regular Property Taxes. The County may levy regular property taxes for general municipal purposes, including the payment of debt service on limited tax general obligation bonds, such as the LTGO (Sewer) Bonds, and for road district purposes. Such regular property taxes are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the taxing district. Under the State Constitution, all real property constitutes one class for purposes of this uniformity requirement, with limited exceptions. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

The information in this Official Statement relating to regular property tax limitations and requirements is based on existing statutes and constitutional provisions. Changes in such laws could alter the impact of other interrelated tax limitations on the County.

(i) *Maximum Rate Limitations.* The County may levy regular property taxes for two purposes: for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to $1.80 per $1,000 of assessed value, and the County levied $1.13522 per $1,000 of assessed value for the 2021 tax year. The road district levy, which is levied in unincorporated areas of the County for road construction and maintenance and other County services provided in the unincorporated areas, is limited to $2.25 per $1,000 of assessed value, and the County levied at a rate of $1.82588 per $1,000 of assessed value for the 2021 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied. See "—Regular Property Tax Increase Limitation."

The County is authorized to increase its general municipal purposes levy to a maximum of $2.475 per $1,000 of assessed value if the total combined levies for both general and road district purposes do not exceed $4.05 per $1,000 of assessed value and if no other taxing district has its levy reduced as a result of the increased County levy (RCW 84.52.043).

The $1.80 per $1,000 of assessed value limitation on the general purposes levy is exclusive of the following regular property taxes:

(a) a voted levy for emergency medical services ("EMS"), limited to \$0.50 per \$1,000 of assessed value (authorized by RCW 84.52.069),

(b) a voted levy to finance affordable housing for very low income households, limited to \$0.50 per \$1,000 of assessed value (authorized by RCW 84.52.105, although the County has not sought approval from voters for this levy),

(c) a non-voted levy for conservation futures, limited to \$0.0625 per \$1,000 of assessed value (authorized by RCW 84.34.230), and

(d) a non-voted levy for transit-related purposes, limited to \$0.075 per \$1,000 of assessed value (authorized by RCW 84.52.140).

The County's EMS levy was most recently approved in November 2019 for six years beginning in 2020, at a rate not to exceed \$0.265 per \$1,000 of assessed value. The second-year rate is \$0.26499 per \$1,000 of assessed value for 2021. The County's levy rate for conservation futures in 2021 is \$0.03329 per \$1,000 of assessed value, and its levy rate for transportation-related purposes is \$0.04720 per \$1,000 of assessed value.

(ii) *One Percent Aggregate Regular Property Tax Levy Limitation.* Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of 1% of the true and fair value of property (or \$10.00 per \$1,000 of assessed value) by Article VII, Section 2, of the State Constitution and by RCW 84.52.050.

(iii) *\$5.90 per \$1,000 Aggregate Regular Property Tax Levy Limitation.* Within the 1% limitation described above, aggregate regular property tax levies by all taxing districts are subject to a rate limitation of \$5.90 per \$1,000 of assessed value by RCW 84.52.043(2) except: levies by the State, port districts, and public utility districts; excess levies authorized by Article VII, Section 2, of the State Constitution; levies for acquiring conservation futures, for emergency medical services, to finance affordable housing for very low income households, for ferry districts, for criminal justice purposes, for transit-related purposes, and for regional transit authorities; and portions of certain levies by metropolitan park districts, fire protection districts, and certain flood control zone districts.

If aggregate regular property tax levies exceed the 1% or \$5.90 per \$1,000 of assessed value limitations, then, in order to bring the aggregate levy into compliance, levies requested by "junior" taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts, and public utility districts.

(iv) *Regular Property Tax Increase Limitation.* The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amount of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the lesser of 101% or 100% plus inflation, but if the inflation rate is less than 1%, the limit factor may be increased to 101%, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described above under "—Maximum Rate Limitations." The new limit factor is effective for taxes collected in the following year only.

The State Legislature passed, and the Governor signed into law, ESHB 1189 (the "TIF Act") authorizing the use of tax increment financing. The TIF Act allows counties, cities, and port districts (or any combination of the three) to form increment areas to finance public improvement costs. Once the increment area has been formed, the county treasurer is directed to distribute receipts from regular property taxes imposed on real property located in the increment area. Each taxing district will receive that portion of its regular property taxes produced by the rate of tax levied by or for the taxing district on the "tax allocation base value" (the assessed value of real property located within an increment area for taxes imposed in the year in which the increment area is first designated) for that increment area and the sponsoring jurisdiction will receive an additional amount equal to the amount derived from the regular property taxes levied by or for each taxing district upon the "increment value" (the increase in property values in the increment area after formation of the increment area). A sponsoring jurisdiction can create only two, non-overlapping increment areas that are active at any time, and the increment area (or both areas if there are two) may not have an assessed value of more than $200 million or more than 20% of the sponsoring jurisdiction's total assessed value. The increment areas are subject to a 25 year sunset date. Accordingly, if a sponsoring jurisdiction forms an increment area, it will receive regular property taxes representing the increased assessed value within the increment area from its levy as well as the levy of overlapping taxing districts (other than State taxes and property taxes levied by port districts or public utility districts to the extent necessary for the payments of principal of and interest on general obligation debt). The County could form up to two increment areas and receive the property taxes allocated to a sponsoring jurisdiction (including taxes that are levied for the other taxing districts) and/or the Port of Seattle or any city within the County could form up to two increment areas and the city or port will receive the property tax revenues allocated to a sponsoring jurisdiction (including taxes that are levied for the County and other taxing districts).

Since the regular property tax increase limitation applies to the total dollar amount levied rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) that exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy, and *vice versa* for decreases in assessed value.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as "banked" levy capacity. The County currently has no such banked levy capacity.

With majority voter approval, a taxing district may levy, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitation, as allowed by RCW 84.55.050. This is known as a "levy lid lift," which has the effect of increasing the taxing district's levy "base" when calculating permitted levy increases in subsequent years. The new base can apply for a limited or unlimited period, except that if the levy lid lift was approved for the purpose of paying debt service on bonds, the new base can apply for no more than nine years. After the expiration of any limited purpose or limited duration specified in the levy lid lift, the levy is calculated as if the taxing district had levied only up to the limit factor in the interim period.

In 2018, the State Legislature approved SHB 2597 (Chapter 46, Wash. Laws of 2018), which permits cities and counties to provide senior residents, individuals with disabilities, and veterans in the Senior Exemption Program with an exemption from any portion of their regular property tax attributable to a levy lid lift, with voter approval.

Table 37—Allocation of 2020 and 2021 Tax Levies shows the allocation of the County's existing levies.

(i) The AFIS levy, a regular property tax levy authorized by RCW 84.55.050, was renewed on November 6, 2018, for a six-year term by a majority of voters in the County. In 2019, the rate was $0.03501 per $1,000 of assessed value. The rate in 2021 is $0.03406 per $1,000 of assessed value, the reduction due to increased property values in the County.

(ii) In 2019, the Parks levy lid lift was renewed by voters for six years, for a rate of no more than $0.1832 per $1,000 of assessed value. The 2021 tax year rate is the second year of this levy, at a rate of $0.18620 per $1,000 of assessed value. This lid lift is exempt for taxpayers in the Senior Exemption Program.

(iii) In 2017, voters approved a temporary six-year lid lift for the Veterans, Seniors, and Human Services Levy at an initial rate of $0.10 per $1,000 of assessed value. This is a regular property tax levy and is to be increased by no more than 3.5% in each of the remaining five years. Due to the passage of SHB 2597 in the 2018 legislative session, this lid lift is now exempt for taxpayers in the Senior Exemption Program for the next five years of its existence. The 2021 tax rate is $0.09557 per $1,000 of assessed value.

(iv) The Children and Family Justice Center levy is a nine-year temporary levy lid lift approved by voters in 2012, at a rate of $0.07 per $1,000 of assessed value for the first year (2013). The rate for 2021 is $0.04162 per $1,000 of assessed value.

The Children and Family Justice Center levy is levied for a limited purpose that includes constructing a new Children and Family Justice Center to replace the County's existing juvenile-justice complex. Construction of the facility was completed in 2019 and opened in early 2020. Remaining levy proceeds will be used to fund the construction of a parking garage.

(v) The Puget Sound Emergency Radio Network replacement levy lid lift was approved by voters in 2015, at an initial rate of $0.07 per $1,000 of assessed value for nine years, beginning in 2016. The rate for 2021 is $0.05247 per $1,000 of assessed value.

(vi) The Best Starts for Kids levy was approved by voters at the 2015 general election. This is a six-year levy at a rate of $0.14 per $1,000 of assessed value in the first year. The rate for 2021 is $0.11554 per $1,000 of assessed value.

Excess Property Taxes. The County also may impose "excess" property taxes, which are not subject to limitation, when authorized by 60% supermajority voter approval, as provided in Article VII, Section 2, of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40% of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the number of voters approving the excess levy is at least 60% of a number equal to 40% of the number who voted at the last County general election. Excess levies also may be imposed without voter approval when necessary to prevent the impairment of the obligation of contracts.

Component Units with Taxing Authority. In 2007, the County Council created a County-wide flood control zone district and a County-wide ferry district which levied regular property taxes at rates of $0.08909 and $0.00984 per $1,000 of assessed value, respectively, for the 2021 tax year. The boundaries of each district are coterminous with the boundaries of the County; the members of the County Council serve initially as the legislative body for each district but, under State law, each district is a separate taxing district with independent taxing authority. The County assumed the ferry district and its taxing authority in 2015. Since that time the ferry district has been a County agency and, following a County reorganization in 2019, has moved from the Department of Transportation—Marine Division to the newly formed Metro Transit Department.

Allocation of Tax Levies

Table 37 sets forth the allocation of the County-wide, EMS, and unincorporated County (road district) levies.

TABLE 37
ALLOCATION OF 2020 AND 2021 TAX LEVIES

County-Wide Levy Assessed Value[1] $659,534,881,337	2020 Original Taxes Levied ($000)	2020 Levy Rate ($ per $1,000)	2021 Original Taxes Levied ($000)	2021 Levy Rate ($ per $1,000)
Items Within Operating Levy[2]				
General Fund	$ 379,927	0.59399	$ 389,619	0.59354
Veteran's Relief	3,199	0.00500	3,284	0.00500
Human Services	7,178	0.01122	7,371	0.01122
Intercounty River Improvement	45	0.00007	-	0.00000
Automated Fingerprint Identification System[3]	21,766	0.03403	22,360	0.03406
Parks[3]	116,802	0.18320	121,752	0.18620
Veterans, Seniors, and Human Services[3]	59,343	0.09307	62,490	0.09557
Children and Family Justice Center[3]	26,601	0.04159	27,321	0.04162
Puget Sound Emergency Radio Network[3]	33,535	0.05243	34,446	0.05247
Best Starts for Kids[3]	72,436	0.11325	75,847	0.11554
Total Operating Levy	$ 720,832	1.12785	$ 744,490	1.13522
Conservation Futures Levy[4]				
Conservation Futures Levy	$ 21,299	0.03330	$ 21,859	0.03329
Farmland and Park Debt Service	-	0.00000	-	0.00000
Total Conservation Futures Levy	$ 21,299	0.03330	$ 21,859	0.03329
Unlimited Tax G.O. Bonds				
(Voter-approved Excess Levy)	$ 13,617	0.02135	$ 13,950	0.02133
Transportation[5]	30,189	0.04720	30,986	0.04720
Marine Operating (Ferry)	6,288	0.00983	6,461	0.00984
Flood Control Zone	58,839	0.09199	58,486	0.08909
Total County-wide Levy	$ 851,064	1.33152	$ 876,232	1.33597
EMS Assessed Value[1]				
$397,216,044,269				
EMS Levy[6]	$ 101,388	0.26500	$ 104,669	0.26499
Unincorporated County Assessed Value[1]				
$52,235,933,520				
Unincorporated County Levy (Road District)[7]	92,988	1.82492	94,579	1.82588
Total County Tax Levies	$ 1,045,440		$ 1,075,480	

Notes to Table 37 are on the following page.

NOTES TO TABLE:

(1) 2020 assessed value for taxes payable in 2021.

(2) The operating levy is limited statutorily to $1.80 per $1,000 of assessed value.

(3) Voter-approved temporary lid lifts.

(4) The Conservation Futures Levy is limited statutorily to $0.0625 per $1,000 of assessed value.

(5) The Transportation Levy is limited statutorily to $0.075 per $1,000 of assessed value.

(6) The EMS levy is limited statutorily to $0.265 per $1,000 of assessed value. The assessed value for the County's EMS levy does not include the cities of Seattle or Milton.

(7) The Road District Levy is levied only in the unincorporated areas of the County and is limited statutorily to $2.25 per $1,000 of assessed value.

Source: King County Department of Assessments

Overlapping Taxing Districts

In addition to the $1.80 per $1,000 of assessed value in property taxes that the County is authorized to levy throughout the County and the $2.25 per $1,000 of assessed value that the County is authorized to levy in unincorporated areas for road district purposes, the overlapping taxing districts within the County have the statutory power to levy regular property taxes at the following rates and to levy excess voter-approved property taxes.

TABLE 38
OVERLAPPING LEVY RATES

Taxing District	Statutory Levy Authority (Per $1,000 of Assessed Value)
State [(1)]	$3.60
City [(2)]	3.60
Port District	0.45
Fire Protection District	1.50
Hospital District	0.75
Metropolitan Park District	0.75
Library District	0.50
School District [(3)]	0.00
Sound Transit	0.25

(1) The maximum levy rate for the State, to be used exclusively for the support of the common schools, is $3.60 per $1,000 of assessed value adjusted to the State equalized value in accordance with the indicated ratio fixed by the State Department of Revenue.

(2) The maximum levy rate for a city that is annexed into a library district or a fire protection district is reduced by the levy rates imposed by those districts.

(3) School districts do not have authority to levy regular property taxes but may levy excess property taxes with voter approval.

These rates are subject to certain of the limitations described above under "—Authorized Property Taxes—Regular Property Taxes."

Assessed Value Determination

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

For tax purposes, the assessed value of property is 100% of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.

Table 39 presents the assessed value of the taxable property within the County for the current year and the last five years.

TABLE 39
KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2016	$ 426,335,605,837	9.80%
2017	471,456,288,019	10.58%
2018	534,662,434,753	13.45%
2019	606,623,698,132	13.42%
2020	642,490,492,044	5.91%
2021	659,534,881,337	2.65%

Source: King County Department of Assessments

Tax Collection Procedure

Property taxes are levied in specific amounts by the County Council, and the rate for all taxes levied for all taxing districts in the County is determined by the Assessor based upon the assessed value of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district on a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Treasury Operations Manager, who is responsible for the billing and collection of taxes due for each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds $50, one half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment). During a state of emergency declared under RCW 43.06.010(12), the County Treasurer, on the County Treasurer's own motion or at the request of any taxpayer affected by the emergency, may grant extensions of the due date of any such taxes as the County Treasurer deems proper. Further, the State Governor may, among other actions, waive or suspend the application of tax due dates and penalties relating to collection of taxes. In response to the COVID-19 pandemic, pursuant to RCW 43.06.010(12), the County Executive issued an executive order on March 30, 2020, extending the first-half 2020 property tax deadline from April 30 to June 1, 2020. The executive order applied to individual residential and commercial taxpayers who pay property taxes themselves, rather than to mortgage lenders. Similar orders were made in other counties in the State, including Snohomish, Pierce, and Spokane Counties. The County Executive has not extended any additional property tax payment deadlines. See "King County—Impact of COVID-19."

The State Legislature has passed, and the Governor has signed into law, a bill granting certain qualifying businesses a property tax deferral during the COVID-19 pandemic (HB 1332). Under the new law, county treasurers must grant a deferral for any unpaid, non-delinquent property taxes payable in 2021, if the taxpayer can demonstrate a revenue loss of at least 25% of its revenue attributable to that real property for calendar year 2020 compared to calendar year 2019. For such qualifying taxpayers, the county treasurer must establish a property tax payment plan, and cannot apply penalties or interest on the taxes due so long as the taxpayer complies with the plan's terms. The new law affords county treasurers discretion in setting terms. County treasurers must, however, consider the financial impacts to all relevant taxing jurisdictions, and must prioritize payment plan expenditures to protect scheduled bond payments. Notably, a county treasurer may refuse to grant a deferral to an otherwise eligible taxpayer if the deferral would result in any taxing jurisdiction being unable to make such bond payments. Taxpayers seeking a deferral must apply by April 30, 2021, and county treasurers must process all applications by June 30, 2021. The bill expires January 1, 2022. Pursuant to this law, the County Treasurer granted such eight-month deferrals through December 31, 2021, totaling $32 million across 11 cities.

The methods of giving notice of payment of taxes due, collecting taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, giving notices of delinquency, collection procedures, and exceptions are covered by detailed statutes.

Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien (but not a federal tax lien) is senior to real property taxes that are incurred after the judgment lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien that secures payment of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property once three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first $125,000 proceeds of the forced sale of a family residence or other "homestead" property for delinquent general property taxes. The State Legislature recently adopted ESSB 5408, increasing the homestead exemption amount from $125,000 to the greater of $125,000 or the county median sale price of a single-family home in the preceding calendar year. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Table 40 shows the County's property tax collection record as of May 31, 2021.

TABLE 40
PROPERTY TAX COLLECTION RECORD
ALL COUNTY FUNDS

Tax Year	Original Amount Levied(1) ($000)	Amount Collected Year of Levy ($000)	Percent Collected Year of Levy	Percent Collected as of 12/31/2020
2016	$ 839,988	$ 825,870	98.32%	99.58%
2017	866,842	846,388	97.64%	98.84%
2018	929,813	915,950	98.51%	99.62%
2019	964,779	950,103	98.48%	99.26%
2020	1,025,667	1,018,340	99.29%	99.29%

(1) Excludes the portions of the EMS levy collected within the cities of Seattle and Milton, which are paid to those cities. Includes the Flood Control District levy.

Source: King County Finance and Business Operations Division—Financial Management Section

Principal Taxpayers

Table 41 lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2021 tax collection year.

TABLE 41
TEN LARGEST TAXPAYERS IN THE COUNTY
2021 TAX COLLECTION YEAR

Taxpayer	Assessed Value	AV as Percentage of County's Total AV
Microsoft	$ 4,105,547,842	0.62%
Boeing	4,105,247,066	0.62%
Amazon.Com	3,983,681,756	0.60%
Puget Sound Energy/Gas/Electric	2,320,986,248	0.35%
Essex Property Trust	2,036,421,000	0.31%
Union Square LLC	1,159,853,000	0.18%
C/O Prologis - RE Tax	1,089,009,900	0.17%
Acorn Development	929,495,150	0.14%
Altus Group US Inc.	914,629,000	0.14%
Kemper Development	862,802,378	0.13%
Total Assessed Value of Top Ten Taxpayers	$ 21,507,673,340	3.26%
Total Assessed Value of All Other Taxpayers	638,027,207,997	96.74%
2020 Assessed Value (for 2021 Tax Year)	$ 659,534,881,337	100.00%

Source: King County Department of Assessments

OTHER CONSIDERATIONS

The purchase of the Bonds involves investment risk. Prospective purchasers of the Bonds should consider carefully all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Bonds, and confer with their own tax and financial advisors when considering a purchase of the Bonds.

The following section discusses some of the other factors affecting the County and the Bonds. The following discussion cannot, however, describe all of the factors that could affect the County and the Bonds. In addition to these known factors, other factors could affect the County and the Bonds.

Federal Funding

The County receives operating, health, public employment, and capital improvement grants from the federal government (either directly or indirectly through the State or local governmental agencies). In 2020 and 2021, the County has received a direct allocation of $261.6 million in Coronavirus Relief Funds (CARES Act) and $437.0 million in Coronavirus Local Fiscal Recovery Funds (American Rescue Plan Act), for a total of $698.6 million. Such amounts represent extraordinary levels of funding provided by the federal government in response to the COVID-19 pandemic ($170.0 million in federal grant revenue received by the County in 2020 compared to $99.3 million in federal grant revenue received by the County in 2019), and such amounts should not be expected to continue indefinitely. These federal grant funds may be adversely impacted by federal legislative and executive actions, including cuts to federal spending. Federal funding also is subject to grant conditions, federal regulations, audit and review for compliance with these requirements, and recoupment in the event of noncompliance. See "King County—Impact of COVID-19."

In general, the County expects that it would have the flexibility to respond to any direct reductions or eliminations of federal funding. Although the County cannot predict at this time whether reductions in federal funding may occur or what form such reductions may take, the County expects that it would be able to redirect funding or reduce expenditures in a manner that would not affect the County's ability to pay debt service on the Bonds.

Cybersecurity

The County, like many other large public and private entities, relies on a complex technology environment to conduct its operations and support the community it serves. The County has invested in cybersecurity protections in recent years that include staffing, a restructure of its security office, technology tools; and policies, standards, and processes. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage County systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the County to litigation and other legal risks, which could cause the County to incur costs related to legal or regulatory claims. Since 2015, the County has maintained cyber liability insurance to help offset these financial risks. The County's Chief Information Security and Privacy Officer provides the direct leadership on cybersecurity measures. See "King County—Risk Management and Insurance."

Climate Change and the County's Strategic Climate Action Plan

There are potential risks to the County associated with long-term changes in climate and associated changes in the frequency, timing, and severity of extreme weather events. Expected impacts include sea level rise, more intense heavy rain events, more intense summer heat events, lower and warmer summer streamflows, ocean acidification, and an increased risk of flooding, drought, landslides, and forest fires. The County is preparing for a changing climate and the resulting economic, infrastructure, health, and other community impacts by integrating consideration of climate change into decision making and implementing mitigation and preparedness actions that enhance the resilience of County services, infrastructure, assets, and natural resources.

The County's SCAP is a five-year blueprint for County action to confront climate change, integrating climate change into all areas of County operations and its work in the community. In 2015, the County updated the SCAP and strengthened initiatives to reduce GHG emissions and prepare for the impacts of climate change in County operations and throughout the community. In 2020, the SCAP underwent another five-year update, including a review of targets, measures, and priority actions for reducing GHG emissions, updates to strategies and priority actions to prepare for climate change impacts, and a new section and priority actions focused on supporting resilience in communities disproportionately impacted by climate change. The updated SCAP was transmitted by the County Executive to the County Council. Goals of the 2020 SCAP include (i) further reducing regional GHG emissions; (ii) taking action to prepare the County's infrastructure, services, and communities for climate change impacts; and (iii) identifying new opportunities to take action on climate solutions that achieve social, economic, and environmental benefits for communities in the County. Policies and actions to support these goals are being developed around transportation, energy, public health, emergency preparedness, housing, and food security, and more. The SCAP continues to require County divisions to analyze capital improvement projects for opportunities to reduce energy use and GHG emissions and to incorporate building efficiency standards into capital improvement planning. A copy of the SCAP and performance reports with status of progress and implementation details can be found on the County's website at *www.kingcounty.gov/climate*.

While the County cannot predict precisely how, when, and where specific climate impacts will occur, there will be climate impacts on the County, including the Sewer System. Although the County has not yet developed a methodology for precisely quantifying the impact climate change will have on the County, its population, its economy, or its operations, based on current County projections, the County anticipates that the costs could be significant and could have a material adverse effect on the County's finances over time by requiring greater expenditures to counteract the effects of climate change.

Seismic Risk

The County is located above or near a number of geological faults capable of generating significant earthquakes. The Puget Sound region is characterized by geotechnical conditions that could result in areas of liquefaction and landslide in an earthquake. In anticipation of such potential disasters, the County designs and constructs facilities to the seismic codes in effect at the time the projects are designed. Although the County has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Damage to County facilities could cause a material increase in costs for repairs and a material adverse impact on the County's finances. The County is not obligated to maintain earthquake insurance on its facilities, and the County does not now and does not plan to maintain earthquake insurance sufficient to replace its facilities, including assets of the Sewer System.

Public Health

The impact that the COVID-19 pandemic is having and will have on commerce, financial markets, and the Puget Sound region is significant, and the nature of the impact is likely to evolve over the next several years. The County has provided the information contained in this Official Statement to describe current impacts that the COVID-19 pandemic and related emergency orders have had on the County's finances and operations, and to describe some of the actions that the County is taking in response. Other public health emergencies, including other global pandemics, may occur. The County cannot predict the duration and extent of the COVID-19 public health emergency or the occurrence of future public health emergencies, or quantify the magnitude of the impact on the County and regional economy or on the other revenues and expenses of the County. The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus and its variants and the emergence of new variants; (ii) the severity of the disease; (iii) the duration of the pandemic; (iv) actions that governmental authorities may take to contain or mitigate the pandemic; (v) the development, efficacy, and distribution of medical therapeutics and vaccinations and the efficacy of therapeutics and vaccines to emerged and new variants; (vi) the impact of the pandemic on the local or global economy; (vii) whether and to what extent the Governor and/or President may order additional public health measures; and (vii) the impact of the pandemic and actions taken in response to the pandemic on County revenues, expenses, and financial condition. Prospective investors should assume that the restrictions and limitations instituted related to COVID-19 may continue, that the current upheaval to the national and global economies and financial markets may continue and/or be exacerbated, at least over the near term, and that the recovery may be prolonged. Additional pandemics, and other public health emergencies, may occur and may occur with greater frequency and intensity given trends in globalization.

INITIATIVES AND REFERENDA

Under the State Constitution, Washington voters may initiate legislation (either directly to the voters, or to the State Legislature and then, if not enacted, to the voters) and require the State Legislature to refer legislation to the voters through the power of referendum. Any law approved through the power of initiative by a majority of the voters may not be amended or repealed by the State Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the State Legislature. After two years, the law is subject to amendment or repeal by the State Legislature in the same manner as other laws. The State Constitution may not be amended by initiative.

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

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

Under the County Charter, County voters may initiate County legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the County Council from becoming law. The referendum period for the Ordinance has elapsed, and no referendum petition was filed. The County Charter also permits legislation to be proposed by cities in the County, provided that at least one half of the cities in the County support the proposal.

Future Initiatives and Legislative Action

Additional initiative petitions may be filed in the future. The County cannot predict whether any such initiatives will qualify to be submitted to the voters or, if submitted, will be approved. Likewise, the County cannot predict what actions the State Legislature might take, if any, regarding any future initiatives approved by the voters.

LEGAL AND TAX INFORMATION

Litigation

There is no litigation pending questioning the validity of the Bonds or the power and authority of the County to issue the Bonds or seeking to enjoin the issuance of the Bonds.

The County is party to litigation in its normal course of business. The County's 2019 Annual Report includes Note 19 concerning non-tort legal matters. The Water Quality Enterprise Fund's 2020 audited financial statements include Note 13 concerning legal matters specific to the Fund. As to tort litigation, the County and its agencies are a party to litigation involving tort claims. The County expects that the amount of the Insurance Fund and County insurance coverage, together with routinized budget practices, are sufficient to cover all costs associated with known tort litigation pending. Although the County cannot predict the amount of damages that may be payable, if any, in its litigation, the County does not believe that any pending litigation would materially adversely affect the ability of the County to pay when due the principal of or interest on the Bonds.

Recent Developments. Certain class action litigation is described in Note 19 to the County's Annual Report. See also Appendix C—King County Water Quality Enterprise Fund 2020 Audited Financial Statements—Note 13.

Bio Energy Washington ("BEW"), by contract with the County, operates a plant at the Cedar Hills Landfill that scrubs and sells landfill gas to Puget Sound Energy. BEW has invoked the dispute resolution clause of the contract, alleging that the County has not been employing "good engineering practices" to collect the landfill gas and has been allowing fugitive gas to escape the landfill. BEW has offered to settle its claim for $10 million, which would be payable by credits toward BEW's payments under the contract to the County. The County disputes BEW's claim and intends to vigorously defend it.

On February 25, 2021, the Washington State Supreme Court in *State v. Blake* declared unconstitutional the State's strict liability drug possession statute, which criminalized unintentional, unknowing possession of controlled substances without a prescription. Counties, including the County, may incur costs associated with resentencing, refunding penalties, fines, and restitution, and otherwise addressing the impact of the decision; County responsibility for the cost of refunds may be resolved through litigation and/or legislation.

Potential Conflicts of Interest

Some or all of the fees of Bond Counsel/Disclosure Counsel, the Underwriters, Underwriters' Counsel, and the Municipal Advisor are contingent upon the sale of the Bonds. From time to time, Bond Counsel/Disclosure Counsel and Underwriters' Counsel serve as counsel to other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds.

Approval of Counsel

Legal matters incident to the authorization, issuance, and sale of the Bonds by the County are subject to the approving legal opinions of Pacifica Law Group LLP, Bond Counsel. The forms of Bond Counsel's opinions are attached as Appendix B. The opinions of Bond Counsel are given based on factual representations made to Bond Counsel, and under existing law, as of the date of issue of the Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinions of Bond Counsel are an expression of its professional judgment on the matters expressly addressed in its opinions and do not constitute a guarantee of result.

Pacifica Law Group LLP also is serving as Disclosure Counsel to the County.

Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Seattle, Washington. Any opinion of such firm will be rendered solely to the Underwriters and cannot be relied on by investors.

Limitations on Remedies and Municipal Bankruptcy

The County is liable for principal and interest payments on its outstanding obligations as they become due, and is not required to set aside monthly or periodic deposits in advance of due dates. The County's fixed rate bonds are subject to semi-annual payment dates; other obligations, including subordinate obligations, are subject to other payment dates. In the event of multiple defaults on the payment of principal of or interest on outstanding obligations, affected bondholders would be required to bring a separate action for each such payment not made when due from Revenue of the System required to be applied to the payment on such date. This could give rise to a difference in legal interests between owners of earlier- and later-maturing bonds. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies against public bodies under State law.

Any remedies available to the owners of the Bonds upon the occurrence and continuation of a default under the Ordinance are in many respects dependent upon judicial actions, which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the County fails to comply with its covenants under the Ordinance or to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the owners of the Bonds.

In addition to the limitations on remedies contained in the Ordinance, the rights and obligations under the Bonds and the Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to such limitations. The forms of Bond Counsel's opinions are set forth in Appendix B.

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

The Bonds are payable from and secured by a pledge of Revenue of the System as described in the Ordinance. Under Chapter 9, creditors secured by a pledge of "special revenues" are granted certain protections in cases brought by municipalities. The definition of "special revenues" includes "receipts derived from the ownership, operation, or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems." Under Chapter 9, the pledge of Revenue of the System is enforceable if a bankruptcy court determines that Revenue of the System is considered "special revenues" under Chapter 9 and that the pledge (in the form of a lien and charge) of Revenue of the System pursuant to the Ordinance is valid and binding under Chapter 9.

Chapter 9 further provides that special revenues acquired by a debtor after the commencement of the bankruptcy case remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case, and that any such lien on special revenues (other than municipal betterment assessments) derived from a project or system is subject to the necessary operating expenses of such project or system.

Unless a debtor under Chapter 9 consents or the plan approved by the bankruptcy court so provides, the court may not interfere with (i) any of the political or governmental powers of the debtor, (ii) any of the property or revenues of the debtor, or (iii) the debtor's use or enjoyment of any income-producing property.

Although State statute provides for a lien and charge against Revenue of the System to secure payment of the Bonds, no provision of State law provides for perfection of the lien under the Uniform Commercial Code of the State.

Tax Matters Relating to the Tax-Exempt Bonds

General. In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 2021A LTGO (Sewer) Bonds, referred to in this section as the "Tax-Exempt Bonds," is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The proposed form of opinion of Bond Counsel with respect to the Tax-Exempt Bonds to be delivered on the date of issuance of the Tax-Exempt Bonds is set forth in Appendix B.

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

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

Original Issue Premium and Discount. If the initial offering price to the public at which a Tax-Exempt Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes. If the initial offering price to the public at which a Tax-Exempt Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes. *De minimis* original issue discount and original issue premium is disregarded.

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

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

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

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

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

Not Bank Qualified. The County has not designated the Tax-Exempt Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

Certain Income Tax Consequences Relating to the Taxable Bonds

The interest on the Taxable Bonds is not intended by the County to be excluded from gross income for federal income tax purposes. Owners of the Taxable Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Taxable Bonds may have federal income tax consequences not described herein and should consult their own tax advisors with respect to federal income tax consequences of owning such Taxable Bonds. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Taxable Bonds other than as expressly described above.

The proposed forms of opinions of Bond Counsel with respect to the Taxable Bonds to be delivered on the date of issuance of the Taxable Bonds are set forth in Appendix B.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Taxable Bonds. In all events investors should consult their own tax advisors in determining the federal, state, local and other tax consequences to them of the purchase, ownership, and disposition of the Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In connection with the issuance and delivery of the Bonds, the County will execute a certificate (a "Continuing Disclosure Certificate"), pursuant to which it will covenant for the benefit of the owners and the "Beneficial Owners" (as defined in the Continuing Disclosure Certificate), pursuant to Securities and Exchange Commission Rule 15c2-12, to provide certain financial information and operating data not later than the end of seven months after the end of each of the County's fiscal years (currently, December 31), commencing with the report for the fiscal year ended December 31, 2020, with respect to the LTGO (Sewer) Bonds and the report for the fiscal year ended December 31, 2021, with respect to the Sewer Revenue Bonds, and to provide notices of the occurrence of certain enumerated events with respect to the Bonds. The information will be filed by or on behalf of the County with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. See Appendix F for the form of the Continuing Disclosure Certificates to be executed in connection with the Bonds.

Prior Compliance. The County has entered into written undertakings under Rule 15c2-12 with respect to all of its obligations subject thereto. In reviewing its continuing disclosure filings on EMMA, the County notes the following. The County has undertaken to provide information regarding customers, revenues, and expenses of the Sewer System, in connection with outstanding sewer revenue bonds and certain LTGO bonds payable from sewer revenues. Prior to the release of the Annual Report and Sewer System financial statements for the year 2017, however, although the County provided the information on customers, revenues, and expenses of the Sewer System, it did not provide the table in the format in which it was shown in the original disclosure.

The County timely filed its 2015 Annual Report in July 2016, and timely filed notice of a Moody's rating upgrade of certain LTGO bonds in February 2017. The 2015 Annual Report was not linked to one CUSIP number for the NJB Properties Lease Revenue Bonds (King County, Washington, Project), 2006 Series A (the "NJB Bonds"), and the Moody's rating update was not linked to one CUSIP for the NJB Bonds and certain CUSIP numbers for County bonds. The County has since linked the materials to the missed CUSIP numbers.

OTHER INFORMATION

Ratings

The LTGO (Sewer) Bonds have been rated "Aaa" and "AAA" and the Sewer Revenue Bonds have been rated "Aa1" and "AA+" by Moody's Investors Service and S&P Global Ratings, respectively. The ratings reflect only the views of the rating agencies, and an explanation of the significance of the ratings may be obtained from each rating agency. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds.

Municipal Advisor

The County has retained Piper Sandler & Co., Seattle, Washington, as municipal advisor (the "Municipal Advisor") in connection with the preparation of the County's financing plans and with respect to the authorization and issuance of the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make any independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the County, the Municipal Advisor may not participate in the underwriting of any County debt.

Underwriting

The Bonds are being purchased by Morgan Stanley, acting as the Representative for the Underwriters of the Bonds. The purchase contract for the Bonds provides that the Underwriters will purchase:

(i) all of the 2021A LTGO (Sewer) Bonds, if any are purchased, at an aggregate purchase price of $292,350,592.38 (representing the principal amount of the 2021A LTGO (Sewer) Bonds plus original issue premium of $53,289,926.20 less underwriters' discount of $524,333.82);

(ii) all of the 2021B LTGO (Sewer Bonds), if any are purchased, at an aggregate purchase price of $94,303,164.08 (representing the principal amount of the 2021B LTGO (Sewer) Bonds less underwriters' discount of $206,835.92); and

(iii) all of the Sewer Revenue Bonds, if any are purchased, at an aggregate purchase price of $230,694,016.85 (representing the principal amount of the Sewer Revenue Bonds less underwriters' discount of $505,983.15).

The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices corresponding to the yields set forth on pages i through iii hereof, and such initial offering prices may be changed from time to time, by the Underwriters. After the initial public offering, the public offering prices may be varied from time to time.

Morgan Stanley has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

The Underwriters and their affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing, and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the County, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County. The Underwriters and their affiliates may also communicate independent investment recommendations, market color, or trading ideas and/or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

Official Statement

All forecasts, estimates, and other statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not intended to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds. The information contained in this Official Statement is presented for the guidance of prospective purchasers of the Bonds described herein. The information has been compiled from official sources and, while not guaranteed by the County, is believed to be correct.

At the time of the delivery of each Series of the Bonds, one or more officials of the County will furnish a certificate stating that, to the best knowledge and belief of such official(s) at the date of the Official Statement and as of the Issue Date, the Official Statement (as it may have been amended or supplemented prior to the Issue Date) did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (however, the County will make no representation regarding Bond Counsel's forms of opinions or the information provided by DTC, U.S. Bank National Association, the Underwriters of the Bonds, or any entity providing bond insurance or other credit facility).

The County has authorized the execution and delivery of this Official Statement.

KING COUNTY, WASHINGTON

By: /s/ Ken Guy

Ken Guy
Director of Finance and Business Operations Division
Department of Executive Services

APPENDIX A

THE ORDINANCE

This page left blank intentionally.

KING COUNTY

1200 King County Courthouse
516 Third Avenue
Seattle, WA 98104

Signature Report

Ordinance 19112

Proposed No. 2020-0171.2 **Sponsors** Kohl-Welles

AN ORDINANCE providing long-term financing for capital needs of the county's sewer system by authorizing the issuance of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county in an aggregate principal amount not to exceed $825,000,000 to provide funds for acquiring and constructing improvements to the sewer system; authorizing the issuance of sewer revenue bonds and limited tax general obligation bonds (payable from sewer revenues) of the county for refunding outstanding obligations of the county payable from sewer revenues; providing for the form, terms and covenants of such bonds; providing for the sale of the bonds in one or more series; establishing funds for the receipt and expenditure of bond proceeds and for the payment of the bonds; pledging sewer revenues to pay the principal of and interest on sewer revenue bonds issued under this ordinance; and pledging the annual levy of taxes and an additional pledge of sewer revenues to pay the principal of and interest on limited tax general obligation bonds (payable from sewer revenues) issued under this ordinance.

PREAMBLE:

The county owns and operates facilities for the conveyance and treatment of sewage and control of combined sewer overflows that include wastewater treatment plants, interceptor and trunk sewers, pumping stations, regulator stations, outfall sewers, storm sewers to divert stormwater from sanitary sewers, lands for application of biosolids, property rights, and buildings and other structures and equipment (collectively "the System"), all in accordance with a comprehensive plan for metropolitan water pollution abatement under the authority of chapters 36.56 and 35.58 of the Revised Code of Washington ("RCW").

Long-term service agreements with participating municipalities and other entities ("the Participants") obligate the county to treat and dispose of sewage collected by the Participants. The Participants must pay the costs of these services including debt service on bonds payable from sewer revenues (including the bonds authorized by this ordinance) and other indebtedness payable from and secured by sewer revenues. Comparable rates and charges have been established for customers who deliver sewage to the System but are not subject to a contract with the county for this service.

In accordance with RCW 35.58.200(3), the county has declared that the health, safety and welfare of people within the metropolitan area require that certain Participants discharge sewage collected by those Participants into facilities of the System.

The county has issued the series of sewer revenue bonds with a senior lien on Revenue of the System set forth in Attachment A to this ordinance ("the Parity Bonds").

The county has issued the series of limited tax general obligation bonds additionally secured by a lien on Revenue of the System junior and subordinate to the lien thereon of the Parity Bonds set forth in Attachment B to this ordinance ("the Parity Lien Obligations").

The county has issued its sewer revenue bonds with a lien on Revenue of the System junior and subordinate to the lien thereon of the Parity Lien Obligations (as further defined herein, the "Junior Lien Obligations").

The county has issued its limited tax general obligation bonds additionally secured by a lien on Revenue of the System junior and subordinate to the lien thereon of the Junior Lien Obligations (as further defined herein, "the Multi-Modal LTGO/Sewer Revenue Bonds").

The county has reserved the right to issue certain revenue bonds or other revenue obligations with a lien on Revenue of the System junior and inferior to the lien thereon of the Multi-Modal LTGO/Sewer Revenue Bonds (as further defined herein, "the Subordinate Lien Obligations").

The county may have opportunities to refund all or portions of its currently outstanding Parity Bonds, Parity Lien Obligations, Junior Lien Obligations, and Multi-Modal LTGO/Sewer Revenue Bonds, and any Future Parity Bonds, Future

Parity Lien Obligations, Future Junior Lien Obligations, Future Multi-Modal LTGO/Sewer Revenue Bonds and Subordinate Lien Obligations, in each case to effect a saving to the county and ratepayers of the System or when necessary or in the best interest of the county and ratepayers of the System to modify debt service or reserve requirements, sources of payment, covenants or other terms of the obligations to be refunded. It is deemed necessary and desirable that the county authorize the issuance and sale of its bonds payable from sewer revenue ("the Refunding Bonds") for such refunding opportunities, as provided in this ordinance.

It is deemed necessary and desirable that the county also authorize the issuance and sale of its bonds payable from sewer revenues in an aggregate principal amount not to exceed $825,000,000 ("the Project Bonds") to pay costs of capital improvements to the System, in accordance with the Comprehensive Plan and the Capital Improvement Budget.

Since market conditions can change quickly, it is in the best interest of the county to delegate to the county's Finance Director authority to sell the Project Bonds and the Refunding Bonds in one or more series, as either Parity Bonds or Parity Lien Obligations, or a combination thereof, by competitive bid, negotiated sale or to the federal government or another purchaser, as provided in this ordinance, so long, in the case of Project Bonds, as the aggregate principal amount of Project Bonds does not exceed $825,000,000. The sale of any series of the Bonds shall be ratified and confirmed by motion of the council, as provided in this ordinance.

The ordinances authorizing the issuance of the outstanding Parity Bonds and Parity Lien Obligations all provide that the county may issue additional Parity Bonds and additional Parity Lien Obligations if certain conditions are met. By each Sale Motion the council must find that the applicable parity conditions have been or shall be met for each series of Bonds issued under this ordinance.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. **Definitions; Interpretation**.

A. **Definitions**. The following words and terms as used in this ordinance have the following meanings for all purposes of this ordinance, unless some other meaning is plainly intended.

"Accreted Value" means for any Parity Bonds that are Capital Appreciation Bonds, as of any date of calculation, the sum of the amounts set forth in the ordinance, resolution or motion authorizing such bonds as the amounts representing the initial principal amount of such bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, as provided in the ordinance, resolution or motion authorizing the issuance of such bonds; provided, that if such calculation is not made as of a compounding date, such amount shall be determined by straight-line interpolation as of the immediately preceding and the immediately succeeding compounding dates.

"Agency Customer" means any city, town, water-sewer district or other political subdivision, person, firm, private corporation or other entity that collects sewage from customers and disposes of any portion of that sewage into the System and is not a

Participant.

"Annual Debt Service" means, for any calendar year, the sum of the following:

1. The interest due on all outstanding Parity Bonds and Parity Lien Obligations: (a) on all interest payment dates (other than January 1) in such calendar year; and (b) on January 1 of the next succeeding year, and any Payment Agreement Payments due on such dates in respect of any Parity Payment Agreements and Parity Lien Obligation Payment Agreements, minus any Payment Agreement Receipts due in such period in respect of any Parity Payment Agreements and Parity Lien Obligation Payment Agreements.

a. For purposes of calculating the amounts required to pay interest on Parity Bonds or Parity Lien Obligations, capitalized interest and accrued interest paid to the county upon the issuance of Parity Bonds or Parity Lien Obligations shall be excluded and, on and after the Second Springing Amendment Date (Parity Lien Obligations), interest on any Balloon Maturity shall also be excluded.

b. Prior to the Second Springing Amendment Date (Parity Lien Obligations), the amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate ("the assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the quarter in which the calculation is made; provided, that for purposes of determining actual compliance in any past calendar year with the rate covenant made in Section 18 of this ordinance, the actual amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien Obligations shall be taken into account. On and after the Second Springing Amendment Date (Parity Lien Obligations), the amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds or Variable Rate Parity Lien Obligations shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate ("the assumed variable rate") that is the average of the SIFMA Municipal Swap Index over the 10 calendar years preceding the quarter in which the calculation is made; provided, that for purposes of determining actual compliance in any past calendar year with the rate covenant made in Section 18 of this ordinance, the actual amount of interest paid on any issue of Variable Rate Parity Bonds or Parity Lien Obligations shall be taken into account.

2. Prior to the Second Springing Amendment Date (Parity Lien Obligations), the principal due (at maturity or upon the mandatory redemption of Term Bonds prior to their maturity) for all outstanding Parity Bonds and Parity Lien Obligations: (a) on all principal payment dates (other than January 1) of such calendar year; and (b) on January 1 of the next succeeding year. On and after the Second Springing Amendment Date (Parity Lien Obligations), the principal due (at maturity or upon the mandatory redemption of Term Bonds prior to their maturity) for all outstanding Parity Bonds and Parity Lien Obligations other than any Balloon Maturity: (a) on all principal payment dates (other than January 1) of such calendar year; and (b) on January 1 of the next succeeding year.

3. On and after the Second Springing Amendment Date (Parity Lien Obligations), the Assumed Debt Service for any Balloon Maturity of a Parity Bond or Parity Lien Obligation for that calendar year.

In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation Bonds shall be included in the calculation of Annual Debt Service, and references in this ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or upon the mandatory redemption of any Capital Appreciation Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds or Parity Lien Obligations with respect to which a Payment Agreement is in force shall be calculated by the county to reflect the net economic effect on the county intended to be produced by the terms of the Parity Bonds or Parity Lien Obligations and the terms of the applicable Payment Agreement, in accordance with the requirements for Payment Agreements set forth in Section 27 of this ordinance and any other applicable requirements from the ordinances authorizing issuance of such Parity Bonds or Parity Lien Obligations.

From and after the First Springing Amendment Date (Parity Lien Obligations), for purposes of satisfying the rate covenant in Section 18.B. of this ordinance and the tests for the issuance of additional Parity Lien Obligations in Section 25 of this ordinance, Annual Debt Service for any fiscal year or calendar year shall exclude any Debt Service Offsets (e.g., any Debt Service Offsets shall be deducted from Annual Debt Service).

"Annual Parity Debt Service" means, for any calendar year, the sum of the following:

1. The interest due on all outstanding Parity Bonds: (a) on all interest payment dates (other than January 1) in such calendar year; and (b) on January 1 of the next succeeding year, and any Payment Agreement Payments due on such dates in respect of Parity Payment Agreements, minus any Payment Agreement Receipts due in

such period in respect of such Parity Payment Agreements.

a. For purposes of calculating the amounts required to pay interest on Parity Bonds, capitalized interest and accrued interest paid to the county upon the issuance of Parity Bonds shall be excluded and, on and after the Second Springing Amendment Date (Parity Bonds), interest on any Balloon Maturity shall also be excluded.

b. Prior to the Second Springing Amendment Date (Parity Bonds), the amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate ("the assumed RBI rate") that is 90% of the average Bond Buyer Revenue Bond Index or comparable index during the fiscal quarter preceding the quarter in which the calculation is made; provided, that for purposes of determining actual compliance in any past calendar year with the rate covenant made in Section 18 of this ordinance, the actual amount of interest paid on any issue of Variable Rate Parity Bonds shall be taken into account. On and after the Second Springing Amendment Date (Parity Bonds), the amount of interest deemed to be payable on any issue of Variable Rate Parity Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate ("the assumed variable rate") that is the average of the SIFMA Municipal Swap Index over the 10 calendar years preceding the quarter in which the calculation is made; provided, that for purposes of determining actual compliance in any past calendar year with the rate covenant made in Section 18 of this ordinance, the actual amount of interest paid on any issue of Variable Rate Parity Bonds shall be taken into account.

2. Prior to the Second Springing Amendment Date (Parity Bonds), the principal due (at maturity or upon the mandatory redemption of Term Bonds prior to their maturity) for all outstanding Parity Bonds; (a) on all principal payment dates (other than January 1) of such calendar year; and (b) on January 1 of the next succeeding year. On and after the Second Springing Amendment Date (Parity Bonds), the principal due (at maturity or upon the mandatory redemption of Term Bonds prior to their maturity) for all outstanding Parity Bonds other than any Balloon Maturity: (a) on all principal payment dates (other than January 1) of such calendar year; and (b) on January 1 of the next succeeding year.

3. On and after the Second Springing Amendment Date (Parity Bonds), the Assumed Debt Service for any Balloon Maturity of a Parity Bond for that calendar year.

In the case of Capital Appreciation Bonds, the Accreted Value due at maturity or upon the mandatory redemption of Parity Term Bonds that are Capital Appreciation Bonds shall be included in the calculation of Annual Debt Service, and references in this ordinance to principal of Parity Bonds shall include the Accreted Value due at maturity or upon the mandatory redemption of any Capital Appreciation Bonds.

Notwithstanding the foregoing, debt service on Parity Bonds with respect to which a Payment Agreement is in force shall be calculated by the county to reflect the net economic effect of the terms of the Parity Bonds and the applicable Payment Agreement, in accordance with the requirements set forth in Section 27 of this ordinance and any other applicable requirements from the ordinances authorizing issuance of such Parity Bonds.

For purposes of calculating the Reserve Requirement and satisfying the rate covenant in Section 18.A. of this ordinance and the tests for the issuance of Future Parity Bonds in Section 24 of this ordinance, Annual Parity Debt Service for any fiscal year or calendar year shall exclude any Debt Service Offsets (e.g., any Debt Service Offsets shall be deducted from Annual Parity Debt Service).

"Assumed Amortization Period" means an assumed amortization period for a Balloon Maturity as specified in the Sale Motion designating the Balloon Maturity. An Assumed Amortization Period may not be longer than the lesser of: (a) the useful life, as of the date of designation, of the assets being financed; and (b) 75 years. The Assumed Amortization Period for a Balloon Maturity applies (e.g., is not reset) until the Balloon Maturity, and any Balloon Maturity issued to refund that Balloon Maturity, is no longer outstanding.

"Assumed Debt Service" for any Balloon Maturity for any calendar year means an amount equals to the principal and interest that would be payable in each calendar year if that Balloon Maturity were amortized over the Assumed Amortization Period on a substantially level debt service basis, calculated based on the actual interest rate on the Balloon Maturity, if fixed, and based on the average of the SIFMA Municipal Swap Index over the 10 calendar years preceding the quarter in which the calculation is made, if variable.

"Balloon Maturity" means any scheduled principal maturity of any Series of Parity Bonds or Parity Lien Obligations that the county designates in the Sale Motion for that Series to be a Balloon Maturity for the purposes of the definitions of Annual Debt Service and Annual Parity Debt Service. Any Balloon Maturity includes any corresponding scheduled principal maturity of Parity Bonds or Parity Lien Obligations issued to refund such Balloon Maturity unless the Balloon Maturity designation is rescinded in the Sale Motion approving the refunding.

"Beneficial Owner" means, with respect to a Bond, the owner of the beneficial interest in that Bond.

"Bond Register" means the registration books maintained by the Registrar for purposes of identifying ownership of the Bonds.

"Bonds" means the Project Bonds of the county in an aggregate principal amount not to exceed $825,000,000 authorized to be issued under this ordinance to pay costs of acquiring and constructing improvements to the System and the Refunding Bonds authorized to be issued under this ordinance to refund outstanding obligations of the county. The Bonds may be issued in one or more Series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

"Capital Appreciation Bonds" means any Parity Bonds the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Parity Bonds; provided, that Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term pursuant to the ordinance, resolution or motion authorizing their issuance. On the date on which Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

"Capital Improvement Budget" means the capital improvement budget of the county in effect from time to time, as such budget may have been amended or supplemented.

"Certified Public Accountant" means an independent certified public accountant (or firm of certified public accountants) selected by the county and having a favorable national reputation.

"Closing" means the delivery of a Series of the Bonds to, and payment of the purchase price therefor by, the initial purchasers of that Series of Bonds.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of a Series of Parity Bonds or Parity Lien Obligations or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Tax-Exempt Obligations, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Comprehensive Plan" means the county's comprehensive water pollution abatement plan authorized by RCW 35.58.200 and defined in K.C.C. 28.82.150 as the Comprehensive Sewage Disposal Plan adopted by Resolution No. 23 of the Metro Council on April 22, 1959, and all amendments thereto, together with any amendments hereafter approved by ordinance.

"Construction Account" means the "Second Water Quality Construction Account," as designated by Ordinance 12076, Section 30.

"Council" means the Metropolitan King County Council.

"Credit Facility" means any letter of credit, standby bond purchase agreement, line of credit, surety bond, insurance policy or other insurance commitment or similar agreement (but not including a Payment Agreement), satisfactory to the county, that is provided by a commercial bank, insurance company or other financial institution with a current long-term rating (or whose obligations thereunder are guaranteed by a financial institution with a long-term rating): (a) from Moody's and S&P not lower, when issued, than the credit rating of any Series of Parity Bonds, to provide support for a Series of Parity Bonds, and shall include any substitute therefor in accordance with the provisions of the ordinance providing for the issuance of Parity Bonds supported by a Credit Facility; or (b) from Fitch, Moody's and S&P not lower, when issued, than the credit rating of any Series of Parity Lien Obligations, to provide support for a Series of Parity Lien Obligations (including Variable Rate Parity Lien Obligations), and shall include any substitute therefor in accordance with the provisions of the ordinance providing for the issuance of Parity Lien Obligations supported by a Credit Facility.

"Customers" means Residential Customers and Residential Customer Equivalents as defined and determined in the existing Service Agreements.

"Debt Service Offset" means receipts of the county, including federal interest subsidy payments, designated as such by the county that are not included in Revenue of the System and that are legally available to pay debt service on Parity Bonds, Parity Lien Obligations or other obligations of the county payable from and secured by a pledge of Revenue of the System.

"DTC" means The Depository Trust Company, New York, New York.

"Fair Market Value" means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation §1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield-restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Finance Director" means the director of the finance and business operations division of the department of executive services of the county or any other county officer who succeeds to the duties now delegated to that office, or the designee of such officer.

"First Springing Amendment Date (Parity Bonds) " means the date when the Registered owners of at least 51% in aggregate principal amount of all outstanding Parity Bonds have consented to the adoption of an ordinance or ordinances amending the definition of Reserve Requirement; establishing one or more separate Reserve Requirements for one or more Series of Parity Bonds, including each Series of the Bonds issued as Parity Bonds; reducing any Reserve Requirement, including the Reserve Requirement for each Series of the Bonds issued as Parity Bonds, to an amount less than maximum Annual Parity Debt Service in any calendar year, including to zero; or establishing one or more separate subaccounts within the Parity Bond Reserve Account to secure one or more Series of Parity Bonds, including each Series of the Bonds issued as Parity Bonds, with other Series of Parity Bonds not being secured by such separate subaccounts, as set forth in Ordinance 18588, Section 34.C., and Section 35.C. of this ordinance.

"First Springing Amendment Date (Parity Lien Obligations) " means the date when no Parity Lien Obligations designated as Series 2008 Bonds remain outstanding.

"Fitch" means Fitch Ratings, and its successors and assigns, except that if that entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the county.

"Future Junior Lien Obligations" means any sewer revenue bonds, warrants or other obligations that may be issued in the future with a lien on Revenue of the System equal to the lien thereon of the currently outstanding Junior Lien Obligations.

"Future Multi-Modal LTGO/Sewer Revenue Bonds" means any limited tax general obligation bonds that may be issued in the future that are additionally secured by a lien on Revenue of the System on a parity with the lien thereon of the currently outstanding Multi-Modal LTGO/Sewer Revenue Bonds.

"Future Parity Bonds" means any sewer revenue bonds, warrants or other obligations that may be issued in the future with a lien on Revenue of the System equal to the lien thereon of the currently outstanding Parity Bonds.

"Future Parity Lien Obligations" means any limited tax general obligation bonds that may be issued in the future that are additionally secured by a lien on Revenue of the System on a parity with the lien thereon of the currently outstanding Parity Lien Obligations.

"Government Obligations" means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Junior Lien Obligations" means the county's: (a) Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, dated August 15, 2001, authorized by Ordinances 14171 and 14172 , respectively; (b) Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2011, dated October 26, 2011, authorized by

Ordinance 17202 (c) Junior Lien Variable Rate Demand Sewer Revenue Bond, Series 2012, dated December 27, 2012, authorized by Ordinance 17495 and (d) any Future Junior Lien Obligations.

"Letter of Representations" means the Blanket Issuer Letter of Representations dated May 1, 1995, by and between the county and DTC, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if that corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "Moody's" will be deemed to refer to any other nationally recognized securities rating agency selected by the county.

"MSRB" means the Municipal Securities Rulemaking Board or any successor to its functions.

"Multi-Modal LTGO/Sewer Revenue Bonds" means the county's: (a)Multi-Modal Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenue), Series 2017A and Series 2017B, dated October 26, 2017, authorized by Ordinance 18581 ; (b) Multi-Modal Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), Series 2019A and Series 2019B, dated June 27, 2019, authorized by Ordinance 18898 and (c) any Future Multi-Modal LTGO/Sewer Revenue Bonds.

"Net Revenue" means Revenue of the System less Operating and Maintenance

Expenses.

"Operating and Maintenance Expenses" means all normal expenses incurred by the county in causing the System to be maintained in good repair, working order and condition and includes payments to any private or governmental agency for the operation or maintenance of facilities or for the disposal of sewage but excludes any allowance for depreciation.

"Owner" means, with respect to a Bond, without distinction, the Beneficial Owner or the Registered Owner.

"Parity Bond Fund" means the "Water Quality Revenue Bond Account" designated pursuant to Ordinance 12076, Section 30, and continued pursuant to Section 9 of this ordinance for the purpose of paying and securing the payment of the Parity Bonds.

"Parity Bond Reserve Account" means the bond reserve account in the Parity Bond Fund securing the payment of the Parity Bonds.

"Parity Bonds" means the bonds identified as such in the Preamble to this ordinance, together with: (a) any Bonds issued under this ordinance with a lien on Revenue of the System equal to the lien thereon of those bonds; and (b) any Future Parity Bonds. "Parity Bonds" include any Parity Payment Agreements and parity reimbursement agreements entered into with the provider of a Credit Facility securing any Parity Bonds.

"Parity Lien Obligation Bond Fund" means the "Water Quality Limited Tax General Obligation Bond Redemption Fund" established pursuant to Ordinance 11241, Section 8, and continued pursuant to Section 10 of this ordinance, to provide for payment of Parity Lien Obligations.

"Parity Lien Obligation Payment Agreement" means a Payment Agreement under which the county's payment obligations are expressly stated to constitute a charge and lien on Revenue of the System equal in rank with the charge and lien on Revenue of the System securing amounts required to be paid into the Parity Lien Obligation Bond Fund to pay and secure the payment of principal of and interest on the Parity Lien Obligations.

"Parity Lien Obligation Term Bonds" means Parity Lien Obligations that are Term Bonds.

"Parity Lien Obligations" means bonds identified as such in the Preamble to this ordinance, together with: (a) any Bonds issued under this ordinance with a lien on Revenue of the System equal to the lien thereon of those bonds; and (b) any Future Parity Lien Obligations. "Parity Lien Obligations" include any Parity Lien Obligation Payment Agreements and parity reimbursement agreements entered into with the provider of a Credit Facility securing any Parity Lien Obligations.

"Parity Payment Agreement" means a Payment Agreement under which the county's payment obligations are expressly stated to constitute a charge and lien on Revenue of the System equal in rank with the charge and lien on Revenue of the System securing amounts required to be paid into the Parity Bond Fund to pay and secure the payment of principal of and interest on the Parity Bonds.

"Parity Term Bonds" means Parity Bonds that are Term Bonds.

"Participant" means each city, town, county, water-sewer district, municipal corporation, person, firm, private corporation or other entity that disposes of any portion of its sanitary sewage into the System and has entered into a Service Agreement with the county.

"Payment Agreement" means, to the extent permitted from time to time by applicable law, a written agreement entered into by the county: (a) in connection with or incidental to the issuance, incurring or carrying of bonds or other obligations of the county secured in whole or in part by a lien on Revenue of the System; (b) for the purpose of managing or reducing the county's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes; (c) with a Qualified Counterparty; and (d) which provides, on either a current or forward basis, for an exchange of payments determined in accordance with a formula specified therein.

"Payment Agreement Payments" means the amounts periodically required to be paid by the county to the Qualified Counterparty pursuant to a Payment Agreement. The term "Payment Agreement Payments" does not include any termination payment required to be paid with respect to a Payment Agreement.

"Payment Agreement Receipts" means the amounts periodically required to be paid by the Qualified Counterparty to the county pursuant to a Payment Agreement.

"Permitted Investments" means any investment permitted by law, but only to the extent that the same are acquired at Fair Market Value.

"Professional Utility Consultant" means a licensed professional engineer, a Certified Public Accountant, or other independent person or firm selected by the county having a favorable reputation for skill and experience with sewer systems of comparable size and character to the System in such areas as are relevant to the purposes for which they are retained.

"Project Bonds" mean the not to exceed $825,000,000 aggregate principal amount of bonds of the county authorized to be issued under this ordinance to pay costs of acquiring and constructing improvements to the System. The Project Bonds may be issued in one or more Series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

"Public Works Trust Fund Loans" means loans to the county by the State Department of Commerce under the Public Works Trust Fund loan program pursuant to loan agreements in effect as of the date of this ordinance and any loan agreements hereafter entered into by the county under the Public Works Trust Fund loan program, the repayment obligations of which are secured by a lien on Revenue of the System equal to the lien thereon established by such loan agreements in effect as of the date of this ordinance.

"Qualified Counterparty" means with respect to a Payment Agreement an entity: (a) whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under a Payment Agreement are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, are rated (at the time the Payment Agreement is entered into) at least as high as A3 by Moody's and A- by S&P (and A- by Fitch for any Parity Lien Obligation Payment Agreement), or the equivalent thereof by any successor thereto; and (b) who is otherwise qualified to act as the other party to a Payment Agreement under any applicable laws of the State.

"Qualified Insurance" means any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation, as of the time of issuance of such policy or surety bond, is then rated in one of the two highest rating categories by Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds and maintains a policy owner's surplus in excess of $500,000,000.

"Qualified Letter of Credit" means any irrevocable letter of credit issued by a bank for the account of the county and for the benefit of the registered owners of Parity Bonds, provided that such bank maintains an office, agency or branch in the United States, and provided further, that as of the time of issuance of such letter of credit, such bank is currently rated in one of the two highest rating categories by Moody's, S&P, and any other rating agency then maintaining a rating on the Parity Bonds.

"Rate Stabilization Fund" means the fund of that name created pursuant to Ordinance 12314, Section 13.D., and continued pursuant to Section 13.B. of this ordinance.

"RCW" means the Revised Code of Washington.

"Rebate Amount" means the amount, if any, determined to be payable with respect to the Bonds by the county to the United States of America in accordance with Section 148(f) of the Code.

"Record Date" means, with respect to a Bond, unless otherwise provided in the Sale Motion, the Registrar's close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, "Record Date" means the Registrar's close of business on the date on which the Registrar sends notice of the redemption.

"Refunded Bonds" mean, for each Series of Refunding Bonds the Refunding Candidates that will be refunded from proceeds of that Series of Bonds, as determined by the Finance Director pursuant to Sections 16 and 28 of this ordinance and set forth in the Sale Motion in accordance with Sections 16 and 28 of this ordinance.

"Refunding Account" means any account authorized to be created pursuant to Section 16 of this ordinance to provide for the refunding of any Refunded Bonds.

"Refunding Bonds" mean the bonds authorized to be issued in one or more series by this ordinance and to refund the Refunded Bonds. The Refunding Bonds may be issued in one or more series of Parity Bonds or Parity Lien Obligations, as provided in this ordinance.

"Refunding Candidates" mean the currently outstanding Parity Bonds, Parity Lien Obligations, Junior Lien Obligations and Multi-Modal LTGO/Sewer Revenue Bonds, the Bonds, and any other obligations issued after the effective date of this ordinance that are Future Parity Bonds, Future Parity Lien Obligations, Future Junior Lien Obligations, Future Multi-Modal LTGO/Sewer Revenue Bonds or Subordinate Lien Obligations.

"Refunding Trustee" means each corporate trustee chosen pursuant to the provisions of Section 16 of this ordinance to serve as refunding trustee or escrow agent in connection with the refunding of Refunded Bonds upon the issuances of any Series of Bonds.

"Registered Owner" means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register.

"Registrar" means, unless otherwise designated in the Sale Motion, the fiscal agent of the State (as the same may be designated by the State from time to time) for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting the transfer of ownership of the Bonds and paying principal of and premium, if any, and interest on the Bonds.

"Reserve Requirement" means maximum Annual Parity Debt Service with respect to any calendar year; provided that on and after the First Springing Amendment Date (Parity Bonds), Reserve Requirement shall have the meaning set forth in any ordinance or ordinances amending the definition of Reserve Requirement pursuant to Ordinance 18588, Section 34.C., and Section 35.C. of this ordinance.

"Revenue Fund" means the "Water Quality Operating Account" as designated by Ordinance 12076, Section 30.

"Revenue of the System" means all the earnings, revenues and money received by the county from or on account of the operations of the System and the income from the investment of money in the Revenue Fund or any account within such fund, but shall not include any money collected pursuant to the Service Agreements applicable to administrative costs of the county other than costs of administration of the System. For certain purposes described in Section 13.B. of this ordinance, deposits from the Rate Stabilization Fund into the Revenue Fund may be included in calculations of "Revenue of the System."

"Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"S&P" means S&P Global Ratings and its successors and assigns, except that if that entity is dissolved or liquidated or no longer performs the functions of a securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized securities rating agency selected by the county.

"Sale Motion" means, with respect to each Series of the Bonds, the motion of the council approving a bond purchase contract (if the Bonds are sold by negotiated sale), accepting a bid (if the Bonds are sold by competitive bid) or approving a loan or other agreement with the federal government or other purchaser, for the purchase of the Bonds and ratifying the sale of the Bonds, all in accordance with Section 28 of this ordinance.

"SEC" means the United States Securities and Exchange Commission.

"Second Springing Amendment Date (Parity Bonds) " means the date when the Registered Owners of at least 51% in aggregate principal amount of all outstanding Parity Bonds have consented to the definitions of Assumed Amortization Period, Assumed Debt Service, Balloon Maturity, and Annual Parity Debt Service set forth in this ordinance (including all springing amendments set forth herein). All Registered Owners of Parity Bonds issued after the effective date of this ordinance are deemed to have consented to the definitions of Assumed Amortization Period, Assumed Debt Service, Balloon Maturity, and Annual Parity Debt Service set forth in this ordinance (including all springing amendments set forth herein) by their purchase of such Parity Bonds.

"Second Springing Amendment Date (Parity Lien Obligations) " means the date when: (a) the First Springing Amendment Date (Parity Lien Obligations) has occurred; and (b) the Registered Owners of at least 51% in aggregate principal amount of all outstanding Parity Lien Obligations have consented to the definitions of Assumed Amortization Period, Assumed Debt Service, Balloon Maturity, and Annual Debt Service set forth in this ordinance (including all springing amendments set forth herein). All Registered Owners of Parity Lien Obligations issued after the effective date of this ordinance are deemed to have consented to the definitions of Assumed Amortization Period, Assumed Debt Service, Balloon Maturity and Annual Debt Service set forth in this ordinance (including all springing amendments set forth herein) by their purchase of such Parity Lien Obligations.

"Securities Depository" means DTC, any successor thereto, any substitute securities depository selected by the county that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

"Series" means any series of Parity Bonds or Parity Lien Obligations.

"Service Agreements" means the sewage disposal agreements entered into between the county and municipal corporations, persons, firms, private corporations, or governmental agencies providing for the disposal by the county of sewage collected from such contracting parties.

"SRF Loans" means loans to the county by the State Department of Ecology pursuant to loan agreements in effect as of the date of this ordinance and any loans and loan agreements hereafter entered into by the county under the State water pollution control revolving fund loan program, the repayment obligations of which are secured by a lien on Revenue of the System equal to the lien thereon established by such loan agreements in effect as of the date of this ordinance.

"State" means the State of Washington.

"Subordinate Lien Obligations" means those revenue bonds or other revenue obligations that may be issued by the county in the future with a lien on Revenue of the System junior and inferior to the lien thereon of the Multi-Modal LTGO/Sewer Revenue

Bonds, and payable from Revenue of the System that is available after first making the payments required to be made under paragraph "First" through "Seventh" but before making the payments required to be made under paragraph "Ninth" of Section 14 of this ordinance.

"System" means the sewers and sewage disposal facilities now or hereafter acquired, constructed, used or operated by the county for the purpose of carrying out the Comprehensive Plan.

"Tax Certificate" means the Federal Tax Certificate regarding certain federal tax matters executed on behalf of the county upon the issuance of each Series of Tax-Exempt Obligations.

"Tax-Exempt Obligations" means Parity Bonds or Parity Lien Obligations the interest on which the county intends to be excludable from gross income for federal income tax purposes and also includes taxable direct pay or other Parity Bonds or Parity Lien Obligations that are subject to the requirements applicable to Tax-Exempt Obligations.

"Term Bonds" means those bonds identified as such in the proceedings authorizing their issuance, the principal of which is amortized by a schedule of mandatory redemptions, payable from a bond redemption fund, prior to their maturity.

"Trustee" means a trustee for the Parity Bonds authorized to be appointed by registered owners of Parity Bonds, as provided by this ordinance.

"Undertaking" means an undertaking for ongoing disclosure to be entered into by the county for each Series of Bonds, if and to the extent required by Rule15c2-12, as authorized by a Sale Motion.

"Variable Rate Parity Bonds" means Parity Bonds bearing interest at a variable rate of interest, provided that at least one of the following conditions is met: (a) at the time of issuance the county has entered into a Payment Agreement with respect to such Parity Bonds, which Payment Agreement converts the effective interest rate to the county on the Variable Rate Parity Bonds from a variable interest rate to a fixed interest rate; or (b) the Parity Bonds bear interest at a variable rate but are issued concurrently in equal par amounts with other Parity Bonds bearing interest at a variable rate and are required to remain outstanding in equal amounts at all times, if the net effect of such equal par amounts and variable rates at all times is a fixed rate of interest to the county.

"Variable Rate Parity Lien Obligations" means Parity Lien Obligations bearing interest at a variable rate of interest, provided that at least one of the following conditions is met: (a) at the time of issuance the county has entered into a Payment Agreement with respect to such Parity Lien Obligations, which Payment Agreement converts the effective interest rate to the county on the Variable Rate Parity Lien Obligations from a variable interest rate to a fixed interest rate; or (b) the Parity Lien Obligations bear interest at a variable rate but are issued concurrently in equal par amounts with other Parity Lien Obligations bearing interest at a variable rate and which are required to remain outstanding in equal amounts at all times, if the net effect of such equal par amounts and variable rates at all times is a fixed rate of interest to the county.

B. **Rules of Interpretation**. As used in this ordinance, unless the context otherwise requires:

1. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms refer to this ordinance as a whole and not to any particular section,

subsection, paragraph or clause of this ordinance.

2. Unless the context otherwise indicates, words expressed in the singular may include the plural and vice versa.

3. Any headings preceding the text of the various sections and subsections of this ordinance, and any table of contents or marginal notes appended to copies of this ordinance, are solely for convenience of reference and do not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect.

4. All references in this ordinance to "sections," "subsections," "paragraphs" and "clauses" are to the corresponding sections, subsections, paragraphs or clauses of this ordinance as originally adopted.

5. The term "including" means "including without limitation."

SECTION 2. **Findings**. Because conditions in the capital markets are volatile, the council finds that it is in the best interests of the county and ratepayers of the System that the county retain the flexibility to issue the Bonds in one or more Series, as Parity Bonds or Parity Lien Obligations, to maximize interest rate savings and, where possible, to achieve further savings by refunding all or some of the Refunding Candidates. To achieve this flexibility, the council further finds that it is in the best interests of the county and ratepayers of the System that a plan of refunding and the sale of Bonds in one or more Series, as Parity Bonds or Parity Lien Obligations, as Tax-Exempt Obligations or otherwise, by competitive bid, negotiated sale or sale to the federal government or other purchaser, for current or future delivery, be determined by the Finance Director, in consultation with the county's financial advisors.

SECTION 3. **Authorization of Bonds**. To provide funds necessary to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the System as set forth in the Comprehensive Plan and the Capital Improvement Budget, the county is authorized to issue one or more Series of Project Bonds in an aggregate principal amount not to exceed $825,000,000.

To provide funds to refund the Refunded Bonds, the county is authorized to issue one or more Series of Refunding Bonds in principal amounts to be established as provided in Sections 16 and 28.

Each sale of a Series of Bonds and plan of refunding, if any, will be ratified and confirmed by the council in a Sale Motion. The Refunding Bonds and Project Bonds may be issued in one or more Series of Parity Bonds or Parity Lien Obligations, as provided in Section 28 of this ordinance, each such Series of Parity Bonds to be designated as "King County, Washington, Sewer Revenue [and Refunding] Bonds" with an applicable year and Series designation, and each such Series of Parity Lien Obligations to be designated as "King County Limited Tax General Obligation [and Refunding] Bonds (Payable from Sewer Revenues)" with an applicable year and Series designation. The Bonds shall be fully registered as to both principal and interest; shall be in the denomination of $5,000 or any integral multiple thereof within a single Series, maturity and interest rate; shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification; and shall be dated the date and mature on the dates, in the years and in the amounts established as provided in Section 28 of this ordinance.

Each Series of Bonds shall bear interest (computed, unless otherwise provided in the Sale Motion, on the basis of a 360-day year of twelve 30-day months) from their dated date or from the most recent interest payment date for which interest has been paid or duly provided for, whichever is later, payable on interest payment dates and at the rate or rates established as provided in Section 28 of this ordinance and ratified and confirmed by a Sale Motion. The Accreted Values of any Bonds that are Capital Appreciation Bonds shall be set forth in a Sale Motion.

SECTION 4. **Registration, Exchange and Payments**.

A. **Registrar/Bond Register**. Unless otherwise specified in the Sale Motion, the county, in accordance with K.C.C chapter 4.84, adopts for the Bonds the system of registration specified and approved by the Washington State Finance Committee, which utilizes the fiscal agent of the State as registrar, authenticating agent, paying agent and transfer agent ("the Registrar"). The Registrar shall keep, or cause to be kept, at its designated corporate trust office, sufficient books for the registration and transfer of the Bonds ("the Bond Register"), which shall be open to inspection by the county at all times. The Bond Register shall contain the name and mailing address of the Registered Owner of each Bond and the principal amount and number of each of the Bonds held by each Registered Owner. The Registrar is authorized, on behalf of the county, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this ordinance, to serve as the county's paying agent for the Bonds and to carry out all of the Registrar's powers and duties under this ordinance.

The Registrar shall be responsible for the representations contained in its Certificate of Authentication on the Bonds. The Registrar may become the Owner of Bonds with the same rights it would have if it were not the Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners.

B. **Registered Ownership**. The Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The county and the Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes, and neither the county nor the Registrar shall be affected by any notice to the contrary. Payment of each Bond shall be made as described in Section 4.E. of this ordinance, but registration of ownership of each Bond may be transferred as provided herein. All payments made as described in Section 4.E. of this ordinance shall be valid and shall satisfy and discharge the liability of the county upon such Bond to the extent of the amount or amounts so paid.

C. **Use of Depository**. Unless otherwise specified in the Sale Motion, the Bonds initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Neither the county nor the Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding the accuracy of any records maintained by the Securities Depository or its participants. Neither the county nor the Registrar shall be responsible for any notice that is permitted or required to be given to the Registered Owner of any Bond registered in the name of the Securities Depository except such notice as is required to be given by the Registrar to the Securities Depository.

For so long as the Bonds are registered in the name of the Securities Depository, the Securities Depository shall be deemed to be the Registered Owner for all purposes hereunder, and all references to Registered Owners shall mean the Securities Depository and shall not mean the Beneficial Owners. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (a) to any successor Securities Depository; (b) to any substitute Securities Depository appointed by the county; or (c) to any person if the Bond is no longer to be held by a Securities Depository.

Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the county, the county may appoint a substitute Securities Depository. If: (a) the Securities Depository resigns and the county does not appoint a substitute Securities Depository, or (b) the county terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this ordinance.

D. **Registration Covenant**. The county covenants that, until all Tax-Exempt Obligations have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

E. **Place and Medium of Payment**. Principal of and premium, if any, and interest on the Bonds are payable in lawful money of the United States of America. Principal of and premium, if any, and interest on each Bond registered in the name of the Securities Depository are payable in the manner set forth in the Letter of Representations. Unless otherwise specified in the Sale Motion, interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. The county is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Unless otherwise specified in the Sale Motion, principal of and premium, if any, on each Bond not registered in the name of the Securities Depository are payable upon presentation and surrender of the Bond by the Registered Owner to the Registrar at maturity or upon prior redemption in full.

F. **Transfer or Exchange of Registered Ownership; Change in Denominations.** The registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds, at the option of the new Registered Owner) of the same Series, date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same Series, date, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to exchange or transfer any Bond during the 15 days preceding any principal payment or redemption date, or, in the case of any proposed redemption of a Bond, after mailing of notice of the call of the Bond for redemption.

<u>SECTION 5.</u> **Redemption Provisions; Purchase of Bonds**.

A. **Optional Redemption.** All or some of the Bonds may be subject to redemption prior to their stated maturity dates at the option of the county at the times and on the terms set forth in the Sale Motion.

B. **Mandatory Redemption.** The county shall redeem any Term Bonds, if not redeemed under the optional redemption provisions set forth in the Sale Motion or purchased under the provisions set forth herein, randomly (or in such other manner as set forth in the Sale Motion or as the Registrar shall determine) at par plus accrued interest on the dates and in the years and principal amounts as set forth in the Sale Motion.

If the county redeems Term Bonds under the optional redemption provisions set forth in the Sale Motion or purchases for cancellation or defeases Term Bonds, the Term Bonds so redeemed, purchased or defeased (irrespective of their redemption or purchase prices) shall, unless otherwise provided in the Sale Motion, be credited against one or more scheduled mandatory redemption amounts for those Term Bonds. The county shall determine the manner in which the credit is to be allocated and shall notify the Registrar in writing of its allocation at least 60 days prior to the earliest mandatory redemption date for the maturity of Term Bonds for which notice of redemption has not already been given.

C. **Partial Redemption.** Whenever less than all of the Bonds of a single maturity of a Series are to be redeemed, the Securities Depository shall select the Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Registrar shall select all other Bonds to be redeemed randomly, or in such other manner set forth in the Sale Motion or as the Registrar shall determine.

Portions of the principal amount of any Bond, in integral amounts of $5,000 within a Series and maturity, may be redeemed, unless otherwise provided in the Sale Motion. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond to the Registrar, there shall be issued to the Registered Owner, without charge therefor, a new Bond (or Bonds, at the option of the Registered Owner) of the same Series, maturity and interest rate in any authorized denomination in the aggregate total principal amount remaining outstanding.

D. **Purchase.** The county reserves the right and option to purchase any or all of the Bonds offered to the county at any time at any price acceptable to the county plus accrued interest to the date of purchase.

<u>SECTION 6.</u> **Notice and Effect of Redemption**. Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date, except as otherwise set forth in the Sale Motion. The requirements of the preceding sentences shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by any Owner. Notice of

redemption shall also be mailed or sent electronically within the same period to the MSRB, to any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the county, and to such other persons and with such additional information as the Finance Director shall determine, but such further notice shall not be a condition precedent to the redemption of any Bond.

In the case of an optional redemption, the notice of redemption may state that the county retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain outstanding.

Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Parity Bond Fund or the Parity Lien Obligation Bond Fund, as applicable, or in a trust account established to refund or defease the Bond.

SECTION 7. **Form and Execution of Bonds**. Bonds issued as Parity Bonds shall be in substantially the form set forth in Attachment C to this ordinance. Bonds issued as Parity Lien Obligations shall be in substantially the form set forth in Attachment D to this ordinance. The Bonds shall be signed by the county executive and the clerk of the council, either or both of whose signatures may be manual or in facsimile, and the seal of the county or a facsimile reproduction thereof shall be impressed or printed thereon.

Only a Bond bearing a Certificate of Authentication in the form set forth in Attachment C or Attachment D to this ordinance, as applicable, manually signed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this ordinance.

If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the county authorized to sign bonds before the Bond bearing the officer's manual or facsimile signature is authenticated by the Registrar or issued or delivered by the county, that Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the county as though that person had continued to be an officer of the county authorized to sign bonds. Any Bond also may be signed on behalf of the county by any person who, on the actual date of signing of the Bond, is an officer of the county authorized to sign bonds, although such officer did not hold the required office on the dated date of the Bond.

<u>SECTION 8.</u> **Mutilated, Lost, Stolen or Destroyed Bonds**. If any Bond becomes mutilated, the Registrar may authenticate and deliver a new Bond or Bonds of like amount, date, Series, interest rate and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the county and the Registrar in connection therewith and upon surrender to the Registrar of the Bond so mutilated. Every mutilated Bond so surrendered shall be canceled and destroyed by the Registrar.

If any Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond or Bonds of like amount, date, Series, interest rate and tenor to the

Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the county and the Registrar in connection therewith and upon filing with the Registrar evidence satisfactory to the Registrar that such Bond was actually lost, stolen or destroyed and of registered ownership thereof, and upon furnishing the county and the Registrar with indemnity satisfactory to the Finance Director and the Registrar.

SECTION 9. **Parity Bond Fund**. A special fund of the county known as the "Water Quality Revenue Bond Account" ("the Parity Bond Fund") has heretofore been created and is hereby continued, along with the accounts therein described in this section. The Parity Bond Fund is at all times completely segregated and set apart from all other funds and accounts of the county and is a trust fund for the security and payment of principal of and premium, if any, and interest on Parity Bonds. All money credited to the Parity Bond Fund is pledged and ordered to be used for the sole purpose of paying the principal of and premium, if any, and interest on Parity Bonds.

A. **Debt Service Account**. A "Debt Service Account" has heretofore been established in the Parity Bond Fund. The county hereby obligates and binds itself to set aside and pay into that account out of Revenue of the System amounts sufficient, together with accrued interest, if any, received at the time of delivery of any Series of Bonds that are Parity Bonds and deposited therein, income from the investment of money in the Debt Service Account and Parity Bond Reserve Account, and any other money on deposit in the Debt Service Account and legally available, to pay the principal of and interest on outstanding Parity Bonds as the same become due and payable.

For each Series of the Bonds that are Parity Bonds there is hereby authorized to be created a special subaccount in the Debt Service Account. All money required by this subsection A. to be deposited into the Debt Service Account for the payment of principal of and interest on that Series of the Bonds shall be deposited into the subaccount created for the Series, and the county hereby covenants to budget for each such payment of principal and interest when due. Money in the subaccount will be treated in all respects as all other money in the Debt Service Account, but will be accounted for separately for the purpose of calculating any Rebate Amount payable with respect to that Series of the Bonds.

Payments on account of each Series of the Bonds that are Parity Bonds will be made out of Revenue of the System into the applicable debt service subaccount in the Parity Bond Fund on or before the day each payment of interest on or principal of those Bonds is due.

B. **Term Bond Provisions**. If any Bonds issued as Parity Bonds are designated as Term Bonds pursuant to Section 28 of this ordinance, the Sale Motion for that Series of Bonds shall set forth a mandatory redemption schedule to amortize the principal of those Parity Term Bonds. Payments of principal of Parity Term Bonds under any such mandatory redemption schedule shall be made from the Debt Service Account, as provided in subsection A. of this section, to the extent not credited pursuant to Section 5.B. of this ordinance.

The county covenants that if it issues any Future Parity Bonds as Term Bonds, it will identify those Future Parity Bonds as Parity Term Bonds in the proceedings authorizing their issuance and establish a schedule of mandatory redemptions, payable from the Debt Service Account, to amortize the principal of the Parity Term Bonds prior to their maturity.

C. **Parity Bond Reserve Account**. A Parity Bond Reserve Account has heretofore been established in the Parity Bond Fund. The county hereby pledges that it will pay into and maintain in the Parity Bond Reserve Account, an amount that, together with other funds in the Parity Bond Reserve Account, will be at least equal to the Reserve Requirement. The county may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Parity Bond Reserve Account. The Qualified Letter of Credit or Qualified Insurance must not be cancelable on less than five years' notice. In the event of any cancellation, the Parity Bond Reserve Account will be funded in accordance with the provisions of this section providing for payment in the event of a deficiency therein, as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

On the date of Closing of a Series of Bonds that are Parity Bonds, an amount sufficient to satisfy the Reserve Requirement in the Parity Bond Reserve Account required by the issuance of that Series of Bonds must be deposited therein from the proceeds of Parity Bonds or other funds available therefor or provided for by Qualified Insurance or a Qualified Letter of Credit, as herein permitted.

If there is a deficiency in the Debt Service Account to make any payment when due of either principal of or interest on any Parity Bonds, the deficiency will be made up from the Parity Bond Reserve Account by the withdrawal of money therefrom and by the sale or redemption of obligations held in the Parity Bond Reserve Account, if necessary, in such amounts as will provide cash in the Parity Bond Reserve Account sufficient to make up any such deficiency. If a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the county will then draw from any

Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. The draw will be made at such times and under such conditions as the agreement for the Qualified Letter of Credit or Qualified Insurance provides. If more than one Qualified Letter of Credit or Qualified Insurance is available, draws will be made ratably thereon to make up the deficiency. Any deficiency created in the Parity Bond Reserve Account by reason of any such withdrawal must then be made up from Revenue of the System that is available after first making the payments required to be made under paragraph "First" through "Third" of Section 14 of this ordinance.

Income from the investment of money in the Parity Bond Reserve Account will be deposited in and become a part of the Parity Bond Fund.

<u>SECTION 10.</u> **Parity Lien Obligation Bond Fund**. A special fund of the county known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund" ("the Parity Lien Obligation Bond Fund") has heretofore been created and is hereby continued, along with the accounts therein described in this section. The Parity Lien Obligation Bond Fund is at all times completely segregated and set apart from all other funds and accounts of the county and is a trust fund for the security and payment of principal of and premium, if any, and interest on Parity Lien Obligations. All money credited to the Parity Lien Obligation Bond Fund is pledged and ordered to be used for the sole purpose of paying principal of and premium, if any, and interest on Parity Lien Obligations.

A. **Debt Service Account**. A "Debt Service Account" has heretofore been established in the Parity Lien Obligation Bond Fund. The county hereby obligates and binds itself to set aside and pay into that account out of Revenue of the System amounts sufficient, together with accrued interest, if any, received at the time of delivery of any Series of Bonds issued as Parity Lien Obligations and deposited therein, income from the investment of money in the Debt Service Account and any other money on deposit in the Debt Service Account and legally available, to pay the principal of and interest on outstanding Parity Lien Obligations as the same become due and payable.

For each Series of the Bonds issued as Parity Lien Obligations, there is hereby authorized to be created a special subaccount in the Debt Service Account. All money required by this subsection A. to be deposited into the Debt Service Account for the payment of principal of and interest on that Series of the Bonds will be deposited into the subaccount created for the Series, and the county hereby covenants to budget for each such payment of principal and interest when due. Money in that subaccount will be treated in all respects as all other money in the Debt Service Account, but will be accounted for separately for the purpose of calculating any Rebate Amount payable with respect to that Series of the Bonds.

Payments on account of each Series of the Bonds issued as Parity Lien Obligations will be made out of Revenue of the System into the applicable debt service subaccount in the Parity Lien Obligation Bond Fund on or before the day each payment of interest on or principal of those Bonds is due.

B. **Term Bond Provisions**. If any Bonds issued as Parity Lien Obligations are designated as Term Bonds pursuant to Section 28 of this ordinance, the Sale Motion for that Series of Bonds shall set forth a mandatory redemption schedule to amortize the principal of those Parity Lien Obligation Term Bonds. Payments of principal of Parity

Lien Obligation Term Bonds under any such mandatory redemption schedule will be made from the Debt Service Account, as provided in subsection A. of this section, to the extent not credited pursuant to Section 5.B. of this ordinance.

The county covenants that if it issues any Future Parity Lien Obligations as Term Bonds, it will identify those Parity Lien Obligations as Term Bonds in the proceedings authorizing their issuance and establish a schedule of mandatory redemptions, payable from the Debt Service Account, to amortize the principal of those Parity Lien Obligation Term Bonds prior to their maturity.

SECTION 11. **Pledge of Taxation and Credit**. The county hereby irrevocably covenants and agrees for as long as any Bonds issued as Parity Lien Obligations are outstanding and unpaid, that each year it will include in its budget and levy an ad valorem tax upon all the property within the county subject to taxation in an amount that will be sufficient, together with all other revenues and money of the county legally available for such purposes, to pay the principal of and interest on those Bonds issued as Parity Lien Obligations as the same become due. All of the taxes so collected will be paid into the Parity Lien Obligation Bond Fund no later than the date those funds are required for the payment of principal of and interest on the Bonds issued as Parity Lien Obligations.

The county hereby irrevocably pledges that the annual tax herein authorized to be levied for the payment of such principal and interest shall be within and a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the county prior to the full payment of the principal of and interest on the Bonds issued as Parity Lien Obligations will be and is hereby irrevocably set aside and pledged for the payment of the principal of and interest on those Bonds, and the county hereby covenants to budget for each such payment of principal and interest when due.

The full faith, credit and resources of the county are hereby irrevocably pledged for the annual levy and collection of those taxes and for the prompt payment of the principal of and interest on those Bonds issued as Parity Lien Obligations as the same become due.

Any Bonds issued hereunder as Parity Bonds are not general obligations of the county, and neither the full faith and credit nor the taxing power of the county are pledged to pay or secure the payment of Bonds issued as Parity Bonds hereunder.

SECTION 12. **Pledge of Sewer Revenues**.

A. **Parity Bonds**. The amounts covenanted to be paid out of Revenue of the System into the Parity Bond Fund and the accounts therein shall constitute a lien and charge on Revenue of the System superior to all other charges of any kind or nature except Operating and Maintenance Expenses, and of equal lien to any charges heretofore or hereafter made on Revenue of the System for the payment of the principal of and interest on any Parity Bonds.

If money and investments in the Debt Service Account of the Parity Bond Fund and the Parity Bond Reserve Account are reduced below the amounts required to pay the principal and/or interest then due and payable on any Parity Bonds, funds on deposit in any reserve created in the Revenue Fund not then required for the payment of necessary Operating and Maintenance Expenses will be transferred to the Debt Service Account of the Parity Bond Fund to the extent required to pay that principal and interest.

B. **Parity Lien Obligations**. The amounts covenanted to be paid out of

Revenue of the System into the Parity Lien Obligation Bond Fund and the accounts therein shall constitute a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses, and junior, subordinate and inferior to the lien and charge on Revenue of the System for the payments required by the ordinances authorizing the Parity Bonds to be made into the Parity Bond Fund and the accounts therein, and equal to the lien and charge on Revenue of the System for the payments required to be made by the ordinances authorizing the issuance of the outstanding Parity Lien Obligations and any additional Parity Lien Obligations, and superior to all other liens and charges on Revenue of the System whatsoever.

SECTION 13. **Revenue Fund; Rate Stabilization Fund**.

A. **Revenue Fund**. A special fund of the county known as the "Water Quality Operating Account" ("the Revenue Fund") has heretofore been created and is hereby continued. All Revenue of the System will be deposited in the Revenue Fund. All Operating and Maintenance Expenses will be paid out of the Revenue Fund or appropriate reserves therein.

B. **Rate Stabilization Fund**. In anticipation of increases in revenue requirements of the System, a special fund of the county designated as the "Sewer Rate Stabilization Fund" ("the Rate Stabilization Fund") has heretofore been established and is hereby continued. The county may from time to time appropriate or budget amounts in the Revenue Fund for deposit in the Rate Stabilization Fund, as provided in Section 14 of this ordinance, and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate sewer rate increases or for other lawful purposes of the county related to the System, including calculations of "Net Revenue" and "Revenue of the System" for the purposes of satisfying requirements of Sections 18, 24 and 25 of this ordinance.

For any fiscal year: (a) amounts withdrawn from the Revenue Fund and deposited into the Rate Stabilization Fund for that fiscal year must be subtracted from Net Revenue for that fiscal year; and (b) amounts withdrawn from the Rate Stabilization Fund and deposited in the Revenue Fund for that fiscal year may be added to Revenue of the System for that fiscal year.

SECTION 14. **Sewer Revenue Priorities of Payment**. So long as any Bond is outstanding, all Revenue of the System will be deposited into the Revenue Fund and used and applied in the following order of priority:

First, to pay all Operating and Maintenance Expenses;

Second, to make all required deposits into the Debt Service Account in the Parity Bond Fund to provide for the payment of principal of and interest on Parity Bonds as the same become due and payable and to make any Payment Agreement Payments with respect to any Parity Payment Agreements;

Third, to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Qualified Insurance or a Qualified Letter of Credit; provided, that if there is not sufficient money to make all payments under such reimbursement agreements, the payments will be made on a pro rata basis;

Fourth, to establish and maintain the Parity Bond Reserve Account (including making deposits into such account and paying the costs of obtaining Qualified Insurance or a Qualified Letter of Credit therefor);

Fifth, to make all required payments of principal and interest on the Parity Lien Obligations and to make any Payment Agreement Payments with respect to any Parity Lien Obligation Payment Agreements;

Sixth, to make all required payments of principal of and interest on the Junior Lien Obligations as the same become due and payable, to make all Payment Agreement Payments with respect to any Payment Agreements entered into with respect to Junior Lien Obligations, and to make any payments required to be made to providers of any credit enhancements or liquidity facilities for Junior Lien Obligations;

Seventh, to make all required payments of principal of and interest on the Multi-Modal LTGO/Sewer Revenue Bonds as the same become due and payable, to make all Payment Agreement Payments for any Payment Agreements entered into with respect to Multi-Modal LTGO/Sewer Revenue Bonds, and to make any payments required to be made to providers of credit enhancements or liquidity facilities for any Multi-Modal LTGO/Sewer Revenue Bonds;

Eighth, to make all required payments of principal of and interest on the Subordinate Lien Obligations as the same become due and payable;

Ninth, to make all required payments of principal of and interest on bonds, notes, warrants and other evidences of indebtedness, the lien and charge on Revenue of the System of which are junior and inferior to the Subordinate Lien Obligations, as the same become due and payable; and

Tenth, to make all required payments of principal of and interest due on the SRF Loans and the Public Works Trust Fund Loans.

Any surplus money that the county may have on hand in the Revenue Fund after making all required payments set forth above may be used by the county: (a) to make necessary improvements, additions and repairs to and extensions and replacements of the System; (b) to purchase or redeem and retire outstanding sewer revenue bonds of the county; (c) to make deposits into the Rate Stabilization Fund; or (d) for any other lawful purposes of the county related to the System.

SECTION 15. **Construction Account; Disposition of Bond Proceeds**.

A. **Construction Account**. There has heretofore been created a special fund of the county known as the "Second Water Quality Construction Account" ("the Construction Account"). For purposes of separately accounting for investment earnings on the proceeds of the Project Bonds to facilitate compliance with the requirements of Section 21 of this ordinance, there is hereby established for each Series of Project Bonds issued hereunder a special subaccount within the Construction Account to be designated as the "Series [applicable year designation] Construction Subaccount" (each a "Construction Subaccount").

Money in each Construction Subaccount will be held and applied to pay costs of acquiring, constructing and equipping improvements, additions or betterments to the System as set forth in the Comprehensive Plan and the Capital Improvement Budget and all costs incidental thereto, including engineering, architectural, planning, financial, legal, urban design or any other incidental costs, and to repay any advances heretofore or hereafter made on account of such costs, provided that if deficiencies exist in the Parity Bond Fund or Parity Lien Obligation Bond Fund, money in any Construction Subaccount may be transferred to such fund in any amounts necessary to pay principal of and interest on Parity Bonds or Parity Lien Obligations, as applicable. Pursuant to a Sale Motion, proceeds of a Series of Project Bonds may be designated to pay capitalized interest on those Project Bonds and may be held in the applicable Construction Subaccount or in a trust account to be established with an escrow agent or refunding trustee appointed by the Finance Director, as provided in the Sale Motion.

B. **Disposition of Bond Proceeds**. The proceeds of the Bonds will be deposited as follows:

1. The amount equal to the interest, if any, accruing on each Series of the Bonds from their dated date to the date of their Closing will be deposited in the appropriate subaccount for the Series created in the Debt Service Account in the Parity Bond Fund or Parity Lien Obligation Bond Fund, as applicable.

2. Proceeds of each Series of the Bonds issued as Parity Bonds may be deposited into the Parity Bond Reserve Account, as will be provided for in each Sale Motion for any Bonds issued as Parity Bonds.

3. The balance of the proceeds of any Series of Project Bonds will be deposited in the appropriate Construction Subaccount (including an escrow account that may be established for capitalized interest) as provided in subsection A. of this section and applied as provided in subsection A. of this section.

4. The balance of the proceeds of any Series of Refunding Bonds will be deposited into the appropriate Refunding Account and applied as provided in Section 16 of this ordinance.

SECTION 16. **Refunding Account; Plan of Refunding.**

A. **Refunding Account; Guidelines for Refunding**. There is hereby authorized to be established one or more special accounts of the county to be maintained with the Refunding Trustee, each to be known as a "King County [year and Series designation] Sewer Revenue Bonds Refunding Account" (each a "Refunding Account"). Each Refunding Account will be drawn upon for the purpose of paying the principal of and premium, if any, and interest on the applicable Refunded Bonds and of paying costs related to the issuance of that Series of Refunding Bonds and to refunding the applicable Refunded Bonds. Proceeds of the sale of any Refunding Bonds, together with other county funds that may be designated for that purpose, will be deposited into each Refunding Account to provide for refunding the applicable Refunded Bonds in accordance with the ordinances authorizing the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds.

The Finance Director is authorized to determine, in consultation with the county's financial advisors, which of the Refunding Candidates, if any, are to be refunded. In determining which of the Refunding Candidates, if any, should be advance refunded under this ordinance in order to effect a saving to the county and ratepayers of the System, the council intends that the Finance Director adhere to a refunding guideline that the present value of the savings achieved by such an advance refunding meet or exceed a minimum level of 5% of the principal amount of Refunded Bonds that are advance refunded. This requirement does not apply to the current refunding of any Refunded Bonds, i.e., the redemption of Refunded Bonds paid for with proceeds of Refunding Bonds issued no earlier than 90 days prior to the date fixed for redemption of the Refunded Bonds, or to the refunding of any Refunded Bonds when necessary or in the best interest of the county and ratepayers of the System to modify debt service or reserve requirements, sources of payment, covenants or other terms of the Refunded Bonds.

B. **Plan of Refunding**. Each plan of refunding and call for redemption of Refunded Bonds shall be set forth in and ratified and confirmed by a Sale Motion. Money in each Refunding Account shall be used immediately upon receipt thereof to defease the applicable Refunded Bonds and discharge the other obligations of the county relating thereto under the ordinances that authorized the Refunded Bonds, by providing for the payment of the principal of and premium, if any, and interest on the Refunded Bonds as set forth in a Sale Motion. The county will defease such bonds and discharge such obligations by the use of the money in each Refunding Account to purchase Government Obligations (such obligations so purchased, "Acquired Obligations") bearing interest and maturing as to principal and interest in such amounts and at such times that, together with any necessary beginning cash balance, will provide for the payment of such Refunded Bonds, as set forth in the Sale Motion. Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to the obligations acquired in connection with refunding bond issues.

In connection with the issuance of each Series of Refunding Bonds, to carry out the refunding and defeasance of Refunded Bonds, the Finance Director is hereby authorized to appoint a Refunding Trustee qualified by law to perform the duties described herein. Any beginning cash balance and the Acquired Obligations will be irrevocably deposited with the Refunding Trustee in an amount sufficient to defease the Refunding Bonds in accordance with this section and the applicable Sale Motion.

The county will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Refunding Trustee are paid when due. The proper officers and agents of the county are directed to negotiate an agreement with each Refunding Trustee setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the redemption and retirement of the Refunded Bonds as provided herein and setting forth provisions for the payment of the fees, compensation and expenses of the Refunding Trustee as are satisfactory to it. To carry out the purposes of this section, the Finance Director is authorized and directed to execute and deliver to each Refunding Trustee a refunding trust agreement and, if requested, a costs of issuance agreement, in forms approved by the county's bond counsel.

C. **Required Findings**. By a Sale Motion, the council shall set forth its findings of either:

1. savings and defeasance regarding the Refunded Bonds authorized to be refunded from the proceeds of each Series of Refunding Bonds; or

2. the best interest of the county and ratepayers of the System from modifying debt service or reserve requirements, sources of payment, covenants or other terms of the Refunded Bonds authorized to be refunded from the proceeds of each Series of Refunding Bonds.

SECTION 17. **Due Regard for Expenses and Sewer Revenues Pledged**. The council hereby declares that, in fixing the amounts to be paid into the Parity Bond Fund and Parity Lien Obligation Bond Fund, as applicable, and the accounts therein, out of Revenue of the System, it has exercised due regard for the Operating and Maintenance Expenses and has not obligated the county to set aside in such funds and accounts a greater amount of Revenue of the System than in its judgment will be available over and above the Operating and Maintenance Expenses and Revenue of the System previously pledged.

SECTION 18. **Rate Covenants**.

A. **Parity Bonds**. The county hereby covenants with the Registered Owner of each of the Bonds issued as Parity Bonds that, for so long as any of the same are outstanding, the county will at all times establish, maintain and collect rates and charges for sewage disposal service that will provide in each calendar year Net Revenue in an amount that, together with the interest earned during that calendar year on investments of money in the Parity Bond Fund, Parity Bond Reserve Account and Construction Account, will equal or exceed 1.15 times the amount required to pay the Annual Parity Debt Service for such calendar year.

At all times and in any event, rates and charges for sewage disposal service will be sufficient to provide funds adequate to operate and maintain the System, to make all payments and to establish and maintain all reserves required by this or any other ordinance authorizing obligations of the county payable from Revenue of the System, to make up any deficit in such payments remaining from prior years and to pay all costs incurred in the construction or acquisition of any portion of the Comprehensive Plan that may be ordered by the county and for the payment of which sewer revenue bonds (or other obligations payable from Revenue of the System) are not issued.

B. **Parity Lien Obligations**. The county hereby covenants with the Registered Owner of each of the Bonds issued as Parity Lien Obligations that, for so long as any of the same are outstanding, the county will at all times establish, maintain and collect rates and charges for sewage disposal service that will be fair and nondiscriminatory and adequate to provide Revenue of the System sufficient for the proper operation and maintenance of the System; for the punctual payment of the principal of and interest on all outstanding Parity Bonds for which payment has not otherwise been provided and all amounts that the county is obligated to set aside in the Parity Bond Fund securing the Parity Bonds; for the punctual payment of the principal of and interest on all outstanding Parity Lien Obligations and for all amounts that the county is obligated to set aside in the Parity Lien Obligation Bond Fund; and for the payment of any and all other amounts that the county is now or may hereafter become obligated to pay from Revenue of the System.

The county hereby further covenants with the Registered Owner of each of the Bonds issued as Parity Lien Obligations for so long as any of the same are outstanding that the county will at all times establish, maintain and collect rates and charges for sewage disposal service that will provide in each calendar year Net Revenue in an amount that, together with the interest earned during that calendar year on investments made of money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund and Construction Account, is equal to at least 1.15 times the amounts required to pay the Annual Debt Service for such calendar year.

C. **Rate Stabilization Fund**. In determining compliance with the requirements of this section, Revenue of the System and Net Revenue shall be calculated by taking into account deposits and withdrawals from the Rate Stabilization Fund as provided in Section 13.B. of this ordinance.

SECTION 19. **Certain Other Covenants of the County Regarding the Bonds**. The county hereby covenants with the Registered Owner of each of the Bonds for as long as any of the Bonds are outstanding, as follows:

A. **Maintain in Good Order**. The county will cause the System and the business in connection therewith to be operated in a safe, sound, efficient, and economic manner in compliance with all health, safety, and environmental laws, regulatory body rules, regulatory body orders and court orders applicable to the county's operation of the System, and will cause the System to be maintained, preserved, reconstructed, expanded and kept, with all appurtenances and every part and parcel thereof, in good repair, working order and condition, and will from time to time cause to be made, without undue deferral, all necessary or proper repairs, replacements and renewals, so that at all times the operation of the System will be properly and advantageously conducted.

B. **Books and Records**. The county will cause proper books of record and accounts of operation of the System to be kept, including an annual financial report.

C. **Annual Audit**. The county will cause its books of accounts, including its annual financial report, to be audited annually by the State auditor's office or other State department or agency as may be authorized and directed by law to make such audits, or if such an audit is not made for twelve months after the close of any fiscal year of the county, by a Certified Public Accountant. The county will furnish the audit to the Owner of any Bond upon written request therefor.

D. **Insurance**. The county will at all times carry fire and extended coverage and such other forms of insurance on such of the buildings, equipment, facilities and properties of the System as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by municipal or privately owned utilities engaged in the operation of sewer systems and will also carry adequate public liability insurance at all times, provided that the county may, if deemed advisable by the council, institute or continue a self-insurance program for any or all of the aforementioned risks.

E. **Construction**. The county will cause the construction of any duly authorized and ordered portions of the Comprehensive Plan to be performed and completed within a reasonable time and at the lowest reasonable cost.

F. **Collection of Revenue**. The county will operate and maintain the System and conduct its affairs so as to entitle it at all times to receive and enforce payment to it of sewage disposal charges payable: (a) pursuant to the ordinance or ordinances establishing a tariff of rates and charges for sewage disposal services; and (b) under any Service Agreement that the county has now or may hereafter enter into and to entitle the county to collect all revenues derived from the operation of the System. The county shall not release the obligations of any person, corporation or political subdivision under such tariff of rates and charges or the Service Agreements and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the county and of the registered owners of the Parity Bonds and Parity Lien Obligations under or with respect thereto.

In accordance with RCW 35.58.200(3), the county shall require any county, city, special district or other political subdivision to discharge to the System all sewage collected by that entity from any portion of the Seattle metropolitan area that can drain by gravity flow into facilities of the System that serve such areas if the council declares that the health, safety or welfare of the people within the metropolitan area require such action.

G. **Legal Authority**. The county has full legal right, power and authority to adopt this ordinance, to sell, issue and deliver the Bonds as provided herein, and to carry out and consummate all other transactions contemplated by this ordinance.

H. **Due Authorization**. By all necessary official action prior to or concurrently herewith, the county has duly authorized and approved the execution and delivery of, and the performance by the county of its obligations contained in, the Bonds and this ordinance and the consummation by it of all other transactions necessary to effectuate this ordinance in connection with the issuance of Bonds, and such authorizations and approvals are in full force and effect and have not been amended, modified or supplemented in any material respect.

I. **Binding Obligation**. This ordinance constitutes a legal, valid and binding obligation of the county.

J. **No Conflict**. The county's adoption of this ordinance and its compliance with the provisions contained herein will not conflict with or constitute a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, ordinance, motion, agreement or other instrument to which the county is a party or to which the county or any of its property or assets are otherwise subject, nor will any such adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the county or under the terms of any such law, regulation or instrument, except as permitted by this ordinance and the ordinances authorizing the issuance of other Parity Bonds and Parity Lien Obligations.

K. **Performance under Ordinance**. None of the proceeds of the Bonds will be used for any purpose other than as provided in this ordinance, and except as otherwise expressly provided herein, the county shall not suffer any amendment or supplement to this ordinance, or any departure from the due performance of the obligations of the county hereunder, that might materially adversely affect the rights of the Registered Owners from time to time of the Bonds.

L. **Sale or Disposition**. The county will not sell or voluntarily dispose of all of the operating properties of the System unless provision is made for payment into the Parity Bond Fund and the Parity Lien Obligation Bond Fund of a sum sufficient to pay the principal of and interest on all outstanding Parity Bonds and Parity Lien Obligations in accordance with the terms thereof, nor will the county sell or voluntarily dispose of any part of the operating properties of the System unless provision is made: (a) for payment into the Parity Bond Fund of an amount that will bear at least the same proportion to the amount of the outstanding Parity Bonds that the estimated amount of any resulting reduction in Revenue of the System for the twelve months following such sale or disposition bears to the Revenue of the System that would have been realized if such sale or disposition had not been made; and (b) for payment into the Parity Lien Obligation Bond Fund of an amount that will bear at least the same proportion to the amount of the outstanding Parity Lien Obligations that the estimated amount of any resulting reduction in Revenue of the System for the twelve months following such sale or disposition bears to the Revenue of the System that would have been realized if such sale or disposition had not been made. Those estimates must be made by a Professional Utility Consultant. Any money so paid into the Parity Bond Fund and the Parity Lien Obligation Bond Fund must be used to retire outstanding Parity Bonds and Parity Lien Obligations as provided herein at the earliest possible date; provided, however, that the county may sell or otherwise dispose of any of the works, plant, properties and facilities of the System or any real or personal property comprising a part of the System with a value of less than 5% of the net utility plant of the System or that have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful in such operation, without making any deposit into the Parity Bond Fund or Parity Lien Obligation Bond Fund.

SECTION 20. **Certain Other Covenants of the County Regarding the Bonds Issued as Parity Lien Obligations**. The county makes the following covenants and warranties to the Registered Owner of each of the Bonds issued as Parity Lien Obligations:

A. The Bonds issued as Parity Lien Obligations, when issued, sold, authenticated and delivered, will constitute legal, valid and binding general obligations of the county.

B. The county covenants that the Bonds issued as Parity Lien Obligations will be issued within all statutory and constitutional debt limitations applicable to the county.

SECTION 21. **Tax Covenants**. The county will take all actions necessary to assure the exclusion of interest on any Tax-Exempt Obligations from the gross income of the Owners of such Tax-Exempt Obligations to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of such Tax-Exempt Obligations, including but not limited to the following:

A. **Private Activity Bond Limitation**. The county will assure that the proceeds of the Tax-Exempt Obligations are not so used as to cause the Tax-Exempt

Obligations to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code, as applicable.

B. **Limitations on Disposition of Project**. The county will not sell or otherwise transfer or dispose of: (a) any personal property components of the project financed or refinanced with Tax-Exempt Obligations other than in the ordinary course of an established government program under Treasury Regulation 1.141-2(d)(4); or (b) any real property components of the project financed or refinanced with Tax-Exempt Obligations, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Tax-Exempt Obligations as excludable from gross income for federal income tax purposes.

C. **Federal Guarantee Prohibition**. The county will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt Obligations to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

D. **Rebate Requirement**. The county will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Tax-Exempt Obligations.

E. **No Arbitrage**. The county will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Tax-Exempt Obligations which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Tax-Exempt Obligations would have caused the Tax-Exempt Obligations to be "arbitrage bonds" within the meaning of Section 148 of the Code, as applicable.

F. **Registration Covenant**. The county will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code until all Tax-Exempt Obligations have been surrendered and canceled.

G. **Record Retention**. The county will retain its records of all accounting and monitoring it carries out with respect to the Tax-Exempt Obligations for at least three years after the Tax-Exempt Obligations mature or are redeemed (whichever is earlier); however, if the Tax-Exempt Obligations are redeemed and refunded, the county will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Tax-Exempt Obligations.

H. **Compliance with Tax Certificate**. The county will comply with the provisions of the Tax Certificate with respect to the Tax-Exempt Obligations, which are incorporated herein as if fully set forth herein. In the event of any conflict between this Section and the Tax Certificate, the provisions of the Tax Certificate will prevail. Additional tax covenants as necessary or desirable for any Series of Bonds may be set forth in the Sale Motion or Tax Certificate for that Series of Bonds.

The covenants of this Section will survive payment in full or defeasance of the Tax-Exempt Obligations.

SECTION 22. **Trustee for Registered Owners of Parity Bonds**.

A. **Appointment of Trustee**. Upon the occurrence of any "event of default" described in Section 23.A. of this ordinance, the Registered Owners of a majority in principal amount of the outstanding Parity Bonds may appoint a Trustee by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized and delivered to the Trustee, notification thereof being given to the county. Any appointment of a Trustee under the provisions of this subsection A. must be a bank or trust company organized under the laws of the State or the State of New York or a national banking association. The fees and expenses of a Trustee must be borne by the owners of the Parity Bonds and not by the county. The bank or trust company acting as a Trustee may be removed at any time and a successor Trustee may be appointed by the Registered Owners of a majority in principal amount of the outstanding Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized.

The Trustee appointed in the manner herein provided, and each successor thereto, is hereby declared to be a trustee for the Registered Owners of all the Parity Bonds and is empowered to exercise all rights and powers herein conferred on the Trustee.

B. **Certain Rights and Obligations of Trustee**. The Trustee will not be responsible for recitals in any ordinance or in the Parity Bonds, or for the validity of any Parity Bonds, nor will the Trustee be responsible for insuring the System or for collecting any insurance money or for the title to any property of the System.

The Trustee will be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter or other paper or document believed by it to be genuine and correct and to have been signed, sent or delivered by the person or persons by whom such paper or document is purported to have been signed, sent or delivered.

The Trustee will not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

The Trustee will permit the owner of any Parity Bonds to inspect any instrument, opinion or certificate filed with the Trustee by the county or by any person, firm or corporation acting for the county.

The Trustee will not be bound to recognize any person as an owner of any Parity Bond until such person’s title thereto, if disputed, has been established to the Trustee's reasonable satisfaction.

The Trustee may consult with counsel, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

SECTION 23. **Events of Default for Parity Bonds; Powers and Duties of Trustee**.

A. **Events of Default**. The occurrence of one or more of the following is an "event of default" with respect to any Bonds issued as Parity Bonds under this ordinance:

1. default in the payment of principal of or interest on any Parity Bonds when the same becomes due; or

2. default in the observance or performance of any of the other covenants applicable to Parity Bonds herein contained, and the default continues for a period of six months after written notice to the county from the registered owner of a Parity Bond specifying the default and requiring that it be remedied.

B. **Powers of Trustee**. The Trustee in its own name and on behalf of and for the benefit and protection of the registered owners of all Parity Bonds may proceed, and upon the written request of the Registered Owners of not less than 25% in principal amount of the Parity Bonds then outstanding must proceed, to protect and enforce any rights of the Trustee and, to the full extent that Registered Owners of Parity Bonds themselves might do, the rights of such Registered Owners of Parity Bonds under the laws of the State or under the ordinances providing for the issuance of the Parity Bonds, by such suits, actions or proceedings in equity or at law, either for the specific performance of any covenant contained herein or in aid or execution of any power herein granted or for any proper legal or equitable remedy as the Trustee may deem most effectual to protect and enforce the rights of the Trustee and the Registered Owners of Parity Bonds. In the enforcement of any such rights under this or any other ordinance of the county, the Trustee is entitled to sue for, to enforce payment of and to receive any and all amounts due from the county for principal, interest or otherwise under any of the provisions of such ordinance, with interest on overdue payments at the rate or rates set forth in such Parity Bond or Parity Bonds, together with any and all costs and expenses of collection and of all proceedings taken by the Trustee without prejudice to any other right or remedy of the Trustee or of the owners of the Parity Bonds.

If default is made in the payment of principal of any Parity Bond and the default continues for a period of 30 days, the Trustee may not accelerate payment of any Parity Bonds but may proceed to enforce payment thereof as hereinabove provided. If, in the sole judgment of the Trustee, any default is cured and the Trustee furnishes the county a certificate so stating, that default is conclusively deemed to be cured, and the county, Trustee and owners of Parity Bonds will be restored to the same rights and position they would have held if no event of default had occurred.

C. **Actions in Name of Trustee**. All rights of action under this ordinance or upon any of the Parity Bonds enforceable by the Trustee may be enforced by the Trustee without the possession of any Parity Bonds or the production thereof in the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee will be brought in its name for the ratable benefit of the Registered Owners of all Parity Bonds, subject to the provisions of this ordinance.

D. **Procedure by Bond Owners**. No owner of any one or more of the Parity Bonds has any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same, unless an event of default occurs and no Trustee has been appointed as herein provided, but any remedy herein authorized to be exercised by a Trustee may be exercised individually by any registered owner of a Parity Bond, in such Registered Owner's own name and on such Registered Owner's own behalf or for the benefit of all registered owners of Parity Bonds, if no Trustee is appointed, or with the consent of the Trustee if such Trustee has been appointed.

E. **Application of Money Collected by Trustee**. Any money collected by the Trustee at any time pursuant to this section will be applied, first, to the payment of its charges, expenses, advances and compensation and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys, and, second, toward payment of the amount then due and unpaid upon the Parity Bonds, ratably and without preference or priority of any kind not expressly provided in this ordinance, according to the amounts due and payable on the Parity Bonds at the date fixed by the Trustee for the distribution of such money, upon presentation of the several Parity Bonds and upon causing such payment to be stamped thereon, if partly paid, and upon surrender thereof, if fully paid.

SECTION 24. **Future Parity Bonds**. The county further covenants and agrees with the Registered Owner of each of the Bonds issued as Parity Bonds for as long as the same are outstanding that it will not create any special fund for the payment of the principal of and interest on any revenue bonds that will rank on a parity with or have any priority over the payments out of Revenue of the System required to be made into the Parity Bond Fund and the accounts therein to pay or secure the payment of the outstanding Parity Bonds. The county reserves the right for: (a) the purpose of acquiring, constructing and installing any portion of the Comprehensive Plan; (b) the purpose of acquiring, constructing and installing any necessary renewals or replacements of the System; or (c) the purpose of refunding or purchasing and retiring at or prior to their maturity any outstanding obligations of the county payable from Revenue of the System, to issue additional or refunding Parity Bonds (including Variable Rate Parity Bonds) and to make payments into the Parity Bond Fund out of the Revenue Fund that will be sufficient to pay the principal of and interest on those additional or refunding Parity Bonds and to maintain required reserves, such payments out of the Revenue Fund to rank equally with the payments out of the Revenue Fund required to be made into the Parity Bond Fund and the accounts therein for the payment of the principal of and interest on outstanding Parity Bonds, but only upon compliance with the following conditions:

A. At the time of the issuance of any Future Parity Bonds there is no deficiency in the Parity Bond Fund or any account therein.

B. Each ordinance providing for the issuance of any Future Parity Bonds that are refunding bonds must require that all money held in any fund or account of the county created for the purpose of paying the principal of and interest on the bonds being refunded either be used to pay the principal of and interest on such bonds or be transferred or paid into the Parity Bond Fund.

C. Each ordinance providing for the issuance of Future Parity Bonds must provide for the payment of the principal thereof and interest thereon out of the Parity Bond Fund. The Future Parity Bonds may bear such date of issue, interest payment dates, and principal payment dates, and may mature in such year or years, as the council provides. Each such ordinance will further provide that upon the issuance of any Future Parity Bonds, the county will pay into the Parity Bond Reserve Account an amount that will be sufficient to satisfy the Reserve Requirement then applicable or provide Qualified Insurance or a Qualified Letter of Credit to satisfy the Reserve Requirement.

D. At the time of the issuance of any Future Parity Bonds, the county must have on file a certificate from a Professional Utility Consultant (dated no more than 90 days prior to the date of delivery of such Future Parity Bonds) showing that, in the Professional Utility Consultant's professional opinion, the "annual income available for debt service on Parity Bonds" for each year during the life of such Future Parity Bonds shall be at least equal to 1.25 times the amount required in each such year to pay the Annual Parity Debt Service for such year. Such "annual income available for debt service on Parity Bonds" must be determined as follows for each year following the proposed date of issue of such Future Parity Bonds:

1. The Revenue of the System must be determined for a period of any 12 consecutive months out of the 18 months immediately preceding the delivery of the Future Parity Bonds being issued.

2. Such revenue may be adjusted to give effect on a 12-month basis

to the rates in effect on the date of such certificate.

3. If there were any Customers added to the System during such 12-month period or thereafter and prior to the date of the Professional Utility Consultant's certificate, such revenue may be further adjusted on the basis that added Customers were Customers of the System during the entire 12-month period.

4. There will be deducted from such revenue the amount expended for Operating and Maintenance Expenses during such period.

5. For each year following the proposed date of issuance of such Future Parity Bonds the Professional Utility Consultant may add to the annual revenue determined in subsection D.1. through 4. of this section an estimate of the income to be received in each such year from the investment of money in the Parity Bond Fund and any account therein, and the Construction Account, which is to be determined by and in the sole discretion of a firm of nationally recognized financial consultants selected by the county.

6. Beginning with the second year following the proposed date of issue of such Future Parity Bonds and for each year thereafter, the Professional Utility Consultant may add to the annual revenue determined in subsection D.1. through 5. of this section the Professional Utility Consultant’s estimate of any additional annual revenue to be received from anticipated growth in the number of Customers within the area served by the System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided, that the Professional Utility Consultant's estimate of the number of Customers served may not assume growth of more than 1/4 of 1% over and above the

number of Customers served or estimated to be served during the preceding year.

7. If extensions of or additions to the System are in the process of construction at the time of such certificate, or if the proceeds of the Future Parity Bonds being issued are to be used to acquire or construct extensions of or additions to the System, there may be added to the annual net revenue as above determined any revenue not included in subsection D.1. through 6. of this section that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided, that such estimated annual revenue will be based upon 75% of any estimated Customer growth in the four years following the first full year in which such additional revenue is to be collected and thereafter the estimated Customer growth may not exceed 1/4 of 1% per year over and above such reduced estimate.

E. Instead of the certificate described in subsection D. of this section, the county may elect to have on file a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount required to pay, in each year that such Future Parity Bonds would be outstanding, the Annual Parity Debt Service for such year.

F. For the purpose of refunding at or prior to their maturity any outstanding Parity Bonds or any bonds or other obligations of the county payable from Revenue of the System, the county may at any time issue Future Parity Bonds without complying with the provisions of subsection D. or E. of this section; provided, that the county may not issue Future Parity Bonds for such purpose under this subsection F. unless the

Finance Director certifies that upon the issuance of such Future Parity Bonds: (a) total debt service required for all Parity Bonds (including the refunding bonds and not including the bonds to be refunded thereby) will decrease; and (b) the Annual Parity Debt Service for each year that any Parity Bonds (including the refunding bonds and not including the bonds to be refunded thereby) are then outstanding will not be increased by more than $5,000 by reason of the issuance of such Future Parity Bonds.

The principal amount of Future Parity Bonds issued pursuant to this subsection F. may include amounts necessary to pay the principal of the Parity Bonds or other obligations to be refunded, interest thereon to the date of payment or redemption thereof, any premium payable thereon upon such payment or redemption and the costs of issuance of such Future Parity Bonds, and if a Payment Agreement has been provided with respect to the obligations to be refunded, may include amounts necessary to make the payment of all amounts, if any, due and payable by the county under such Payment Agreement. The proceeds of such Future Parity Bonds will be held and applied in such manner as is provided for in the ordinance authorizing the issuance of the Parity Bonds or other obligations to be refunded, so that upon the delivery of such Future Parity Bonds, the Parity Bonds or other obligations to be refunded thereby will be deemed no longer outstanding in accordance with the ordinance authorizing their issuance.

G. . Nothing contained in this ordinance prevents the county from issuing revenue bonds that are a charge on Revenue of the System and money in the Revenue Fund junior or inferior to the payments required to be made therefrom into the Parity Bond Fund and any account therein, nor shall anything herein contained prevent the county from issuing Future Parity Bonds to refund maturing Parity Bonds for the payment of which money is not otherwise available.

SECTION 25. **Additional Parity Lien Obligations**. The county expressly reserves the right to issue additional Parity Bonds in accordance with the ordinances, including this ordinance, authorizing the Parity Bonds. Subject to this reservation of rights with respect to Parity Bonds, the county hereby covenants and agrees with the Registered Owner of each of the Bonds issued as Parity Lien Obligations, so long as such Bonds are outstanding, that it will not issue or incur any other additional indebtedness secured in whole or in part by a lien on Revenue of the System superior to the lien of such Bonds issued as Parity Lien Obligations.

A. **Parity Lien Obligations Other Than Refunding Bonds**. The county expressly reserves the right to issue or enter into additional Parity Lien Obligations (including Variable Rate Parity Lien Obligations as defined herein) for any lawful purpose of the county related to the System if at the time of issuing or entering into such Parity Lien Obligations:

1. There is no deficiency in the Parity Bond Fund, the Parity Lien Obligation Bond Fund or any other bond fund or account securing Parity Lien Obligations.

2. The county has on file a certificate from a Professional Utility Consultant (dated no more than 90 days prior to the date of delivery of such Parity Lien Obligations) showing that, in the Professional Utility Consultant's professional opinion, the "annual income available for debt service on Parity Bonds and Parity Lien Obligations" for each year during the life of such Parity Lien Obligations is at least equal to 1.25 times the amount required to pay Annual Debt Service in each such year. Such

"annual income available for debt service on Parity Bonds and Parity Lien Obligations" shall be determined as follows for each year following the proposed date of issue of such additional Parity Lien Obligations:

a. The Revenue of the System must be determined for a period of any 12 consecutive months out of the 18 months immediately preceding the delivery of the Parity Lien Obligations being issued.

b. Such revenue may be adjusted to give effect on a 12-month basis to the rates in effect on the date of such certificate.

c. If there were any Customers added to the System during such 12-month period or thereafter and prior to the date of the Professional Utility Consultant's certificate, such revenue may be further adjusted on the basis that added Customers were Customers of the System during the entire 12-month period.

d. There will be deducted from such revenue the amount expended for Operating and Maintenance Expenses during such period.

e. For each year following the proposed date of issuance of such Parity Lien Obligations the Professional Utility Consultant may add to the annual revenue determined in clauses a through d of this paragraph 2 an estimate of the income to be received in each such year from the investment of money in the Parity Bond Fund, the Parity Lien Obligation Bond Fund and the Construction Account, which is to be determined by and in the sole discretion of a firm of nationally recognized financial consultants selected by the county.

f. Beginning with the second year following the proposed date of issue of such Parity Lien Obligations and for each year thereafter the Professional

Utility Consultant may add to the annual revenue determined in clauses a through e of this paragraph 2 the Professional Utility Consultant’s estimate of any additional annual revenue to be received from anticipated growth in the number of Customers within the area served by the System on the date of such certificate, after deducting therefrom any increased Operating and Maintenance Expenses estimated to be incurred as a result of such growth; provided, that the Professional Utility Consultant's estimate of the number of customers served may not assume a growth of more than 1/4 of 1% over and above the number of customers served or estimated to be served during the preceding year.

g. If extensions of or additions to the System are in the process of construction at the time of such certificate, or if the proceeds of the Parity Lien Obligations being issued are to be used to acquire or construct extensions of or additions to the System, there may be added to the annual net revenue as above determined any revenue not included in clauses a through f of this paragraph 2 that will be derived from such additions and extensions after deducting therefrom the estimated additional Operating and Maintenance Expenses to be incurred as a result of such additions and extensions; provided, that such estimated annual revenue must be based upon 75% of any estimated Customer growth in the four years following the first full year in which such additional revenue is to be collected and thereafter the estimated Customer growth may not exceed 1/4 of 1% per year over and above such reduced estimate.

3. Instead of the certificate described in subsection A.2. of this section, the county may elect to have on file a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar months Net Revenue was at least equal to 1.25 times the amount

required to pay, in each year that such Parity Lien Obligations would be outstanding, the Annual Debt Service for such year.

B. **Parity Lien Obligations That Are Refunding Bonds**.

1. The county may at any time, for the purpose of refunding at or prior to their maturity any outstanding Parity Lien Obligations, Parity Bonds, or any bonds or other obligations of the county payable from Revenue of the System, issue additional Parity Lien Obligations without complying with the provisions of subsection A.2. and 3. of this section if there is filed with the clerk of the council a certificate of the Finance Director stating that upon the issuance of such additional Parity Lien Obligations: (a) total debt service on all Parity Bonds and Parity Lien Obligations (including the refunding bonds but not including the bonds to be refunded thereby) will decrease; and (b) the Annual Debt Service for each year that any Parity Bonds and any Parity Lien Obligations (including the refunding bonds but not including the bonds to be refunded thereby) are then outstanding will not be increased by more than $5,000 by reason of the issuance of such additional Parity Lien Obligations.

2. The principal amount of such Parity Lien Obligations may include amounts necessary to pay the principal of the bonds or other obligations to be refunded, interest thereon to the date of payment or redemption thereof and any premium payable thereon upon such payment or redemption and the costs of issuance of such Parity Lien Obligations and, if a Payment Agreement has been provided with respect to the obligations to be refunded, may include amounts necessary to make the payment of all amounts, if any, due and payable by the county under such Payment Agreement. The proceeds of such Parity Lien Obligations will be held and applied as provided in the

ordinance authorizing the issuance of such Parity Lien Obligations, so that upon the delivery of such Parity Lien Obligations, the bonds or other obligations to be refunded thereby will be deemed no longer outstanding in accordance with the ordinance authorizing their issuance.

3. At the election of the county, the provisions of this subsection B. need not apply to the refunding at one time of all the Parity Lien Obligations then outstanding.

4. Nothing contained in this ordinance prohibits or prevents, or will be deemed or construed to prohibit or prevent, the county from issuing Parity Lien Obligations to refund maturing Parity Lien Obligations of the county for the payment of which money is not otherwise available.

C. **Subordinate Obligations**. Nothing in this ordinance prohibits, or will be deemed or construed to prohibit, the county from authorizing and issuing bonds, notes or other evidences of indebtedness for any purpose of the county related to the System payable in whole or in part from Revenue of the System and secured by a lien on Revenue of the System that is junior, subordinate and inferior to the lien of any Bonds issued as Parity Lien Obligations.

SECTION 26. **Reimbursement Obligations**. If the county elects to secure any Bonds with a Credit Facility, the county may contract with the entity providing the Credit Facility that the reimbursement obligation, if any, to that entity will be a Parity Bond or Parity Lien Obligation, as applicable.

SECTION 27. **Payment Agreements**.

A. **General**. To the extent and for the purposes permitted from time to time by chapter 39.96 RCW, as it may be amended, and other applicable provisions of State law, the county may enter into Payment Agreements, subject to the conditions set forth in this section and in other provisions of this ordinance.

B. **Manner and Schedule of Payments**. Each Payment Agreement must set forth the manner in which the Payment Agreement Payments and the Payment Agreement Receipts will be calculated and a schedule of payment dates.

C. **Authorizing Ordinance**. Prior to entering into a Payment Agreement, the council must adopt an ordinance authorizing such agreement and setting forth such provisions as the county deems necessary or desirable and are not inconsistent with the provisions of this ordinance.

D. **Calculation of Payment Agreement Payments and Debt Service on Bonds with Respect to which a Payment Agreement is in Force**. It is the intent of the county, for purposes of Section 18, 24 or 25 of this ordinance, that debt service on Parity Bonds with respect to which a Parity Payment Agreement is in force will be calculated to reflect the net economic effect on the county intended to be produced by the terms of such Parity Bonds and Parity Payment Agreement and that debt service on Parity Lien Obligation Bonds with respect to which a Parity Lien Obligation Payment Agreement is in force will be calculated to reflect the net economic effect on the county intended to be produced by the terms of such Parity Lien Obligation Bonds and Parity Lien Obligation Payment Agreement. In calculating such amounts, the county will be guided by the following requirements.

1. The amount of interest deemed to be payable on any Bonds with respect to which a Payment Agreement is in force will be an amount equal to the amount

of interest that would be payable at the rate or rates stated in those Bonds plus Payment Agreement Payments minus Payment Agreement Receipts.

2. For any period during which Payment Agreement Payments are not taken into account in calculating interest on any outstanding Bonds because the Payment Agreement is not then related to any outstanding Bonds, Payment Agreement Payments on that Parity Payment Agreement will be calculated based upon the following assumptions:

a. **County Obligated to Make Payments Based on Fixed Rate**. If the county is obligated to make Payment Agreement Payments based on a fixed rate and the Qualified Counterparty is obligated to make payments based on a variable rate index, payments by the county will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made; and

b. **County Obligated to Make Payments Based on Variable Rate Index**. If the county is obligated to make Payment Agreement Payments based on a variable rate index and the Qualified Counterparty is obligated to make payments based on a fixed rate, payments by the county will be based on a rate equal to the average rate determined by the variable rate index specified by the Payment Agreement during the fiscal quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Payment Agreement.

E. **Prior Notice to Rating Agencies**. The county will give notice to Moody's and S&P 30 days prior to the date it intends to enter into a Parity Payment Agreement and will give notice to Fitch, Moody's and S&P 30 days prior to the date it intends to enter into a Parity Lien Obligation Payment Agreement.

SECTION 28. **Sale of Bonds**.

A. **Determination by Finance Director**. The Finance Director shall determine, in consultation with the county's financial advisors, the principal amount of each Series of the Project Bonds, which of the Refunding Candidates will be refunded, whether any Series of Project Bonds or Refunding Bonds will be sold separately or in one or more combined Series, whether each Series of Bonds will be structured as Tax-Exempt Obligations or otherwise, and whether each Series of Bonds will be sold by negotiated sale, competitive bid or to the federal government or another purchaser, and for current or future delivery. The Finance Director is authorized to designate any or all of a Series of Bonds as "green bonds" or any similar designation indicating the purpose for which the proceeds of the Bonds are to be used. The authority to sell (e.g., enter into a purchase contract, accept a bid for or enter into a loan or other agreement for) any of the Bonds authorized hereunder will terminate December 31, 2022, but all other provisions of this ordinance will remain in full force and effect. The authority of the county to sell (e.g., enter into a bond purchase contract, accept a bid to sell any Bonds or enter into a loan or other agreement for the sale of the Bonds) any of the Bonds, as defined in and pursuant to Ordinance 18587 and Ordinance 18588, will terminate on the effective date of this ordinance, but all other provisions of Ordinance 18587 and Ordinance 18588 will remain in full force and effect.

B. **Satisfaction of Additional Bonds Tests**. The Finance Director will provide or cause to be provided by a Professional Utility Consultant any certifications required to comply with the tests established in prior ordinances of the county for the issuance of additional Parity Bonds and additional Parity Lien Obligations, as applicable. In each Sale Motion for a Series of Bonds, the council shall make findings regarding the satisfaction of the additional bonds tests applicable to that Series of Bonds.

C. **Procedure for Negotiated Sale**. If the Finance Director determines that any Series of the Bonds will be sold by negotiated sale, the Finance Director shall, in accordance with applicable county procurement procedures, solicit one or more underwriting firms with which to negotiate the sale of the Bonds. The purchase contract for each Series of the Bonds shall establish the year and Series designation, date, principal amount, interest payment dates, interest rates, maturity schedule and redemption and bond insurance provisions of such Series of Bonds. The bond purchase contract for a Series of Bonds shall not be executed and delivered unless and until the council by a Sale Motion approves the bond purchase contract and ratifies and confirms the terms for the Series of Bonds established therein.

D. **Procedure for Sale by Competitive Bid**. If the Finance Director determines that any Series of the Bonds will be sold by competitive bid, bids for the purchase of such Series of Bonds will be received at such time or place and by such means as the Finance Director directs. The Finance Director is authorized to prepare an official notice of bond sale for such Series of Bonds, establishing in such notice the year and Series designation, date, principal amount, interest payment dates, maturity schedule and optional redemption and bond insurance provisions of the Bonds. The official notice of bond sale or an abridged form thereof may be published in such newspapers or financial journals as the county's financial advisors deem desirable or appropriate.

Upon the date and time established for the receipt of bids for a Series of the Bonds, the Finance Director or the Finance Director's designee will review the bids, cause the bids to be mathematically verified and report to the council regarding the bids received. Such bids will then be considered and acted upon by the council in an open public meeting. The council reserves the right to reject any and all bids for such Series of Bonds. The council by a Sale Motion will approve the sale of such Series of Bonds and ratify and confirm the year and Series designation, date, principal amount, interest payment dates, interest rates, maturity schedule, redemption and bond insurance provisions and any other terms of such Series of Bonds.

E. **Other Sales**. If the Finance Director determines that any Series of Bonds will be sold to the federal government or other purchaser to evidence a loan from that purchaser, the Finance Director will negotiate the sale of such Bonds and the terms of any loan or other agreement with the purchaser. The loan agreement or other agreement for such Series of Bonds will identify the year and any applicable Series designation, date, principal amounts and maturity dates, interest rates and interest payment dates, redemption and/or purchase provisions and delivery date for such Series of Bonds. The county council, by Sale Motion, will approve the loan or other agreement and ratify and establish the terms for such Series of Bonds identified in such loan or other agreement as provided in the Sale Motion.

SECTION 29. **Delivery of Bonds**. Following the sale of each Series of the Bonds, the county will cause definitive Bonds to be prepared, executed and delivered in accordance with the provisions of this ordinance and in a form acceptable to DTC as initial depository for the Bonds, with the approving legal opinion of municipal bond counsel regarding such Series of Bonds.

SECTION 30. **Preliminary Official Statement; Official Statement**. The county authorizes and directs the Finance Director: (a) to review and approve the information contained in one or more preliminary official statements (each, a "Preliminary Official Statement"), if any, prepared in connection with the sale of a Series of the Bonds; and (b) for the sole purpose of the Bond purchasers' compliance with paragraph (b)(1) of Rule 15c2-12, to deem final that Preliminary Official Statement as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. After each Preliminary Official Statement has been reviewed and approved in accordance with the provisions of this section, the county hereby authorizes distribution of such Preliminary Official Statement to prospective purchasers of such Series of Bonds.

Following the sale of each Series of the Bonds in accordance with Section 28 of this ordinance, the Finance Director is hereby authorized to review and approve on behalf of the county each final official statement with respect to such Series of Bonds. The county shall cooperate with the purchaser of each Series of Bonds to deliver or cause to be delivered, within seven business days after the date of the Sale Motion (or within such other period as may be required by applicable law) and in sufficient time to accompany any confirmation that requests payment from any customer of the purchaser, copies of any final official statement pertaining to such Series of Bonds in sufficient quantity to comply with paragraph (b)(4) of Rule 15c2-12 and the rules of the MSRB.

SECTION 31. **Undertaking to Provide Ongoing Disclosure**. If and to the extent required by paragraph (b)(5) of Rule15c2-12, each Sale Motion will authorize an

Undertaking for the applicable Series of the Bonds.

SECTION 32. **General Authorization**. The appropriate county officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt sale, issuance, execution and delivery of the Bonds, and for the proper use and application of the proceeds of the sale thereof.

SECTION 33. **Investment of Funds and Accounts**. Money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund and Construction Account may be invested in any Permitted Investments. Obligations purchased as an investment of money in the Parity Bond Fund, Parity Bond Reserve Account, Parity Lien Obligation Bond Fund, Revenue Fund and Construction Account and accounts or subaccounts therein will be deemed at all times to be a part of such respective fund, account or subaccount, and the income or interest earned and profits realized or losses suffered by a fund, account or subaccount due to the investment thereof will be retained in, credited or charged, as the case may be, to such fund or account.

SECTION 34. **Refunding or Defeasance of Bonds**. The county may issue refunding obligations pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include: (a) paying when due the principal of and interest on any or all of the Bonds ("the Defeased Bonds"); (b) redeeming the Defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the county sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance ("the trust account") money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the Defeased Bonds in accordance with their terms, then all right and interest of the Owners of the Defeased Bonds in the covenants of this ordinance and in the funds and accounts obligated to the payment of the Defeased Bonds shall cease and become void. Thereafter, the Registered Owners of Defeased Bonds shall have the right to receive payment of the principal of and premium, if any, and interest on the Defeased Bonds solely from the trust account and the Defeased Bonds shall be deemed no longer outstanding. In that event, the county may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the Defeased Bonds to any lawful purpose.

Unless otherwise specified by the county in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner prescribed in this ordinance for the redemption of Bonds.

SECTION 35. **Supplemental Ordinances**.

A. **Without Bondowner Consent**. The council from time to time and at any time may adopt an ordinance or ordinances supplemental to this ordinance, without the consent of owners of any of the Bonds, for any one or more of the following purposes:

1. To add to the covenants and agreements of the county in this ordinance such other covenants and agreements thereafter to be observed that will not adversely affect the interests of the registered owners of any Parity Bonds or Parity Lien Obligations, as applicable, or to surrender any right or power herein reserved to or conferred upon the county.

2. To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this

ordinance or any ordinance authorizing Parity Bonds or Parity Lien Obligations in regard to matters or questions arising under such ordinances as the council may deem necessary or desirable and not inconsistent with such ordinances and that will not adversely affect the interest of the registered owners of Parity Bonds or Parity Lien Obligations, as applicable.

B. **With Bondowner Consent**.

1. With the consent of the registered owners of not less than 51% in aggregate principal amount of all Parity Bonds at the time outstanding, the council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance applicable to Parity Bonds, except as described in subsection B.3. of this section.

2. From and after the First Springing Amendment Date (Parity Lien Obligations), with the consent of the registered owners of not less than 51% in aggregate principal amount of all Parity Lien Obligations at the time outstanding, the council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance applicable to Parity Lien Obligations, except as described in subsection B.3. of this section.

3. No supplemental ordinance entered into pursuant to this subsection B. may:

a. Extend the fixed maturity of any Parity Bonds or Parity Lien Obligations, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the registered owner of each bond so affected; or

b. Reduce the aforesaid percentage of registered owners of Parity Bonds or Parity Lien Obligations required to approve any such supplemental ordinance, without the consent of the registered owners of all of such bonds.

4. It is not necessary for the consent of registered owners of bonds under this subsection B. to approve the particular form of any proposed supplemental ordinance, but it is sufficient if such consent approves the substance thereof.

C. **Amendments Deemed Approved by Parity Bondowners**. The Registered Owners from time to time of the Bonds issued as Parity Bonds, by taking and holding the same, shall be deemed to have consented to the adoption of an ordinance or ordinances supplemental to this ordinance to amend the definition of Reserve Requirement. From and after the First Springing Amendment Date (Parity Bonds), such supplemental ordinance or ordinances may:

1. Establish one or more separate Reserve Requirements for one or more Series of Parity Bonds, including each Series of the Bonds issued as Parity Bonds;

2. Reduce any Reserve Requirement, including the Reserve Requirement for each Series of the Bonds issued as Parity Bonds, to an amount less than maximum Annual Parity Debt Service in any calendar year, including to zero; and

3. Establish one or more separate subaccounts within the Parity Bond Reserve Account to secure one or more Series of Parity Bonds, including each Series of the Bonds issued as Parity Bonds, with other Series of Parity Bonds not being secured by

such separate subaccounts.

The adoption of any such supplemental ordinance or ordinances may result in Bonds issued as Parity Bonds not being secured by any amounts in the Parity Bond Reserve Account.

SECTION 36. **Ordinance a Contract; Severability**. The covenants contained in this ordinance constitute a contract between the county and: (a) the Registered Owner of each Bond; (b) the Qualified Counterparty to any Payment Agreement entered into with respect to any Bonds; and (c) the provider of any Credit Facility, Qualified Insurance or Qualified Letter of Credit with respect to any Bonds. If any court of competent jurisdiction determines that any covenant or agreement provided in this ordinance to be performed on the part of the county is contrary to law, then such covenant or agreement shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

SECTION 37. **Effective Date**. This ordinance shall be effective 10 days after its enactment, in accordance with Article II of the county charter.

Ordinance 19112 was introduced on 4/28/2020 and passed as amended by the Metropolitan King County Council on 6/23/2020, by the following vote:

Yes: 9 - Ms. Balducci, Mr. Dembowski, Mr. Dunn, Ms. Kohl-Welles, Ms. Lambert, Mr. McDermott, Mr. Upthegrove, Mr. von Reichbauer and Mr. Zahilay

KING COUNTY COUNCIL
KING COUNTY, WASHINGTON

DocuSigned by:
Claudia Balducci
F8830816F1C4427...

Claudia Balducci, Chair

ATTEST:

DocuSigned by:
Melani Pedroza
8DE1BB375AD3422...

Melani Pedroza, Clerk of the Council

DocuSigned by:
Dow Constantine
4FBCAB8196AE4C6...

APPROVED this 8 day of July, 2020.

DocuSigned by:
Dow Constantine
4FBCAB8196AE4C6...

Dow Constantine, County Executive

Attachments: A. Outstanding Parity Bonds, B. Outstanding Parity Lien Obligations, C. Form of Parity Bond, D. Form of Parity Lien Obligation

APPENDIX B

FORMS OF BOND COUNSEL'S OPINIONS

This page left blank intentionally.

PACIFICA
LAW GROUP

T 206.245.1700
1191 2nd Avenue, Suite 2000
Seattle, WA 98101-3404
pacificalawgroup.com

August 10, 2021

King County, Washington

Re: King County, Washington, Sewer Revenue Refunding Bonds, 2021, Series A (Taxable)

We have acted as bond counsel to King County, Washington (the "County"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the County of its Sewer Revenue Refunding Bonds, 2021, Series A (Taxable) (the "2021A Sewer Bonds"), issued pursuant to Ordinance 19112, passed on June 23, 2020, as amended by Ordinance 19216, passed on December 8, 2020, and Motion 15913, passed on July 27, 2021 (together the "Bond Authorization"). Capitalized terms used in this opinion have the meanings given such terms in the Bond Authorization.

The 2021A Sewer Bonds are subject to redemption prior to maturity as provided in the Bond Authorization.

Regarding questions of fact material to our opinions, we have relied on representations of the County in the Bond Authorization, and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bond Authorization is a legal, valid and binding obligation of the County, has been duly authorized, executed and delivered and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The 2021A Sewer Bonds have been legally issued pursuant to the terms of the Bond Authorization and constitute legal, valid and binding special obligations of the County, both principal thereof and interest thereon being payable solely out of a special fund of the County known as the "Water Quality Revenue Bond Account" (the "Parity Bond Fund"), except to the extent that the enforcement of the rights and remedies of the owners of the 2021A Sewer Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles, and by the exercise of judicial discretion.

3. The County has irrevocably bound itself to set aside and pay into the Parity Bond Fund and accounts therein out of Revenue of the System amounts sufficient to pay principal of and interest on the 2021A Sewer Bonds as the same become due.

4. The County has pledged that the payments to be made from Revenue of the System into the Parity Bond Fund and accounts therein shall have a duly created and valid lien and charge on Revenue of the System junior, subordinate and inferior to Operating and Maintenance Expenses; equal to the lien and charge on Revenue of the System to pay and secure the payment of the outstanding Parity Bonds and any Future Parity Bonds; and superior to all other liens and charges of any kind or nature, including, inter alia, the lien and charge on Revenue of the System to pay and secure the payment of Parity Lien Obligations, Junior Lien Obligations, Multi-Modal LTGO/Sewer Revenue Bonds, Future Subordinate Lien Obligations, SRF Loans and Public Works Trust Fund Loans. The County has reserved the right to issue bonds in the future with a lien on Revenue of the System equal or junior to the lien thereon of the 2021A Sewer Bonds as provided in the Bond Authorization.

5. Interest on the 2021A Sewer Bonds is not intended to be excludable from gross income for federal income tax purposes.

We express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2021A Sewer Bonds, or the amount, accrual or receipt of interest on, the 2021A Sewer Bonds. Owners of the 2021A Sewer Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2021A Sewer Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2021A Sewer Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the County to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

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

Very truly yours,

PACIFICA LAW GROUP LLP

PACIFICA
LAW GROUP

T 206.245.1700
1191 2nd Avenue, Suite 2000
Seattle, WA 98101-3404
pacificalawgroup.com

August 10, 2021

King County, Washington

Re: King County, Washington, Limited Tax General Obligation and Refunding Bonds (Payable from Sewer Revenues), 2021, Series A

To the Addressees:

We have acted as bond counsel to King County, Washington (the "County"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the County of its Limited Tax General Obligation and Refunding Bonds (Payable from Sewer Revenues), 2021, Series A (the "2021A LTGO (Sewer) Bonds"), issued pursuant to Ordinance 19112, passed on June 23, 2020, as amended by Ordinance 19216, passed on December 8, 2020, and Motion 15913, passed on July 27, 2021 (together the "Bond Authorization"). Capitalized terms used in this opinion have the meanings given such terms in the Bond Authorization.

The 2021A LTGO (Sewer) Bonds are subject to redemption prior to maturity as provided in the Bond Authorization.

Regarding questions of fact material to our opinions, we have relied on representations of the County in the Bond Authorization and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bond Authorization is a legal, valid and binding obligation of the County, has been duly authorized, executed and delivered and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The 2021A LTGO (Sewer) Bonds constitute valid and binding general obligations of the County, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The County has irrevocably covenanted and agreed that, for as long as any of the 2021A LTGO (Sewer) Bonds are outstanding and unpaid, each year it will include in its budget

and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the 2021A LTGO (Sewer) Bonds as the same become due. The County has irrevocably pledged that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the 2021A LTGO (Sewer) Bonds will be and is irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the 2021A LTGO (Sewer) Bonds. The full faith, credit, and resources of the County have been irrevocably pledged for the annual levy and collection of those taxes and for the prompt payment of the principal of and interest on the 2021A LTGO (Sewer) Bonds as the same become due.

4. The County also has irrevocably bound itself to set aside and pay into a special fund of the County known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund" (the "Parity Lien Obligation Bond Fund") and accounts therein out of Revenue of the System amounts sufficient to pay principal of and interest on the 2021A LTGO (Sewer) Bonds as the same become due. The amounts pledged to be paid out of the Revenue of the System into the Parity Lien Obligation Bond Fund and accounts therein constitute a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses, junior, subordinate, and inferior to the lien and charge on Revenue of the System to pay the principal of and interest on Parity Bonds, equal in rank to the lien and charge on Revenue of the System to pay the principal of and interest on other Parity Lien Obligations, and superior to all other liens and charges on Revenue of the System whatsoever. The County has reserved the right to issue bonds in the future with a lien on Revenue of the System equal or junior to the lien thereon of the 2021A LTGO (Sewer) Bonds as provided in the Bond Authorization.

5. Interest on the 2021A LTGO (Sewer) Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the County must comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2021A LTGO (Sewer) Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The County has covenanted to comply with all applicable requirements. Failure to comply with certain of such requirements may cause interest on the 2021A LTGO (Sewer) Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2021A LTGO (Sewer) Bonds.

Except as expressly stated above, we express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2021A LTGO (Sewer) Bonds, or the amount, accrual or receipt of interest on, the 2021A LTGO (Sewer) Bonds. Owners of the 2021A LTGO (Sewer) Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2021A LTGO (Sewer) Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2021A LTGO (Sewer) Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the County to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

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

Very truly yours,

PACIFICA LAW GROUP LLP

PACIFICA
LAW GROUP

T 206.245.1700
1191 2nd Avenue, Suite 2000
Seattle, WA 98101-3404
pacificalawgroup.com

August 10, 2021

King County, Washington

Re: King County, Washington, Limited Tax General Obligation and Refunding Bonds (Payable from Sewer Revenues), 2021, Series B (Taxable)

To the Addressees:

We have acted as bond counsel to King County, Washington (the "County"), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the County of its Limited Tax General Obligation and Refunding Bonds (Payable from Sewer Revenues), 2021, Series B (Taxable) (the "2021B LTGO (Sewer) Bonds"), issued pursuant to Ordinance 19112, passed on June 23, 2020, as amended by Ordinance 19216, passed on December 8, 2020, and Motion 15913, passed on July 27, 2021 (together the "Bond Authorization"). Capitalized terms used in this opinion have the meanings given such terms in the Bond Authorization.

The 2021B LTGO (Sewer) Bonds are subject to redemption prior to maturity as provided in the Bond Authorization.

Regarding questions of fact material to our opinions, we have relied on representations of the County in the Bond Authorization and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bond Authorization is a legal, valid and binding obligation of the County, has been duly authorized, executed and delivered and is enforceable in accordance with its terms, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

2. The 2021B LTGO (Sewer) Bonds constitute valid and binding general obligations of the County, except to the extent that enforcement may be limited by laws relating to bankruptcy, insolvency, moratorium, reorganization or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and the exercise of judicial discretion.

3. The County has irrevocably covenanted and agreed that, for as long as any of the 2021B LTGO (Sewer) Bonds are outstanding and unpaid, each year it will include in its budget

and levy an *ad valorem* tax upon all the property within the County subject to taxation in an amount that will be sufficient, together with all other revenues and money of the County legally available for such purposes, to pay the principal of and interest on the 2021B LTGO (Sewer) Bonds as the same become due. The County has irrevocably pledged that the annual tax to be levied for the payment of such principal and interest will be within and as a part of the tax levy permitted to counties without a vote of the people, and that a sufficient portion of the taxes to be levied and collected annually by the County prior to the full payment of the principal of and interest on the 2021B LTGO (Sewer) Bonds will be and is irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the 2021B LTGO (Sewer) Bonds. The full faith, credit, and resources of the County have been irrevocably pledged for the annual levy and collection of those taxes and for the prompt payment of the principal of and interest on the 2021B LTGO (Sewer) Bonds as the same become due.

4. The County also has irrevocably bound itself to set aside and pay into a special fund of the County known as the "Water Quality Limited Tax General Obligation Bond Redemption Fund" (the "Parity Lien Obligation Bond Fund") and accounts therein out of Revenue of the System amounts sufficient to pay principal of and interest on the 2021B LTGO (Sewer) Bonds as the same become due. The amounts pledged to be paid out of the Revenue of the System into the Parity Lien Obligation Bond Fund and accounts therein constitute a lien and charge on Revenue of the System subject to Operating and Maintenance Expenses, junior, subordinate, and inferior to the lien and charge on Revenue of the System to pay the principal of and interest on Parity Bonds, equal in rank to the lien and charge on Revenue of the System to pay the principal of and interest on other Parity Lien Obligations, and superior to all other liens and charges on Revenue of the System whatsoever. The County has reserved the right to issue bonds in the future with a lien on Revenue of the System equal or junior to the lien thereon of the 2021B LTGO (Sewer) Bonds as provided in the Bond Authorization.

5. Interest on the 2021B LTGO (Sewer) Bonds is not intended to be excludable from gross income for federal income tax purposes.

We express no opinion regarding any tax consequences related to the ownership, sale or disposition of the 2021B LTGO (Sewer) Bonds, or the amount, accrual or receipt of interest on, the 2021B LTGO (Sewer) Bonds. Owners of the 2021B LTGO (Sewer) Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2021B LTGO (Sewer) Bonds.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the 2021B LTGO (Sewer) Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the undertaking by the County to provide ongoing disclosure pursuant to Securities and Exchange Commission Rule 15c2-12.

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

Very truly yours,

PACIFICA LAW GROUP LLP

APPENDIX C

KING COUNTY WATER QUALITY ENTERPRISE FUND
2020 AUDITED FINANCIAL STATEMENTS

This page left blank intentionally.

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

KING COUNTY WATER QUALITY ENTERPRISE FUND
(AN ENTERPRISE FUND OF KING COUNTY, WASHINGTON)

January 1 – December 31, 2020

MOSSADAMS

Table of Contents

	PAGE
Report of Independent Auditors	1–2
Management's Discussion and Analysis	3–12
Financial Statements	
Statement of net position	13–14
Statement of revenues, expenses, and changes in net position	15
Statement of cash flows	16–17
Notes to financial statements	18–50
Required Supplementary Information	
Pension plan information	51–55
Postemployment health care plan	56
Other Information	
Supplemental schedule of debt service coverage ratios	57
Supplemental schedule of historical debt service	58
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	59–60

MOSSADAMS

Report of Independent Auditors

The Metropolitan King County Council
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the King County Water Quality Enterprise Fund (the Fund), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the King County Water Quality Enterprise Fund as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of the County's Contributions, and Schedule of the County's Changes in total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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

Our audit was conducted for the purpose of forming an opinion on the Fund's financial statements. The Supplemental Schedule of Debt Service Coverage Ratios and Supplemental Schedule of Historical Debt Service are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2021, 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 30, 2021

The management of King County Water Quality Enterprise Fund (Water Quality) presents to readers of its financial statements this narrative overview and analysis of its activities and financial performance for the fiscal year ended December 31, 2020 with comparative information to 2019.

The Sewer System

Water Quality provides regional wastewater treatment services to Western Washington in King County, part of Snohomish County, and part of Pierce County with a service area encompassing over 424 square miles. The major wastewater treatment facilities include three secondary treatment plants at West Point in Seattle, South Plant in Renton and the Brightwater Treatment Plant located near Woodinville and two smaller secondary treatment plants at Vashon Island and Carnation, 397 miles of conveyance lines, 48 pump stations, and 25 regulator stations. Other facilities include four combined sewer overflow (CSO) treatment plants and 39 CSO control locations. The sewer system collected and treated an average of 178 million gallons per day (MGD) in 2020 from approximately 2.0 million residents.

Financial Highlights

During 2020, Water Quality provided sewage treatment services to 767,265 residential customer equivalents (RCE) compared to 763,436 in 2019. An RCE is one single-family residence or an equivalent unit of 750 cubic feet of monthly water consumption for all other customers such as multifamily residential, commercial, and industrial properties. The capacity charge program added 6,522 new connections to its customer billing base in 2020 compared to 12,513 new connections in 2019. In 2020, the average flow of the five treatment plants was 178 MGD with a peak daily flow of 596 MGD compared with a 2019 average flow of 161 MGD and peak daily flow of 752 MGD. Maximum system capacity remained unchanged at 868 MGD in 2020. The annual fluctuation in flows largely depends on the amount of annual precipitation.

In 2020, resource recovery delivered 117,092 tons compared to 124,958 tons in 2019 of Loop® biosolids to customers for use in forest management, agriculture, and composting. Approximately 74.1 million gallons of Class A reclaimed water was distributed for irrigation, urinals/toilets, municipal purposes, and wetland enhancement compared to 82.3 million gallons in 2019 and about 724 million gallons of filtered, treated wastewater were used for internal treatment plant processes compared to 719 million gallons in 2019. The permitted capacity for the South Plant reclaimed water facility is a filter feed loading of 1.3 MGD and the Brightwater permitted reclaimed water treatment capacity is 12 MGD.

Water Quality sold 2.8 million therms of natural gas to Puget Sound Energy from the South Treatment Plant in 2020 and 2.7 million therms in 2019. Congressional action under the Energy Independence Security Act and subsequent rulemaking by the Environmental Protection Agency (EPA) created an opportunity for Water Quality to monetize the environmental benefit of its biofuel through the generation and sale of environmental attributes called RINS (Renewable Identification Numbers). In November 2016, King County entered an agreement with IGI Resources, Inc., for the sale of bio-methane from South Plant and the corresponding RINS. In 2020, RINS revenues were $3.9 million from which $1.1 million was paid for operational costs to fulfill the administrative and operations requirements of the contract and to improve the operation of the biogas system. In 2019, RINS revenue totaled $2.8 million from which $800 thousand was paid for operational and administrative costs and improvement of the operation of the biogas system. The 45 percent increase in 2020 costs associated with maximizing RINS revenue relates to damage of a natural gas pipeline in early 2019. West Point Treatment Plant sold Seattle City Light 16.9 million kilowatt hours of electricity generated from digester gas in 2020 and 15.3 million kilowatt hours in 2019.

Financial Highlights (continued)

The Industrial Pretreatment Program conducted 213 inspections and took 1,540 compliance samples in 2020 compared to 244 inspections and 1,712 compliance samples taken in 2019. The program currently tracks 558 facilities with discharge authorization permits and 102 significant industrial users compared to 545 facilities with discharge authorization permits and 104 significant industrial users in 2019.

In 1999, the Metropolitan King County Council adopted the Regional Wastewater Services Plan (RWSP) to construct additional capacity, protect public health and provide for future projected population growth in its service area through 2030. Major RWSP projects include improvements to the regional Conveyance system and CSO control projects. Total capital program expenditures were $199.6 million in 2020.

Water Quality currently has 39 CSO locations plus four CSO treatment facilities. Past investments conducted in concert with the City of Seattle have resulted in a significant reduction in combined sewer overflows from a baseline of 2.3 billion gallons per year in years 1980–1983 to an average of 1 billion gallons per year at present.

In 2012, the EPA entered a consent decree (CD) with Water Quality to reduce CSO overflows to meet the regulator's standards for discharges or treatment by 2030. The consent decree is based on Water Quality's 2012 Amended Long-term CSO Control Plan (the Plan). The Plan amended the original total of 21 CSO projects to 13 projects that will control 18 CSO locations. By 2018, five projects were either completed or operational and under monitoring for compliance. At present, four of the remaining eight projects are underway, including a joint project with the City of Seattle to control two King County CSO locations.

In October 2019, King County formally requested, and subsequently has begun negotiations to modify King County's CD with EPA and Ecology to address changed conditions since the CD was signed. These changed conditions include substantially higher cost estimates for planned CSO control projects, climate change impacts, anticipated future increases in regulatory requirements for nutrient discharges to Puget Sound and rate affordability. Any potential modification agreed to by EPA, Ecology and the U.S. District Court would also need King County Council approval.

The EPA and Washington State Department of Ecology (DOE) will monitor Water Quality's progress with CSO control and work closely with the enterprise going forward to meet CSO control requirements. In accordance with the county's National Pollutant Discharge Elimination System (NPDES) permit for the West Point Treatment Plant and the consent decree, a review of the CSO Program was submitted to the DOE as part of the West Point permit renewal, stating no changes to the Plan. The next update to the Plan is due to the DOE and EPA in 2024 as part of the next West Point NPDES permit renewal.

Water Quality operating revenues fell by 1.2 percent, or $6.5 million, to $529.9 million in 2020 from $536.4 million in 2019 while operating expenses before depreciation and amortization increased by 7.4 percent, or $10.7 million, to $154.5 million in 2020 from $143.8 million in 2019. The main driver of the operating revenue reduction was a 9.3 percent decrease in capacity charge revenue. The increase in operating expenses before depreciation and amortization is reflected in IT services, labor costs, and actuarial changes in the estimation of pension expense.

Financial Highlights (continued)

The RCE’s billed for sewer treatment services increased to 767,265 in 2020 from 766,436 (based on sewer revenues that include sewer agency prior year adjustments) in 2019. Capacity charge revenues decreased 9.3 percent, or $9.5 million, to $92.6 million in 2020 from $102.1 million in 2019. The capacity charge rate increased to $66.35 per RCE in 2020 from $64.50 per RCE in 2019, however, the number of new sewer connections decreased by 47.9 percent and early capacity charge payoffs decreased by 41.0 percent. The County allows the capacity charge to be prepaid on a discounted basis at the customer’s option. The discount rate reflects the 15-year mortgage and 10- and 20-year Treasury rates and was 2.6 percent in 2020 and 3.6 percent in 2019. In June of 2020, the County Council adopted a capacity charge of $68.34, a 3.0 percent increase, along with a 4.5 percent sewer rate increase to $47.37 for 2021.

The rate stabilization reserve, as mandated by the Metropolitan King County Council as part of its rate setting activities, permits Water Quality to set aside a portion of current revenue for future periods in order to moderate the impact of rate increases over time. The rate stabilization reserve was unchanged at $46.3 million in 2020. Future deposits to the rate stabilization reserve will decrease operating revenues and debt service coverage in the year of the deposit. Withdrawals will have the opposite effect of increasing operating revenues and debt service coverage in the year the rate stabilization reserve is reduced.

In 2020 Water Quality issued debt to refund existing bonds and fund its capital program, and voluntarily redeemed and defeased existing debt using funding from operations and excess bond reserves. Water Quality received $36.6 million in low interest state loans at rates between 2.6 and 2.7 percent. More detail can be found in the Debt Administration section of this analysis and in Note 5 of the financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Water Quality’s basic financial statements. The basic financial statements are comprised of the statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and the notes to the financial statements, which explain certain elements of the financial statements in greater detail.

Water Quality’s financial statements provide information with respect to all its activities using accounting methods like those used by private-sector companies. The statements provide both long-term and short-term information about Water Quality’s financial status.

The statement of net position presents information on all of Water Quality’s assets, liabilities, and deferred inflows/outflows of resources, with the difference presented as net position as of yearend. Over time, the statements demonstrate Water Quality’s financial health by providing a basis for the reader to evaluate capital structure, liquidity, and financial flexibility.

Overview of the Financial Statements (continued)

The most recent year's operating, and non-operating revenues and expenses of Water Quality are accounted for in the statement of revenues, expenses, and changes in net position. The statement illustrates the current period results of operations and recovery of costs by receipt of fees and are instrumental in demonstrating Water Quality's continued creditworthiness. All changes in net position are reported as soon as the underlying event occurs, irrespective of the timing of related cash flows. The receipt of monthly sewage treatment charges provides the principal support for Water Quality's activities. Sewage treatment charges of $417.3 million provided 78.7 percent of operating revenues in 2020. Water Quality is a wholesale provider of sewage treatment services to 34 municipal and 3 non-municipal participants in King, Pierce, and Snohomish counties. The receipt of the monthly payments is governed by service agreements, the majority of which expire in July 2036.

The statement of cash flows reports cash receipts, cash payments, and net changes in cash derived from operations, financing, and investment activities. From the statement, the reader can discern Water Quality's sources and applications of cash during 2020, reasons for differences between operating cash flows and operating income, and the effect on the statement of net position from investing, capital, and financing activities.

The notes to financial statements provide additional information essential to obtain a full understanding of the data provided in the basic statements.

In the following analysis of the financial statements, percentages and ratios were calculated and rounded using the actual detail from the financial statements.

Financial Analysis of the Statement of Net Position

Comparative data, stated in millions of dollars:

	Years Ended December 31, 2020	2019
Current assets	$ 404.5	$ 381.1
Noncurrent restricted assets	335.9	289.1
Capital assets	4,093.7	4,112.8
Other	150.6	124.8
Total assets	4,984.7	4,907.8
Deferred outflows of resources	175.4	188.9
Total assets and deferred outflows of resources	5,160.1	5,096.7
Current liabilities	221.1	216.2
Noncurrent liabilities	3,989.5	3,994.3
Total liabilities	4,210.6	4,210.5
Deferred inflows of resources	55.9	59.5
Total liabilities and deferred inflows of resources	4,266.5	4,270.0
Net position - net investment in capital assets	431.8	405.1
Net position - restricted	238.7	230.6
Net positon - unrestricted	223.1	191.0
Total net position	$ 893.6	$ 826.7

Net position serves as a useful indicator of Water Quality's financial position. As of December 31, 2020, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $893.6 million.

Of the total Water Quality assets and deferred outflows of resources, 79.3 percent or $4,093.7 million were invested in capital assets such as treatment plants, pumping and regulator stations, interceptors, and other equipment at year-end 2020. For the year-end 2019, 80.7 percent or $4,112.8 million were invested in capital assets. Water Quality uses its capital assets to provide wholesale wastewater collection and treatment services in King, Pierce, and Snohomish counties. Current operating and debt service requirements are met by operating and non-operating revenues composed of monthly sewage treatment charges, a capacity charge for new customers, other special-handling charges, miscellaneous operating revenues, and investment earnings.

Financial Analysis of the Statement of Net Position (continued)

The net position increased by 8.1 percent or $66.9 million in 2020 to $893.6 million from $826.7 million in 2019. Restricted net position increased by 3.5 percent or $8.1 million in 2020 to $238.7 million from $230.6 million in 2019. The unrestricted net position increased by $32.1 million in 2020 to $223.1 million from $191.0 million in 2019.

Financial Analysis of the Statement of Revenues, Expenses, and Changes in Net Position

Comparative data, stated in millions of dollars:

	Years Ended December 31,	
	2020	2019
Sewage treatment fees	$ 417.3	$ 415.3
Capacity charge revenue	92.6	102.1
Other revenue	20.0	19.0
Operating revenues	529.9	536.4
Operating expenses	344.4	323.3
Operating income	185.5	213.1
Nonoperating revenues (expenses)	(118.7)	(132.1)
Grant revenues	0.1	-
Change in net position	66.9	81.0
Net position beginning of year	826.7	745.7
Net positon end of year	$ 893.6	$ 826.7

While the statement of net position show changes in assets, liabilities, deferred inflows/outflows of resources and net position, the statement of revenues, expenses and changes in net position provide insight into the source of these changes.

In late March of 2020, Washington's Governor issued a stay-at-home order and the closing of all non-essential businesses in response to the COVID-19 pandemic. Despite the challenges brought by COVID-19, Water Quality continued to protect public health by treating our region's sewage and ensuring its infrastructure's resiliency. Water Quality has developed mitigation strategies to lessen the impact of any revenue loss with debt service savings in the form of low bond market interest rates and operating cost controls. During 2020, operating revenues decreased by 1.2 percent or $6.5 million to $529.9 million from $536.4 million in 2019. Operating expenses increased by 6.5 percent, or $21.1 million to $344.4 million in 2020 from $323.3 million in 2019.

Financial Analysis of the Statement of Revenues, Expenses, and Changes in Net Position (continued)

Operating Revenues

In 2020, sewage disposal fee revenue increased by 0.5 percent, or $2.0 million to $417.3 million from $415.3 million in 2019. This increase in sewage disposal fee revenue reflects a portion of reported usage prior to the pandemic. Water Quality charged a monthly sewage treatment rate of $45.33 per RCE in both 2020 and 2019.

Capacity charge revenue fell 9.3 percent, or $9.5 million to $92.6 million in 2020 compared to $102.1 million in 2019. New sewer connections dropped 47.9 percent to 6,522 in 2020 from 12,513 in 2019 and early payoffs revenues fell 41.0 percent to $18.5 million in 2020 from $31.3 million in 2019. These reductions in growth reflect the pandemic's effect on the local economy.

Other operating revenues totaling $20.0 million in 2020 increased $1.0 million, or 5.3 percent, compared to $19.0 million in 2019. The increase was due to a 39.3 percent increase in RINS revenue from $2.8 million in 2019 to $3.9 million in 2020.

Operating Expenses

In 2020, operating expenses, excluding depreciation, rose 7.4 percent or $10.7 million to $154.5 million compared to a 3.1 percent increase, or $143.8 million in 2019. This change is due primarily to changes in pension expense and to increased accrued vacation leave expense associated with the COVID-19 pandemic.

Utility and Service costs increased 1.7 percent, or $600 thousand from $35.6 million in 2019 to $36.2 million in 2020. Electricity costs in 2020 rose by 3.3 percent, or $500 thousand, to $15.6 million from $15.1 million in 2019. Natural gas and water utility costs decreased 32.0 percent from $2.5 million in 2019 to $1.7 million in 2020. Chemical costs increased less than $100 thousand or 0.3 percent in 2020 to $9.5 million. These essential operational costs are subject to market price fluctuation.

Intragovernmental expenses rose 3.3 percent, to $40.8 million in 2020 from $39.5 million in 2019 due to increased technology services.

Non-operating Revenues and Expenses

Non-operating expenses (net) decreased by $13.5 million to $118.6 million in 2020 from $132.1 million in 2019. Lower interest rates and receipt of an insurance settlement contributed to the greater portion of this decrease.

Capital Assets

At December 31, 2020, Water Quality's investment in capital assets, net of accumulated depreciation, was $4,093.7 million, reflecting a decrease of $19.1 million or 0.5 percent less than the balance of $4,112.8 million at December 31, 2019.

Large 2020 construction project expenditures include:

- $48.5 million for Georgetown Wet Weather Treatment Station
- $22.6 million for Joint Ship Canal CSO Control
- $ 7.5 million for Sunset and Heathfield Pump Stations and Force Main Upgrade
- $ 5.4 million for West Point Treatment Plan OGADS replacement
- $ 5.3 million for Ovation Control Systems upgrade

Large 2019 construction project expenditures include:

- $44.3 million for Georgetown Wet Weather Treatment Station
- $23.6 million for Eastside Interceptor Phase 11
- $15.8 million for Sunset and Heathfield Pump Stations and Force Main Upgrade
- $ 7.8 million for North Mercer Island and Enatai Interceptor upgrade
- $ 7.1 million for Ovation Control Systems upgrade

For more information on capital assets, refer to Note 7 in the financial statements.

Debt Administration

In January of 2020, Water Quality voluntarily redeemed $1.8 million of principal on its Junior Lien Multi-Modal Limited Tax General Obligation Refunding Bonds, Series 2017A and B. This is part of a financial practice whereby variable rate debt will be amortized so that each issue will be retired by its stated maturity date. In July of 2020, Water Quality voluntarily redeemed $2.7 million of principal on its Sewer Revenue and Refunding Bonds, Series 2010.

On July 14, 2020, Water Quality issued $200.6 million in Junior Lien Sewer Revenue Refunding Bonds, Series 2020A and Series 2020B to refund $200.0 million of Junior Lien Sewer Revenue Bonds, Series 2001A, Series 2001B and Series 2011. These term bonds bear fixed interest rates of 0.6 and 0.9 percent, respectively, and are subject to mandatory repurchase in January 2024 and January 2026, respectively.

On August 4, 2020, Water Quality issued $179.5 million in Sewer Improvement and Refunding Revenue Bonds, Series 2020A with an effective interest rate of 2.6 percent and an average life of 20.4 years to refund $28.3 million of Sewer Revenue and Refunding Bonds, Series 2010, with an average coupon interest rate of 4.3 percent. This debt issue provided $180.2 million of proceeds for the capital program. On August 4, 2020, Water Quality also issued $186.7 million in Sewer Refunding Revenue Bonds, Series 2020B with an effective interest rate of 1.9 percent and an average life of 11.1 years to refund $167.0 million in Sewer Refunding Revenue Bonds, Series 2012B, Series 2012C, Series 2013A and Series 2016B, with an average coupon interest rate of 5.0 percent.

On December 11, 2020, Water Quality purchased and deposited U.S. Treasury securities in an escrow to pay interest and redeem at their earliest redemption dates $80.0 million of outstanding Sewer Revenue and Refunding Bonds, Series 2012. Funding for the escrow came from operations and excess bond reserves.

Water Quality has $2.6 billion of sewer revenue bonds and variable rate revenue bonds outstanding at the end of 2020 and had $2.6 billion of sewer revenue bonds and variable rate revenue bonds outstanding at the end of 2019. Revenue bonds are repaid from and secured by a pledge of earnings, revenues and money received by Water Quality from or on account of operation of the sewer system, including receipts from sewage treatment fees, and other income of Water Quality. Revenue bonds are not guaranteed by the full faith and credit of King County.

At the end of 2020, Water Quality has $814.7 million of general obligation bonds and variable rate general obligation bonds outstanding and had $839.4 million of general obligation bonds and variable rate general obligation bonds outstanding at the end of 2019. While the full faith and credit of King County guarantees repayment of principal and interest on general obligation bonds, they are paid from sewage treatment fees and other income.

King County Sewer Enterprise parity revenue bonds ratings of Aa1 from Moody's Investors Services (Moody's) and AA+ from Standard and Poor's (S&P) Global Ratings were affirmed in June 2020 and December 2020, respectively. Water Quality's ratings on its limited tax general obligation bonds of Aaa from Moody's and AAA from S&P were both affirmed in October 2019.

Debt Administration (continued)

As required by bond covenant, Water Quality maintains a bond reserve account, which is funded by cash, Treasury securities investment and surety bond policies. At December 31, 2020, the cash and investment balance in the reserve account was $128.8 million and with a surety bond balance of $29.6 million, totaling $158.4 million. This balance exceeded the reserve account requirement of maximum annual debt service on the parity bonds by $294 thousand. In 2020, excess funds in the reserve account of $11.6 million were contributed to the refunding and defeasance of outstanding debt. At December 31, 2020 and 2019, respectively, the rate stabilization, liquidity, and asset management financial policy reserves totaled $82.0 million.

For more detailed information on debt, refer to Note 5 in the financial statements.

Debt Service Coverage Ratios

	Year Ended December 31,	
	2020	2019
Parity and parity lien debt	1.78	1.85
Total debt	1.56	1.58

Two debt service coverage ratios closely monitored by bond rating agencies are coverage on parity debt and coverage on total debt. By bond ordinance, Water Quality sets sewer rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirement on parity debt. Water Quality has an adopted policy to equal or exceed a ratio of at least 1.25 on parity debt or 0.10 above the ratio required by bond ordinance. Since 2001, Water Quality established a minimum coverage policy of 1.15 on total debt to further strengthen coverage performance.

Requests for Information

This financial report is designed to provide an overview of Water Quality's financial condition as of the year ended December 31, 2020. Questions concerning this report or requests for additional information should be addressed to Cheryl Lee, Chief Accountant for King County, 500 Fourth Avenue, Room 653, Seattle, WA 98104.

King County Water Quality Enterprise Fund
Statement of Net Position (in thousands)

		December 31, 2020
CURRENT ASSETS		
Cash and cash equivalents	$	353,058
Restricted cash and cash equivalents		1,463
Accounts receivable, net		37,749
Due from other funds		2,524
Due from other governments, net		133
Inventory of supplies		9,543
Prepayments		29
		404,499
NONCURRENT ASSETS		
Restricted assets		
Cash and cash equivalents		319,416
Investments		16,473
		335,889
Capital assets		
Building and land improvements		2,190,369
Infrastructure and right of way		2,513,249
Plant in service and other equipment		1,212,096
Less accumulated depreciation		(2,584,290)
		3,331,424
Land and easements		264,775
Artwork		1,023
Construction work in progress		496,428
		4,093,650
Other noncurrent		
Regulatory assets, net of amortization		142,864
Other assets		7,797
		150,661
Total assets		4,984,699
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on refunding		167,499
Deferred outflows on other postemployment benefits		84
Deferred outflows on pension		7,205
Deferred outflows on asset retirement obligations		662
Total deferred outflows of resources		175,450
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$	5,160,149

See accompanying notes.

Statement of Net Position (continued) (in thousands)

		December 31, 2020
CURRENT LIABILITIES		
Accounts payable	$	30,849
Retainage payable		1,463
Due to other funds		12
Interest payable		65,015
Wages and benefits payable		5,632
Compensated absences, current portion		783
Other postemployment benefits, current portion		102
Taxes payable		12
Unearned revenue		3,173
State loans payable, current portion		17,610
General obligation bonds payable, current portion		17,670
Revenue bonds payable, current portion		71,950
Environmental remediation liability, current portion		6,751
Other liabilities, current portion		71
		221,093
NONCURRENT LIABILITIES		
Compensated absences		12,015
Other postemployment benefits		1,612
Net pension liability		8,074
State loans payable, net		227,861
General obligation bonds payable, net		871,935
Revenue bonds payable, net		2,745,449
Environmental remediation liability		42,567
Asset retirement obligation		1,350
Other liabilities		78,691
		3,989,554
Total liabilities		4,210,647
DEFERRED INFLOWS OF RESOURCES		
Regulatory credits - rate stabilization		46,250
Deferred inflows on refunding		1,693
Deferred inflows on other postemployment benefits		229
Deferred inflows on pension		7,685
Total deferred inflows of resources		55,857
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		4,266,504
NET POSITION		
Net investments in capital assets		431,793
Restricted for		
Debt service		142,429
Regulatory assets and environmental liabilities		96,322
Unrestricted		223,101
Total net position	$	893,645

King County Water Quality Enterprise Fund

Statement of Revenues, Expenses, and Changes in Net Position (in thousands)

	Year Ended December 31, 2020
OPERATING REVENUES	
Sewage disposal fees	$ 417,361
Capacity charge revenues	92,622
Miscellaneous revenues	19,956
Total operating revenues	529,939
OPERATING EXPENSES	
Personnel services	59,039
Materials and supplies	18,474
Contract service and other charges	18,869
Utilities	17,345
Internal services	40,786
Depreciation and amortization	171,844
Miscellaneous expenses	18,098
Total operating expenses	344,455
OPERATING INCOME	185,484
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	11,443
Interest expense	(129,592)
Federal, state, and other operating subsidies	138
Loss on disposal and impairment of capital assets	(2,372)
Loss on extinguishment of debt	(1,266)
Other	3,092
Total nonoperating revenues (expenses), net	(118,557)
CHANGE IN NET POSITION	66,927
NET POSITION	
Beginning of year	826,718
End of year	$ 893,645

 See accompanying notes.

King County Water Quality Enterprise Fund
Statement of Cash Flows (in thousands)

	Year Ended December 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$ 529,183
Cash received from other funds - internal services	1,911
Cash payments to suppliers for goods and services	(55,466)
Cash payments to other funds - internal services	(40,798)
Cash payments for employee services	(61,768)
Other receipts	12,292
Other payments	(37,220)
Net cash provided by operating activities	348,134
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating grants and subsidies	4
Transfers in	150
Transfers out	(894)
Assistance to others	(2,249)
Net cash used in noncapital financing activities	(2,989)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital and other utility assets	(157,953)
Principal paid on capital debt	(107,444)
Interest paid on capital debt	(150,315)
Proceeds of new bond issuance	180,736
Proceeds of state loans	36,634
Cash payments for bond defeasance	(85,920)
Subsidies and other receipts	63
Net cash used in capital and related financing activities	(284,199)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,500)
Proceeds from sale and maturity of investments	1,518
Interest on investments	11,279
Net cash provided by investing activities	11,297
NET INCREASE IN CASH AND CASH EQUIVALENTS	72,243
CASH AND CASH EQUIVALENTS	
Beginning of year	601,694
End of year	$ 673,937

King County Water Quality Enterprise Fund
Statement of Cash Flows (in thousands)

	Year Ended December 31, 2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 185,484
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	171,844
Other nonoperating revenue	10,465
Changes in assets	
Accounts receivable	2,396
Due from other funds	1
Inventory of supplies	82
Prepayments	(18)
Other assets	(25,817)
Changes in deferred outflows of resources	
Deferred outflows on other postemployment benefits	(48)
Deferred outflows on pension	(2,035)
Deferred outflows on asset retirement obligations	588
Changes in liabilities	
Accounts payable	(689)
Retainage payable	(152)
Due to other funds	(12)
Taxes payable	(3)
Unearned revenue	207
Wages and benefits payable	730
Compensated absences	1,681
Other postemployment benefits	188
Net pension liability	2,112
Other liabilities	6,488
Changes in deferred inflows of resources	
Deferred inflows on other postemployment benefits	125
Deferred inflows on pension	(5,483)
Total adjustments	162,650
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 348,134

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Water Quality issued bonds in 2020 to refund debt issued from 2010 to 2016. The $414.8 million of bond proceeds and $4.6 million of cash payments by Water Quality were placed in escrow for the defeasance of $395.3 million of outstanding bond principal and $20.2 million of interest.

 See accompanying notes.

Note 1 – Operations and Accounting Policies

Summary of operations – The King County Water Quality Enterprise Fund (Water Quality) is an enterprise fund operated by the King County Department of Natural Resources and Parks in accordance with Chapter 35.58 of the Revised Code of Washington (RCW) to provide sewage treatment and water pollution abatement services to the urbanized areas of King County, Washington (the County).

Water Quality is an integral part of the County reporting entity and is included, as an enterprise fund, in the County's comprehensive annual financial report. As an enterprise fund, Water Quality is funded and operated separately from other operations of the County. Revenues, bond proceeds, and grants are restricted by purpose. Accordingly, Water Quality maintains separate accounting records and issues stand-alone financial statements.

Water Quality has long-term sewage disposal agreements with the cities and sewer districts that operate sewage collection systems within its service area. The monthly sewage disposal charge to the contracting cities and districts is based on Water Quality's estimated annual monetary requirements, including operating costs and debt service. Revenues from Water Quality's largest customer, the City of Seattle (Seattle Public Utilities), represent approximately 39.3 percent of total sewage disposal fees in 2020.

Water Quality purchases goods and services from other County agencies, including reimbursement of the County's general fund for a share of general government. Expenses incurred in doing business with other County agencies amounted to $40.8 million in 2020.

Significant accounting policies – Water Quality is accounted for using the flow of economic resources measurement focus similar to that of a private enterprise organized for profit. Water Quality's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Water Quality, regardless of the timing of cash flows, applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

a. **Cash and cash equivalents** – Water Quality considers as cash and cash equivalents demand deposits, cash with escrow agent, and all balances held with the King County Treasurer in the King County Investment Pool (the Pool) except the amounts invested through the Pool-Plus program. Water Quality records its investments in the Pool-Plus program at fair value. Unrealized gain or loss on Water Quality's proportionate share of the pooled investments and individual investments is reported as a component of investment earnings.

Note 1 – Operations and Accounting Policies (continued)

b. **Receivables and allowance for doubtful accounts** – Receivables include charges for services rendered by Water Quality or intergovernmental grants. All unbilled service receivables are recorded at year-end. The provisions for estimated uncollectible receivables are reviewed and updated at year-end. These provisions are estimated based on actual historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Water Quality has the ability to place a lien on properties owned by customers for uncollected capacity charges. Water Quality reported notes receivable of $5.0 million at 2020 year-end for capacity charge account balances over 365 days old.

c. **Due from and to other funds, interfund loans, and advances** – Due from and to other funds consists of current receivables and payables from or to other funds within the County. They typically arise from interfund goods and service transactions and reimbursements.

   Interfund loans receivable and payable or advances from and to other funds represent authorized short-term and long-term, respectively, lending and borrowing arrangements within the County.

d. **Inventory of supplies** – Inventory is recorded at the lower of cost or market using the weighted-average cost method. Materials and supplies are expensed as consumed. Inventory is written off in the year that it is determined obsolete.

e. **Restricted assets** – In accordance with Water Quality's bond resolutions, state law, King County codes, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes, including bond and state loan reserves.

f. **Capital assets** – Capital assets are stated at cost, less accumulated depreciation and amortization. Water Quality's capitalization threshold is: equipment at $5 thousand; software and intangible assets at $500 thousand, and buildings and improvements at $100 thousand. Provision for depreciation and amortization is made on a straight-line basis over the estimated useful lives of Water Quality's capital assets as follows:

Description	Estimated Useful Life
Buildings and improvements other than buildings	10–75 years
Cars, vans, and trucks	5–10 years
Data processing equipment	3–10 years
Heavy equipment	5–25 years
Sewer lines	20–50 years
Shop equipment	5–20 years
Software	3–10 years
Intangibles	35 years

Note 1 – Operations and Accounting Policies (continued)

Repairs and maintenance are expensed as incurred; major renewals, replacements, and betterments are capitalized.

Water Quality annually reviews long-lived assets for impairment to determine whether any events or circumstances indicate the carrying value of the assets may not be recoverable. No impairment was identified in 2020.

g. **Compensated absences** – Employees earn vacation based upon their date of hire and years of service. Employees hired prior to January 1, 2018, have a maximum vacation accrual of 480 hours, while those hired January 1, 2018, or after have a maximum vacation accrual of 320 hours unless the employee's collective bargaining unit agreement specifies a different maximum. Unused vacation at retirement or normal termination is considered vested and payable to the employee, up to the employee's maximum accrual. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. If the employee is leaving their employment due to death or retirement, they are paid for 35 percent of the value of unused sick leave with no maximum. Vacation pay, a portion of sick leave liabilities, and compensatory time in lieu of overtime pay, including payroll taxes, are accrued.

Water Quality accrues estimated excess compensation liabilities to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cash-out of unused annual leave in excess of 240 hours and a cash-out of any other form of leave.

h. **Rebatable arbitrage** – Water Quality's tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. These interest earnings in excess of interest expense must be remitted to the federal government except when spending exception rules are met. The liability is recognized during the period the excess interest is earned. Water Quality has no liability as of December 31, 2020.

i. **Deferred outflows and inflows of resources** – Deferred outflows of resources represent consumption of resources that is applicable to future reporting periods and deferred inflows of resources represent acquisition of resources that is applicable to future reporting periods. Deferred outflows of resources include deferred losses on refunding of bonds and certain amounts related to pension, postemployment benefits other than pensions (OPEB) and asset retirement obligations. Deferred inflows of resources include rate stabilization, deferred gains on refunding of bonds, and certain amounts related to pension and OPEB.

j. **Unearned revenues** - Unearned revenues are obligations of Water Quality to perform services or provide goods. This account offsets reported assets for revenues that have not met recognition requirements, including prepayments for capacity charges.

Note 1 – Operations and Accounting Policies (continued)

k. **Operating and nonoperating revenues and expenses** – Operating revenues result from exchange transactions of Water Quality's activities. Expenses associated with providing wastewater treatment services and operating Water Quality's treatment facilities are considered operating. Nonoperating revenues result from nonexchange transactions such as operating subsidies and investment earnings.

   Water Quality provides water treatment services to cities and sewer districts and recognizes revenue when such service is provided. Additionally, the capacity charge revenue is generated from new connections to the sewer system. Both water treatment service and capacity charge rates are authorized by ordinances passed by the King County Council. Water treatment service and capacity charge revenues are recorded through cycle billings rendered to customers monthly. Water Quality accrues and records unbilled water service and capacity charge revenues in the financial statements for services provided from the date of the last billing to year-end.

l. **Debt-related amortization** – Bond premiums, discounts and refunding losses and gains are amortized over the life of the bonds using the outstanding principal balance method.

m. **Capital grant revenues** – Pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, grant revenues for capital purposes are reported separately from operating and nonoperating revenues as capital grant revenues.

n. **Net position** – Resources set aside for debt service and other obligations, net of related liabilities, are classified as restricted net position on the statements of net position as their use is limited by externally-imposed restrictions. Net investments in capital assets are reported as a separate component of net position and consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other liabilities attributable to the acquisition, construction, or improvement of those assets. Any net position not subject to classification as restricted or invested in capital assets is reported as unrestricted.

o. **Net position flow assumption** – Sometimes Water Quality will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to be reported as restricted net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It's the County's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

p. **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 the amounts reported in the financial statements. Specific estimates have been made in the areas of allowance for uncollectible accounts, environmental remediation costs, useful lives of capital assets, asset retirement obligations, pension and other postemployment benefits liabilities and related deferred outflows and inflows of resources, and future interest rates. Actual results could differ from these estimates.

Note 1 – Operations and Accounting Policies (continued)

New accounting standards – The following GASB pronouncement was implemented during 2020.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, was issued in May 2020. This statement is aimed to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. As a result, Water Quality will implement GASB Statement No. 87, *Leases*, in 2021 instead of 2020.

Note 2 – Deposits and Investments in King County Investment Pool

The King County Treasurer is the custodian of Water Quality's cash. Water Quality's cash on deposit with the King County Treasurer is pooled with cash from other County funds and other jurisdictions and are either deposited in the County's bank account or invested by the County. The King County Investment Pool (the Pool) functions essentially as a demand deposit account where Water Quality receives an allocation of its proportionate share of pooled earnings as interest.

The Pool is administered by the King County Treasury Operations Section and is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the King County Executive Finance Committee (EFC), which serves the role of the County Finance Committee as defined in RCW 36.48.070.

The County has deposit and investment policies addressing risks that have the potential to result in losses of deposits and investments. The deposits that are not covered by the Federal Deposit Insurance Corporation (FDIC) are collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC) at no less than fifty percent. Effective June 7, 2018, resolution 2018-1 adopted by Commission on June 1, 2018, allowed "all well capitalized public depositaries may collateralize uninsured public deposits at no less than fifty percent." The PDPC is a statutory authority established under Chapter 39.58 RCW that governs public depositaries and provides that "all public funds deposited in public depositaries, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter." It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositaries within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

The custodial credit risk for deposits is the risk that Water Quality's deposits may not be returned to it in the event of a bank failure. State statutes require that certificates of deposit be placed in qualified public depositaries in the State of Washington and total deposits cannot exceed the net worth of the financial institution. Those institutions not meeting 100 percent collateralization or the minimum credit rating requirements may receive deposits up to the FDIC or federally guaranteed amounts. The County's diversification policy limits the maximum amount of investment in certificates of deposit to 25 percent of the total amount of the portfolio and five percent from a single issuer.

Note 2 – Deposits and Investments in King County Investment Pool (continued)

Assessing Water Quality's risk exposure, Water Quality's cash and cash equivalents balance of $673.9 million were fully invested in the Pool as of December 31, 2020. The County had demand deposits of $24.9 million as of December 31, 2020, of which $9.5 million was exposed to custodial credit risk as uninsured and uncollateralized.

The EFC adopted the Pool-Plus program which allows County agencies or junior taxing districts to invest funds beyond the maximum maturity limit established for the Pool. This policy provides an investment option that allows a participant in the Pool to combine a portfolio of individual long-term securities in the same fund that is invested in the Pool. The pooling of the long-term portfolio with the Pool provides the ability to invest at durations longer than the Pool while maintaining access to the liquidity of the Pool. The Pool-Plus program allows qualifying funds to invest over longer durations recognizing there are:
(1) potential risks such as increased price volatility and the possibility of selling securities before maturity to pay unexpected expenditures could result in a loss of principal; (2) benefits from reducing reinvestment risk which improves the predictability of future budget revenue; (3) and potential rewards such as increased earnings.

The Pool is used for the liquidity portion of the portfolio while the following investment types are used for the longer-term investments:

- U.S. treasuries or securities with full faith and credit of the U.S. government backing them.

- Senior debt obligations issued by U.S. agencies, instrumentalities, or government-sponsored enterprises such as Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). While these agencies have credit ratings equivalent to the U.S. government, they are not explicitly guaranteed by the U.S. government. Financial market participants view them as having an "implied guarantee" because these agencies were chartered by Congress.

Water Quality participated in the Pool-Plus program starting in 2018 and reported individual investments at $16.5 million as of December 31, 2020, which comprises fair value of $16.4 million and interest accrual of $90 thousand on its investments. The following schedule shows the types of investments, the average interest rate, and the effective duration limits of the Pool-Plus program at December 31, 2020 (dollars in thousands):

	Fair Value	Principal	Average Interest Rate	Effective Duration (Yrs)
Investment type				
U.S. Treasury notes	$ 16,383	$ 15,228	2.47%	4.280

The U.S. Treasury notes are valued using quoted prices in active markets. The U.S. Treasury notes with AA credit rating are backed by full faith and credit of the U.S. government.

Note 2 – Deposits and Investments in King County Investment Pool (continued)

Credit risk – **investments** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. As of December 31, 2020, the Pool was not rated by a Nationally Recognized Statistical Rating Organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. federal agency securities and mortgage-backed securities, municipal securities and corporate notes (rated at least “A” by two NRSROs), commercial paper (rated at least the equivalent of “A-1” by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer’s office.

The Pool’s policies limit the maximum amount that can be invested in various securities. At 2020 year-end the Pool was in compliance with these policies. The Pool’s actual composition, as of December 31, 2020, is as follows (in thousands):

	Total	Allocation Percentage
Investment type		
Repurchase agreements	$ 366,000	4.54%
Commercial paper	449,859	5.58%
U.S. Agency discount notes	424,851	5.27%
Corporate notes	423,828	5.26%
Corporate notes floating rate	32,559	0.40%
U.S. Treasury notes	1,125,620	13.98%
U.S. Agency notes	2,394,289	29.73%
U.S. Agency collateralized mortgage obligations	2,565	0.03%
Supranational coupon notes	1,854,671	23.03%
State treasurer's investment pool	981,309	12.18%
	$ 8,055,551	100.00%

Custodial credit risk – investments – Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled “delivery versus payment (DVP).” This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County’s safekeeping bank or its tri-party custodian banks. Exempt from the DVP policy are Certificates of Deposits (CDs) and funds placed with the State of Washington Local Government Investment Pool.

Note 2 – Deposits and Investments in King County Investment Pool (continued)

Concentration of credit risk – investments – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issue. At 2020 year-end, the Pool had concentrations greater than 5.0 percent of the total investment pool portfolio in the following issuers: Federal Home Loan and Mortgage Corporation, 13.5 percent; International Bank Reconstruction and Development, 9.0 percent; Federal National Mortgage Association, 8.2 percent; Federal Farm Credit Banks, 7.3 percent; Federal Home Loan Banks, 6.0 percent; Bank of Montreal, 5.8 percent; Inter-American Development Bank, 5.7 percent.

Interest rate risk – investments – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the Pool. The policy limit for the Pool's maximum effective duration is 1.5 years, and 40 percent of the Pool's total value in securities must have a maturity of 12 months or fewer. Securities in the portfolio cannot have an average life greater than five years at purchase. The combined effective duration of the liquidity and core portfolios was 1.198 years at December 31, 2020.

All securities are reported at fair value. Fair value reports are prepared monthly and distributed to all Pool participants. The Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period.

Fair value hierarchy – The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Note 2 – Deposits and Investments in King County Investment Pool (continued)

The following is a summary of inputs in valuing the County's investments as of December 31, 2020 (in thousands):

		Fair Value Measurement Using		
Investments by Fair Value Level	Fair Value 12/31/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Commercial paper	$ 449,859	$ -	$ 449,859	$ -
U.S. agency discount notes	424,851	-	424,851	-
Corporate notes	423,828	-	423,828	-
Corporate notes floating rate	32,559	-	32,559	-
U.S. treasury notes	1,125,620	1,125,620	-	-
U.S. agency notes	2,394,289	-	2,394,289	-
U.S. agency collateralized mortgage obligations	2,565	-	2,565	-
Supranational coupon notes	1,854,671	-	1,854,671	-
Subtotal	6,708,242	$ 1,125,620	$ 5,582,622	$ -
Investments Measured at Amortized Cost (Not Subject to Fair Value Hierarchy)				
Repurchase agreements	366,000			
State treasurer's investment pool	981,309			
Subtotal	1,347,309			
Total investments in Investment Pool	$ 8,055,551			

U.S. Treasury notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

Commercial Paper, U.S. Agency Discount Notes, Corporate Notes, U.S. Agency Notes, U.S. Agency Collateralized Mortgage Obligations and Supranational Coupon Notes are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Interactive Data also monitors market indicators, industry and economic events and corroborating market data and are classified in Level 2 of the fair value hierarchy.

State Treasurer's Investment Pool and Repurchase Agreement are overnight securities and are recorded at amortized cost.

Note 3 –Restricted Assets

A significant portion of Water Quality's assets are restricted to use by legal and contractual provisions and by fiscal management policy. Restricted assets comprise cash and cash equivalents of $320.9 million and investments of $16.5 million at December 31, 2020, to comply with bond covenants and other requirements.

Liability amounts payable from restricted assets primarily consist of escrow and in-house retainage payables. These amounted to $1.5 million at December 31, 2020. The details of cash and cash equivalents and restricted assets as of December 31, 2020, are as follows (in thousands):

Unrestricted cash and cash equivalents	
Operating funds	$ 81,142
Construction funds	18,314
Bond funds	139,803
Unallocated insurance recoveries	78,004
Policy reserves	35,795
Total unrestricted cash and cash equivalents	353,058
Restricted cash and cash equivalents	
Bond reserves	112,290
SRF loan reserves	13,666
Bond proceeds committed to construction	147,205
Retainage and deposits	1,468
Rate stabilization reserve	46,250
Total restricted cash and cash equivalents	320,879
Total cash and cash equivalents	673,937
Restricted investments	
Bond reserves	16,473
Total restricted assets - cash and cash equivalents and investments	$ 337,352

Note 4 – Risk Management

Water Quality is exposed to a wide range of risks of loss, including those related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Water Quality participates in three County internal service funds to account for and finance its (1) property/casualty, (2) workers' compensation, and (3) employee medical and dental benefits, through self-insurance programs. The County contracts with a plan administrator to process medical and dental claims. County fund/claims managers, together with the Civil Division of the King County Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

Water Quality claims paid by the Insurance Fund of King County were $51 thousand during 2020. In the past three years there was no occurrence that resulted in payment in excess of the self-insured retention of $6.5 million.

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments, for paying claim settlements, and for purchasing certain policies. The County's internal service funds assess premiums attributable to Water Quality on the basis of claims experience, actuarial evaluation of future claims risk, and adequacy of available reserves. Premiums are recorded as an expense in the year paid or accrued.

Water Quality retains all risk associated with environmental claims.

Note 5 – Long-Term Liabilities

Sewer revenue bonds – As of December 31, 2020, bonds outstanding include $2,598.9 million of serial and term bonds maturing from January 1, 2021, through January 1, 2052, bearing interest at stated rates of 0.3 percent to 5.0 percent per annum.

In July of 2020, the County voluntarily redeemed $2.7 million of principal on its Sewer Revenue and Refunding Bonds, Series 2010, to reduce future debt service.

On July 14, 2020, the County issued $200.6 million of Junior Lien Sewer Revenue Refunding Bonds, Series 2020A ($100.3 million) and Series 2020B ($100.3 million) to refund $100.0 million of the County's Junior Lien Sewer Revenue Bonds, Series 2001A and Series 2001B, the letter of credit support for which was scheduled to expire on September 30, 2020, and $100.0 million of the County's Junior Lien Sewer Revenue Bonds, Series 2011, which became callable on June 1, 2020. The 2020A and 2020B term bonds bear fixed interest rates of 0.6 and 0.9 percent, respectively, and are subject to mandatory repurchase in January 2024 and January 2026, respectively. The bond maturity dates of January 1, 2032 and January 1, 2042 remain the same. The refunding of the Series 2011 bonds was undertaken to reduce total debt service payments by $590 thousand through the mandatory put date of December 1, 2020, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $590 thousand.

Note 5 – Long-Term Liabilities (continued)

On August 4, 2020, the County issued $179.5 million in Sewer Improvement and Refunding Revenue Bonds, Series A, with an effective interest rate of 2.6 percent. The proceeds were used to fund the Water Quality capital program and refund $28.3 million of outstanding Sewer Revenue and Refunding Bonds, Series 2010, with an average coupon interest rate of 4.3 percent. The net carrying amount of the refunded debt exceeded the reacquisition price by $1.7 million. This refunding was undertaken to reduce total debt service payments by $15.3 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $9.0 million.

On August 4, 2020, the county also issued $186.7 million in Sewer Refunding Revenue Bonds, Series B, with an effective rate of 1.9 percent to refund $167.0 million of outstanding Sewer Revenue Refunding Bonds Series 2012B, 2012C, 2013A and Sewer Improvement and Refunding Revenue Bonds, Series 2016B with an average coupon interest rate of 5.0 percent. The reacquisition price exceeded the net carrying amount of the refunded debt by $11.3 million. This refunding was undertaken to reduce total debt service payments by $43.7 million over the life of the bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $36.5 million.

On December 11, 2020, the County purchased Treasury securities at a cost of $85.9 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates $80.0 million of outstanding Sewer Revenue and Refunding Bonds, Series 2012. Funding for the escrow came from operations and excess in bond reserves. Water Quality undertook the defeasance to reduce future debt service.

Bond issues provide funding for Water Quality’s construction plan. Certain serial bonds may not be redeemed prior to maturity; other bonds may be redeemed after the lapse of specific periods of time. Amounts from the sewer revenue bond fund may be used to purchase term bonds prior to maturity.

The bonds are secured by a pledge of the revenue of the sewer system subject to payment of all operating and maintenance expenses of the sewer system. Payments from revenues of Water Quality are required to be made to the sewer revenue bond fund to pay interest and retire serial or term bonds on or before maturity. The amount required in the cash reserves and surety policies are based on the highest year of debt service over the life of all outstanding revenue bonds.

Note 5 – Long-Term Liabilities (continued)

The following table summarizes Water Quality's revenue bonds (in thousands):

	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at December 31, 2020
2011 Sewer Revenue	1/1/41	5.00%	175,000	4,175
2011 Series B	1/1/41	1.00-5.00%	494,270	29,445
2011 Series C	1/1/35	3.00-5.00%	32,445	7,885
2012A Refunding	1/1/52	5.00%	104,445	9,785
2012B Refunding	1/1/35	4.00-5.00%	64,260	13,640
2012C Refunding	1/4/33	2.50-5.00%	65,415	14,345
2012 Sewer Junior Lien Variable	1/1/43	(variable)	100,000	100,000
2013A Refunding	1/1/35	2.00-5.00%	122,895	45,930
2013B Revenue and Refunding	1/1/44	2.00-5.00%	74,930	54,680
2014A Refunding	1/1/47	5.00%	75,000	75,000
2014B Refunding	7/1/35	1.00-5.00%	192,460	175,500
2015A Refunding	7/1/47	3.00-5.00%	474,025	467,735
2015B Refunding	1/1/46	4.00-5.00%	93,345	70,895
2016A Refunding	7/1/41	4.00-5.00%	281,535	269,175
2016B Refunding	7/1/49	4.00-5.00%	499,655	447,070
2017A Refunding	7/1/49	5.00%	149,485	122,305
2018B Sewer Revenue	7/1/32	5.00%	124,455	124,455
2020A Refunding	1/1/52	1.63-5.00%	179,530	179,530
2020B Refunding	1/1/40	0.27-2.48%	186,745	186,745
2020A Refunding Junior Lien Variable	1/1/32	(variable)	100,295	100,295
2020B Refunding Junior Lien Variable	1/1/42	(variable)	100,295	100,295
			$ 3,690,485	$ 2,598,885

General obligation bonds – As of December 31, 2020, bonds outstanding include $814.7 million of serial and term bonds maturing January 1, 2021, through January 1, 2046, bearing interest at stated rates of 2.0 percent to 5.3 percent per annum.

Certain serial bonds cannot be redeemed prior to maturity; other bonds may be redeemed after the lapse of specific periods of time.

In January of 2020, the County voluntarily redeemed $1.8 million of principal on its Junior Lien Multi-Modal Limited Tax General Obligation Refunding bonds, Series 2017A and B, to reduce future debt service.

Note 5 – Long-Term Liabilities (continued)

The following table summarizes Water Quality's general obligation bonds (in thousands):

	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at December 31, 2020
2008 LTGO	1/1/34	5.25%	$ 236,950	$ 21,020
2012A LTGO	1/1/25	2.00-5.00%	68,395	41,360
2012B LTGO	1/1/29	5.00%	41,725	30,500
2012F LTGO	12/1/22	2.20%	3,010	3,010
2015A LTGO	7/1/38	2.00-5.00%	247,825	239,465
2017A LTGO	1/1/34	4.00-5.00%	154,560	131,970
2017A-B Multi-Modal LTGO	1/1/40	(variable)	100,000	98,225
2019A LTGO	1/1/38	5.00%	101,035	101,035
2019A Multi-Modal LTGO	1/1/46	(variable)	100,000	100,000
2019B Multi-Modal LTGO	1/1/46	(variable)	48,095	48,095
			$ 1,101,595	$ 814,680

Prior year refunded and defeasance of debt – As of December 31, 2020, Water Quality had outstanding refunded and defeased general obligation bonds and sewer revenue bonds in the amount of $802.6 million, of which $556.0 million were for the bonds defeased prior to 2020. Water Quality defeased these bonds by placing proceeds of the refunding bonds and/or existing cash from Water Quality in irrevocable trust accounts to provide for future debt service payments on the defeased bonds. The liability for the defeased bonds has been removed from Water Quality's financial statements.

State loans – Water Quality has received loans from the Washington State Department of Ecology under the Water Pollution Control State Revolving Fund Loan Program and the Washington Public Works Trust Fund. The loans require either semi-annual or annual payments of principal and interest from 2021 through 2053 and bear interest at stated rates from 0.0 percent to 3.1 percent. As of December 31, 2020, the balance due on all state loans is $245.5 million and the unused portion of state loan agreements is $19.8 million. Water Quality maintains separate cash reserves of $13.7 million as of December 31, 2020. These reserves are treated as restricted, being required under the Revolving Fund Loan Program.

Note 5 – Long-Term Liabilities (continued)

State loans are secured by a subordinate lien on the net revenues of the system. Events of default under the loan agreements with the Department of Ecology include nonpayment of amounts due, failure to commence the project for which the loan was granted and unjustified failure to perform loan agreement obligations. Remedies include suspending any undisbursed loan proceeds and acceleration of the outstanding balance, provided that the loan is not subject to acceleration if any sewer revenue bonds are outstanding. Any state funds owed to the County may also be withheld. Events of default under the loan agreements with the Public Works Trust Fund include nonpayment of amounts due and failure to use loan proceeds for permitted activities. Remedies include withholding of any undisbursed loan proceeds, assessment of additional interest and notification to creditors.

Water Infrastructure Finance and Innovation Act (WIFIA) loan – Water Quality has a $134.5 million WIFIA loan agreement with the U.S. Environmental Protection Agency. No draws have been taken on this loan as of December 31, 2020. The WIFIA loan, after draws are made, will be secured by a pledge of revenue of the sewer system subject to payment of all operating and maintenance expenses of the sewer system.

At December 31, 2020, the required principal and interest payments for all classes of long-term debt are as follows (in thousands):

	Revenue Bonds		General Obligation Bonds		State Loans		
Year(s) Beginning	Principal	Interest	Principal	Interest	Principal	Interest	Total
January 1, 2021	$ 71,950	$ 99,785	$ 17,670	$ 40,375	$ 17,610	5,579	$ 252,969
January 1, 2022	64,025	97,881	29,885	39,313	16,990	5,239	253,333
January 1, 2023	74,255	94,938	37,485	37,865	16,325	4,902	265,770
January 1, 2024	73,410	91,552	28,055	36,239	17,086	4,554	250,896
January 1, 2025	65,575	88,103	29,445	34,830	16,264	4,190	238,407
January 1, 2026-2030	397,120	389,930	188,215	150,631	64,922	16,058	1,206,876
January 1, 2031-2035	574,860	302,184	155,700	105,148	56,436	8,474	1,202,802
January 1, 2036-2040	499,620	207,405	180,130	68,440	17,001	3,786	976,382
January 1, 2041-2045	551,270	102,426	-	39,988	8,056	2,582	704,322
January 1, 2046-2050	207,995	22,870	148,095	7,995	9,201	1,449	397,605
January 1, 2051-2053	18,805	666	-	-	5,580	224	25,275
	$ 2,598,885	$ 1,497,740	$ 814,680	$ 560,824	$ 245,471	$ 57,037	$ 5,774,637

The future annualized interest payments for the variable rate bonds are based on an interest rate of 3.5 percent, which represents 70 percent of the long-term interest rate of 5.0 percent assumed by the County for financial planning purposes. Interest payments on the Junior Lien Variable Sewer Revenue Bonds, Series 2012, Series 2020A and Series 2020B, are based on the stated interest rates of 2.6 percent, 0.6 percent, and 0.9 percent, respectively, that will be paid through their mandatory purchase dates.

Note 5 – Long-Term Liabilities (continued)

Variable rate general obligation and revenue bonds – The County's $98.2 million Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), Series 2017A and B, are in a direct placement mode and are secured by a subordinate lien on the net revenues of the system. Events of default under the continuing covenant agreement for the bonds include nonpayment of amounts due and ratings downgrades below BBB/Baa2. The continuing covenant agreement expires on April 5, 2021.

The 2019 Series A and Series B Multi-Modal Variable Rate Bonds in the amount of $148.1 million are supported by a periodically renewable standby bond purchase agreement that expires on June 26, 2024.

The agreements related to the County's variable rate bonds, Series 2017A and B and Series 2019A and B, have acceleration clauses (declaring outstanding balances immediately due). The variable rate bonds, Series 2012, Series 2017A and B and Series 2020A and B, do not have liquidity facilities.

Financial policy reserves – In addition to bond reserves related to Sewer Revenue Bonds, Water Quality maintains liquidity and asset management reserves totaling $35.8 million at December 31, 2020.

Compliance with bond resolutions – With respect to the year ended December 31, 2020, Water Quality complied with all financial covenants stipulated by its bond resolutions.

Changes in long-term liabilities – Long-term liability activity for the years ended December 31, 2020 was as follows (in thousands):

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Bonds payable	$ 3,312,100	$ 566,865	$ (563,625)	$ 3,315,340	$ 89,620
Direct placements-bonds payable	100,000		(1,775)	98,225	-
Bond premiums and discounts	322,654	26,020	(55,235)	293,439	-
Total bonds payable	3,734,754	592,885	(620,635)	3,707,004	89,620
Direct borrowings-state loans	226,221	36,634	(17,384)	245,471	17,610
Compensated absences	11,117	11,837	(10,156)	12,798	783
Other post-employment benefits	1,526	279	(91)	1,714	102
Net pension liability	5,962	24,745	(22,633)	8,074	-
Environmental remediation	44,508	8,624	(3,814)	49,318	6,751
Asset retirement obligations	1,500	-	(150)	1,350	-
Other liabilities	77,302	1,827	(367)	78,762	71
Total long-term liabilities	$ 4,102,890	$ 676,831	$ (675,230)	$ 4,104,491	$ 114,937

Note 6 – Asset Retirement Obligations

In 2020, Water Quality reported the ARO of $1.4 million in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*. The liability is measured at its current value and based on professional judgment, experience, and historical cost data.

Water Quality's ARO relates to the disposition of underground storage tanks (USTs) due to applicable regulations and requirements. The estimated remaining useful life of the USTs ranges from one to nine years.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to dispose of the USTs.

Note 7 – Changes in Capital Assets

Changes in capital assets for the years ended December 31, 2020, are shown in the following table (in thousands):

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
Land	$ 248,766	$ -	$ -	$ 248,766
Easements	15,569	440	-	16,009
Artwork	4,349	-	(3,326)	1,023
Construction work in progress	438,160	191,333	(133,065)	496,428
Total nondepreciable assets	706,844	191,773	(136,391)	762,226
Buildings	2,034,935	7,863	(862)	2,041,936
Improvements other than buildings	141,422	7,011	-	148,433
Right of way	7,635	-	-	7,635
Infrastructure	2,465,628	42,823	(2,837)	2,505,614
Equipment	1,150,241	42,059	(17,486)	1,174,814
Software development	35,631	1,651	-	37,282
Total depreciable assets	5,835,492	101,407	(21,185)	5,915,714
Accumulated depreciation and amortization				
Building	(857,861)	(53,208)	553	(910,516)
Improvements other than building	(41,031)	(5,765)	(1,696)	(48,492)
Right of way	(1,799)	(218)	-	(2,017)
Infrastructure	(719,459)	(51,749)	1,200	(770,008)
Equipment	(773,782)	(60,216)	17,060	(816,938)
Software development	(35,631)	(688)	-	(36,319)
Total depreciation and amortization	(2,429,563)	(171,844)	17,117	(2,584,290)
Depreciable assets - net	3,405,929	(70,437)	(4,068)	3,331,424
Total capital assets - net	$ 4,112,773	$ 121,336	$ (140,459)	$ 4,093,650

Note 8 – Environmental Remediation

Water Quality operations are subject to rules and regulations enacted by the Washington State Department of Ecology (DOE) and the U.S. Environmental Protection Agency (EPA).

Water Quality follows GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49), which mandates the disclosure of “obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities.” GASB 49 establishes five events, any one of which obligates Water Quality to record a liability for pollution remediation expenditures. Liabilities are related to ongoing projects, which include the sediment management of aquatic habitats along Elliott Bay and the clean-up of certain sites along the Lower Duwamish Waterway (LDW). Environmental remediation costs are capitalized and amortized over 30 years.

The Sediment Management Project was obligated when the Metropolitan King County Council approved the pollution remediation program. The LDW project became a Water Quality obligation when King County entered into an Administrative Order on Consent (AOC) with the DOE and EPA. This AOC also includes The Boeing Company, the City of Seattle and the Port of Seattle as parties conduct the studies on which to base the cleanup decision. Each party has agreed to pay one fourth of the costs under the AOC.

Both projects may result in additional cleanup efforts as a result of future regulatory orders. These potential cleanup liabilities cannot be currently estimated. Ongoing, regulatory action has identified and may identify other Potentially Responsible Parties (PRP) for the LDW cleanup.

There are no estimated recoveries at this time that will reduce the amount of Water Quality’s pollution remediation obligations. The total environmental remediation liability at December 31, 2020, stands at $49.3 million.

The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

The methodology for estimating liabilities continues to be based on Water Quality engineering analysis, program experience and cost estimates for the remediation activities scheduled to be undertaken in future years as programmed under Water Quality’s Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method set out by GASB 49. For the LDW project, a weighted average method is used to calculate the liability. The Sediment Management Plan does not employ weighted average cost estimation because the remaining work is well-defined and negates the utility of multiple estimates. The cost estimates continue to be re-measured as succeeding benchmarks are reached or when cost assumptions are modified. All pollution remediation costs are being deferred and amortized over 30 years as permitted by regulatory accounting standards (see Note 9 – Regulatory Assets and Credits).

Note 9 – Regulatory Assets and Credits

The King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes and their treatment under generally accepted accounting principles for nonregulated entities. Changes to these balances and their inclusion in rates may occur only at the direction of the Council.

Rate stabilization – In 2005, the Council established a Rate Stabilization Reserve. This action created a deferred inflow of resource which deferred operating revenue to be set aside in a reserve and recognized in subsequent years to maintain stable sewer rates. The reserve was $46.3 million in 2020.

Pollution remediation – In 2006, the Council approved the application of regulatory accounting to treat pollution remediation obligations as regulatory assets to allow for cost recovery through future rate increases. The portion of regulatory asset costs that have been accrued is being amortized over a recovery period of 30 years.

Rainwise program – In 2013, the Council approved the application of regulatory accounting to treat program payments to Rainwise participants as regulatory assets to allow for cost recovery through future rate increases. The portion of regulatory asset costs that have been accrued is being amortized over a recovery period of 7 years.

Strategic planning costs – In 2016, the Council approved the application of regulatory accounting to treat strategic planning costs as regulatory assets to allow for cost recovery through future rate increases. The portion of regulatory asset costs that have been accrued is amortized over a 7 to 10-year recovery period.

Note 10 – Employee Benefit Plans

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the County elected to use June 30, 2020, as the measurement date for reporting net pension liability at 2020 year-end.

The following table represents the aggregate pension amounts allocated to Water Quality for all pension plans subject to the requirements of GASB Statement No. 68 for the year 2020 (in thousands):

	Aggregate Pension Amounts—All Plans
Pension liabilities	$ 8,074
Deferred outflows of resources	7,205
Deferred inflows of resources	7,685
Pension expense	3,903

Note 10 – Employee Benefit Plans (continued)

Pension plans –Substantially all full-time and qualifying part-time employees of Water Quality participate in Public Employees' Retirement System (PERS) Plan 2 or Plan 3.

PERS is administered by the Washington State Department of Retirement Systems (DRS) under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all statewide public retirement systems.

The DRS, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for each plan.

The DRS financial report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS financial report may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees Retirement System – PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plans 1 and 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The PERS Plan 1-member contribution rate is established by State statute at 6 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The plan was closed to new entrants on September 30, 1977.

Note 10 – Employee Benefit Plans (continued)

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013, have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Note 10 – Employee Benefit Plans (continued)

The PERS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.90%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

Water Quality's actual contributions to the PERS plan 2/3 were $9.3 million for the year ended December 31, 2020.

Actuarial assumptions – The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75 percent total economic inflation; 3.5 percent salary inflation.
- Salary increases: In addition to the base 3.5 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4 percent

Note 10 – Employee Benefit Plans (continued)

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.

- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.

- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount rate – The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Long-term expected rate of return – The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Note 10 – Employee Benefit Plans (continued)

Estimated rates of return by asset class – Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed income	20.00%	2.20%
Tangible assets	7.00%	5.10%
Real estate	18.00%	5.80%
Global equity	32.00%	6.30%
Private equity	23.00%	9.30%
	100.00%	

Sensitivity of NPL – The table below presents Water Quality's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what Water Quality's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate (in thousands).

Pension Plan	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PERS 2/3	$ 50,241	$ 8,074	$ (26,650)

Pension plan fiduciary net position – Detailed information about the fiduciary net position of the State's pension plans is available in the separately issued DRS financial report.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At December 31, 2020, Water Quality reported a total pension liability of $8.1 million for its proportionate share of the net pension liabilities of PERS Plan 2/3.

Water Quality's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 2/3	0.60%	0.63%	0.03%

Note 10 – Employee Benefit Plans (continued)

Employer contribution transmittals received and processed by the DRS for its fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1.

The collective net pension liability was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension expense – For the year ended December 31, 2020, Water Quality recognized pension expense in the amount of $3.9 million.

Deferred outflows of resources and deferred inflows of resources – At December 31, 2020, Water Quality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience.	$ 2,891	$ 1,012
Net difference between projected and actual investment earnings on pension plan investments.	-	410
Changes of assumptions	115	5,515
Changes in proportion and differences between contributions and proportionate share of contributions.	1,274	748
Contributions subsequent to the measurement date.	2,925	-
Total	$ 7,205	$ 7,685

Note 10 – Employee Benefit Plans (continued)

Deferred outflows of resources related to pensions resulting from Water Quality's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year Ending December 31,	PERS 2/3
2021	$ (3,320)
2022	(771)
2023	174
2024	847
2025	(173)
Thereafter	(162)

Note 11 – Other Post-Employment Benefits

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes standards for recognizing and measuring other postemployment benefits (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The following table represents Water Quality's allocated OPEB amounts subject to the requirements of GASB Statement No. 75 for the year 2020 (in thousands):

	OPEB Amounts
OPEB liabilities	$ 1,714
Deferred outflows of resources	84
Deferred inflows of resources	229
OPEB expense	264

Plan description – The County administers a single-employer defined-benefit postemployment healthcare plan (the Plan). The Plan provides healthcare insurance for eligible retirees and their spouses and children through the County's health insurance plan, which covers retired members. The plan provides healthcare insurance benefits and prescription coverage. The plan offers dental and vision benefits, but the retiree premiums are assumed to cover the full cost of those benefits.

As a self-insurer, the County establishes a monthly premium rate for insurance benefits each budget year. Eligible retirees may continue to receive insurance benefits by contributing 100 percent of the Consolidated Omnibus Budget Reconciliation Act or COBRA rate for these benefits. The program provides the same level of healthcare benefits to retirees as the active group plan. LEOFF1 retirees are not required to contribute as the County pays 100 percent of their medical costs. The County pays benefits as they come due.

Note 11 – Other Post-Employment Benefits (continued)

Employees covered by benefit terms – At December 31, 2020, the benefit terms covered the following employees:

Category	Count
Inactive employees, spouses, or beneficiaries currently receiving benefit payments	517
Active employees	14,746
Total	15,263

Net OPEB liability – The County's total OPEB liability was valued as of December 31, 2020 and used to calculate the net OPEB liability measured as of December 31, 2020.

Actuarial assumptions – The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date:	December 31, 2020
Discount rate	2.00%
Inflation	2.75%
Healthcare Cost Trend Rates	
Pre-Medicare	5.40% *
Medicare	0.00% *
Salary Increases	3.50% **
Mortality Rates	Public Employer Mortality Tables - Society of Actuaries

* Trending down to 4.04% over 54 years. Applies to calendar years.
** Additional merit-based increases based on CalPERS merit salary increase tables.

- Projections of the sharing of benefit-related costs are based on an established pattern of practice.
- Experience studies come from the State of Washington 2018 reports.
- Inactive employees (retirees) pay 100 percent of the cost of benefits, except for LEOFF1 which pays zero percent.
- There were no ad hoc postemployment benefit changes (including ad hoc COLAs) to the plan.

The discount rate used to measure the total OPEB liability is 2.0 percent. The County's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

Note 11 – Other Post-Employment Benefits (continued)

Changes in total OPEB liability – Water Quality's allocated changes in the total OPEB liability for the year ended December 31, 2020, were as follows (in thousands):

Total OPEB liability - 1/1/2020	$ 1,526
Changes for the year:	
Service cost	36
Interest	67
Difference between expected and actual experience	(139)
Change of assumptions	53
Benefit payments	(63)
Implicit subsidy credit	(28)
Other changes	262
Net changes	188
Total OPEB liability - 12/31/2020	$ 1,714

Sensitivity of the net OPEB liability to changes in the discount rate – The table below presents Water Quality's proportionate share of the net OPEB liability as well as what Water Quality's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.0 percent) or one percentage point higher (3.0 percent) than the current rate (in thousands).

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	$ 1,858	$ 1,714	$ 1,585
Increase (Decrease)	144		(129)
% change	8.40%		-7.54%

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The healthcare trend for this valuation started at 5.4 percent and decreased to 4.0 percent over 54 years. The table below presents Water Quality's proportionate share of the net OPEB liability as well as what Water Quality's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (4.4 percent) or one percentage point higher (6.4 percent) than current healthcare cost trend rates (in thousands).

	1% Decrease (4.40%)	Trend Rate (5.40%)	1% Increase (6.40%)
Total OPEB liability	$ 1,562	$ 1,714	$ 1,888
Increase (Decrease)	(152)		174
% change	-8.85%		10.17%

Note 11 – Other Post-Employment Benefits (continued)

Deferred outflows of resources and deferred inflows of resources – At December 31, 2020, Water Quality reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience	$	37	$	123
Changes of assumptions		47		106
Total	$	84	$	229

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB in the year ended December 31, 2020, will be recognized as OPEB expense as follows (in thousands):

Year Ending December 31,	Amount	
2021	$	(21)
2022		(21)
2023		(21)
2024		(20)
2025		(20)
Thereafter		(42)

Expected average remaining service lives (EARSL) – The effects on the total OPEB liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in OPEB expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the OPEB plan (active employees and inactive employees), beginning in the current period. The EARSL for the current period is 8.8 years.

Note 12 – Interfund Balances and Transfers

Water Quality is an enterprise fund of the County and reports in its financial statements interfund balances and transfers as a result of intra-county activity with other County agencies.

Interfund balances – The balances result from the time lag between the dates when interfund goods and services were provided or reimbursable expenditures incurred and when interfund payments were made, Water Quality reported total due from other funds of $2.5 million and due to other funds of $12 thousand at December 31, 2020.

Interfund transfers – The King County Council approves ordinances and/or motions authorizing Water Quality to contribute and receive amounts to and from various County funds. During 2020, the transfers from Water Quality to other funds were $894 thousand and transfers from other funds were $150 thousand.

Note 13 – Commitments and Contingencies

Construction and maintenance programs – To ensure the continued operation, reliability, and compliance with regulatory standards of existing wastewater treatment facilities, Water Quality has active construction and contractual commitments of approximately $153.1 million on active construction contracts as of December 31, 2020.

Contingencies and claims – The following litigation, or potential litigation, may involve claims for material damages against the King County Water Quality Enterprise Fund for which Water Quality is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- *Lower Duwamish Waterway* - The Environmental Protection Agency (EPA) issued an administrative order that required King County, the City of Seattle, Boeing, and the Port of Seattle to conduct studies to determine the nature and extent of contamination in the Lower Duwamish Waterway. The County and the other three parties have agreed with EPA to amend the administrative order on a number of occasions to conduct additional. A new amendment is currently being negotiated for the next phase of remedy design. EPA issued a Record of Decision (ROD) in the latter part of 2014. The ROD contains EPA's final plan for cleanup of the Lower Duwamish Waterway. The County and a number of other parties are participating in an alternative dispute resolution process, called an allocation, to determine shares of liability for the costs of the cleanup. If parties that participate in the allocation accept their allotted shares, they then expect to enter into a settlement agreement and to negotiate a consent decree with EPA to implement the cleanup. Due to the fact that the parties do not yet know their respective shares of cleanup costs and no consent decree has been negotiated with EPA, the County is unable to determine the schedule or cost of any required remediation. In addition, the County is unable to determine the extent to which the County and Water Quality will be responsible for the cost of such remediation.

Note 13 – Commitments and Contingencies (continued)

- *Denny Way CSO Model Toxic Control Act Cleanup* – There was a potential requirement for more cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. Water Quality signed an Agreed Order with the Washington State Department of Ecology (DOE) under the Model Toxics Control Act for an interim cleanup action in November 2007 and subsequently performed the interim cleanup at a cost of $3.6 million. Water Quality has recently engaged in negotiations with DOE to prepare a remedial investigation, feasibility study and draft cleanup action plan, and to implement what may be an interim or final cleanup action. It is unclear what final remedy DOE may select. The County is unable to determine an amount, if any, for which Water Quality may be responsible.

- *East Waterway Operable Unit of the Harbor Island Superfund Site* – There were potential claims for past and future cleanup costs at the Harbor Island Superfund Site. The Port of Seattle has completed a significant removal action in the East Waterway. The City of Seattle, Port of Seattle and the County may subsequently negotiate the amount, if any, that the City and the County will contribute to defray the Port of Seattle's past cleanup costs at the site. The County is unable to determine an amount that Water Quality may be responsible for, if any.

  In addition, EPA determined that a supplemental remedial Investigation/Feasibility study (RI/FS) is necessary. The supplemental RI/FS is now complete and has been approved by EPA though one additional study is being completed at EPA's request to further finalize it. A three-way agreement with the Port of Seattle, the City of Seattle and King County covers the participation of the City, the Port of Seattle, and the County in the supplemental RI/FS governing the East Waterway Operable Unit. The agreement allocates to Water Quality a one-third pro-rata share of the study costs as defined in the agreement although these costs may be reallocated among the parties or with other potentially responsible parties (PRP) who may agree to participate in the study. The parties may also seek contribution from other PRP's for the cost of the study. EPA is now contemplating issuance of a proposed plan that would select the site remedy. The County and three other PRP's have negotiated a memorandum of agreements to implement a search for other responsible parties.

- *North Creek Interceptor Sewer Improvement Project* - A claim was submitted by the County against a contractor and its performance bond surety over the project to repair and replace two miles of pipeline serving the rapidly developing area in the vicinity of Canyon Park. Pursuant to an agreement with DOE, Water Quality had to install a bypass system because the capital project was not completed by the onset of the 2016 wet season. The contractor submitted a request for change order of approximately $1.5 million based on its assertion that the contract dewatering and open-faced shield tunneling specifications were defective. The contractor also asserted that it was constructively suspended and stopped tunneling. Water Quality found the contractor in default, terminated the contract, made demand upon the performance bond surety, and procured a $20.0 million completion contract. Water Quality's additional costs to complete the project and to repair consequential damages amounted to approximately $28.0 million. In December 2016, the County initiated a suit in King County Superior Court to recover the additional costs to complete the project from the contractor and its insurance company. The trial date is set for August 30, 2021. The contractor is counterclaiming for approximately $10.0 million based on a wrongful termination.

Note 13 – Commitments and Contingencies (continued)

Lower Duwamish Waterway - Possible Natural Resource Damages - The County has participated in discussions with National Oceanic and Atmospheric Administration (NOAA) regarding alleged natural resource damages (NRD) in the Lower Duwamish Waterway and around Harbor Island. These discussions have included NOAA's determination that the County may be a potentially liable party that has contributed to the release of hazardous substances that have injured natural resources. NOAA notified the County in February 2016 that the Natural Resources Trustees will proceed with a NRD assessment and invited the County to participate in the development of the assessment. The County notified NOAA in March 2016 and again in December 2019 that the County desires to conduct settlement discussions with NOAA regarding the NRD liability that NOAA attributes to the County. The County's intent in past discussions with NOAA has been to minimize the County's alleged liability relative to other liable parties. The County is currently in the process of negotiating a settlement with NOAA but cannot predict the amount or likelihood of settlement.

Ronald Wastewater District v. Olympic View Water & Sewer District – Ronald Wastewater District (Ronald) sought a declaratory judgment that it is the exclusive wastewater service provider to the Point Wells area in unincorporated Snohomish County. Olympic View Water & Sewer District (OVWSD) claimed that the Point Wells area is located within its corporate boundaries, was not properly annexed to Ronald, and that OVWSD is the exclusive service provider. Woodway, Snohomish County, and Edmonds were also parties to the action, supporting OVWSD's legal position. Shoreline and King County were defendants, supporting Ronald's position. The Superior Court ruled in favor of Ronald finding that King County properly transferred the Richmond Beach Sewer System to Ronald in 1985 and that the court's approval in 1985 of that transfer lawfully annexed the Point Wells service area to Ronald's corporate boundary. The Court of Appeals reversed the superior court and decided that the 1985 transfer from King County to Ronald was void. Ronald and King County both filed petitions for review to the Supreme Court, which accepted review. Late in 2020 the Supreme Court upheld the appellate court's ruling, agreeing that Ronald could not have unilaterally annexed Point Wells into Ronald's service area because Point Wells was already within OVWSD's boundary, and neither OVWSD nor Snohomish County consented to Ronald's annexation of Point Wells. This ruling will resolve most of the remaining litigation amongst the parties. However, OVWSD indicates that it plans to pursue other causes of action, including breach of contract, against Shoreline, as successor to Ronald, and against King County. The County intends to vigorously defend itself against such causes of action.

Suquamish Tribe Notice of Intent to Sue - In July 2020, the Suquamish Tribe (Tribe) submitted a Notice of Intent (NOI) to sue under the Clean Water Act for the County's discharges of untreated wastewater in violation of the County's discharge permits. In March 2021, the Tribe submitted a supplemental NOI for additional County discharges. Civil penalties available under the Clean Water Act are a maximum of $57 thousand, per violation per day. The County has met with the Tribe in an effort to settle the NOI. If settlement efforts are not successful, the County believes that it has some available defenses to a potential Clean Water Act lawsuit related to these discharges and would vigorously defend against such an action.

Note 13 – Commitments and Contingencies (continued)

Georgetown Wet Weather Treatment Station - This project involves construction of a new 70.0 million gallon per day capacity wet weather treatment station for treating combined sewer overflow wastewater. The contract was awarded to a contractor in the amount of $96.2 million. The contractor seeks approximately $4.3 million in additional compensation for claims including for contaminated soil, schedule delays in obtaining a shoring and dewatering permit, addressing a sinkhole and water intrusion that occurred while driving secant pile shaft, and additional costs associated with electrical work. The County has disputed the contractor's request for entitlement. A date for mandatory mediation has not yet been set. Mediation is a condition precedent to litigation.

Sunset and Heathfield Pump Stations and Force Main Upgrade Project - The project involves installation of eight new raw sewage pumps, four at the Sunset Pump Station and four at the Heathfield Pump Station, and related improvements to these facilities, including upgrades to electrical systems, mechanical systems and conveyance system piping. The contract was awarded to a contractor for $36.6 million. The contractor has submitted a $6.4 million request for change order from the County for work to address ongoing vibration issues and mechanical failures in the installed pumps. The County is evaluating this request.

Note 14 – Subsequent Events

On December 15, 2020, the County authorized issuance of up to $250.0 million in Limited Tax General Obligation Notes (Commercial Paper) that will be issued from time to time to finance or refinance certain capital projects of the County's sewer system. Water Quality issued $44.2 million of commercial paper notes on January 7, 2021.

On January 19, 2021, Water Quality closed on a $96.8 million loan commitment with the Environmental Protection Agency for the Ship Canal Water Quality project. Draws on the loan commitment was evidenced by the sewer revenue bond, 2021 (WIFIA – N19128WA), authorized by King County Council on June 23, 2020.

On January 29, 2021, the continuing covenant agreement related to the County's Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), Series 2017A and B, was extended beyond the prior expiration date of April 5, 2021. The continuing covenant agreement, which governs the direct bank loan arrangement in which form the bonds are currently held, now expires on January 28, 2022.

On February 25, 2021, the County issued $100.0 million in commercial paper notes and placed the proceeds in escrow to refund and defease the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2012, at their earliest redemption date. Water Quality undertook the refunding to reduce interest costs.

Required Supplementary Information

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*
(dollars in thousands)

	2020	2019	2018	2017	2016
County's proportion of the net pension liability	8.85%	8.25%	8.56%	8.45%	8.90%
County's proportionate share of the net pension liability	$ 312,368	$ 317,333	$ 382,129	$ 400,803	$ 477,872
Covered payroll	$ 1,283,745	$ 1,196,465	$ 1,124,434	$ 1,031,025	$ 1,007,624 **
County's proportionate share of the net pension liability as a percentage of covered payroll	24.33%	26.52%	33.98%	38.87%	47.43% **
Plan fiduciary net position as a percentage of the total pension liability	68.64%	67.12%	63.22%	61.24%	57.03%

	2015
County's proportion of the net pension liability	8.76%
County's proportionate share of the net pension liability	$ 458,477
Covered payroll	$ 1,000,211 **
County's proportionate share of the net pension liability as a percentage of covered payroll	45.84% **
Plan fiduciary net position as a percentage of the total pension liability	59.10%

* This schedule is to be built prospectively until it contains ten years of data.

** 2015-2019 numbers are restated to include PERS 2/3 and PSERS 2 covered payroll on which portions of PERS 1 UAAL contributions are based.

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*
(dollars in thousands)

	2020	2019	2018	2017	2016
County's proportion of the net pension liability	10.85%	10.06%	10.29%	10.14%	10.52%
County's proportionate share of the net pension liability	$ 138,736	$ 97,735	$ 175,728	$ 352,361	$ 529,855
Covered payroll	$ 1,219,052	$ 1,144,724	$ 1,072,968	$ 995,800	$ 953,254
County's proportionate share of the net pension liability as a percentage of covered payroll	11.38%	8.54%	16.38%	35.38%	55.58%
Plan fiduciary net position as a percentage of the total pension liability	97.22%	97.77%	95.77%	90.97%	85.82%

	2015	
County's proportion of the net pension liability	10.36%	
County's proportionate share of the net pension liability	$ 370,294	
Covered payroll	$ 949,860	
County's proportionate share of the net pension liability as a percentage of covered payroll	38.98%	**
Plan fiduciary net position as a percentage of the total pension liability	89.20%	

* This schedule is to be built prospectively until it contains ten years of data.
** Amount restated to reflect correction in calculation.

Schedule of the County's Contributions
Public Employees' Retirement System (PERS) Plan 1
For the Year Ended December 31*
(dollars in thousands)

	2020	2019	2018	2017	2016	
Contractually required contributions	$ 60,884	$ 62,240	$ 59,366	$ 54,111	$ 50,154	**
Contributions in relation to the contractually required contributions	60,884	62,240	59,366	54,111	50,154	**
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	
Covered payroll	$ 1,306,676	$ 1,245,598	$ 1,154,804	$ 1,082,715	$ 1,028,598	**
Contributions as a percentage of covered payroll	4.66%	5.00%	5.14%	5.00%	4.88%	**

	2015	
Contractually required contributions	$ 25,283	**
Contributions in relation to the contractually required contributions	25,283	**
Contribution deficiency (excess)	$ -	
Covered payroll	$ 507,206	**
Contributions as a percentage of covered payroll	4.98%	**

* This schedule is to be built prospectively until it contains ten years of data.
** 2015-2019 numbers are restated to include portions of PERS 1 UAAL from PERS 2/3 and PSERS 2 contributions.

Schedule of the County’s Contributions
Public Employees’ Retirement System (PERS) Plan 2/3
For the Year Ended December 31*
(dollars in thousands)

	2020	2019	2018	2017	2016
Contractually required contributions	$ 101,390	$ 93,935	$ 84,792	$ 72,763	$ 62,650 **
Contributions in relation to the contractually required contributions	101,390	93,935	84,792	72,763	62,650 **
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,251,724	$ 1,188,641	$ 1,103,984	$ 1,031,418	$ 977,342
Contributions as a percentage of covered payroll	8.10%	7.90%	7.68%	7.05%	6.41% **

	2015
Contractually required contributions	$ 72,853 **
Contributions in relation to the contractually required contributions	72,853 **
Contribution deficiency (excess)	$ -
Covered payroll	$ 933,304
Contributions as a percentage of covered payroll	7.81% **

* This schedule is to be built prospectively until it contains ten years of data.
** 2015-2019 numbers are restated to exclude portions of PERS 1 UAAL from PERS 2/3 contributions.

Notes to Pension Required Supplementary Information

For PERS, the Office of the State Actuary (OSA) calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 the Revised Code of Washington (RCW).

Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. The actuarial valuation with a June 30, 2017, valuation date, completed in the fall of 2018, plus any supplemental contribution rates from the preceding legislative session, determined the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

For fiscal years 2015 - 2020, the annual money-weighted rate of return on plan investments for each PERS pension plan is disclosed in the 2020 Washington State Department of Retirement Systems Annual Financial Report (AFR). The AFR is available online at https://www.drs.wa.gov/administration/annual-report/.

Schedule of the County's Changes in Total OPEB Liability and Related Ratios
For the Year Ended December 31*
(dollars in thousands)

	2020	2019	2018
Total OPEB liability - beginning of year	$ 111,272	$ 111,412	$ 118,120
Service cost	2,220	2,155	2,092
Interest	4,149	4,138	4,147
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(8,646)	-	3,332
Changes of assumptions	3,310	(4,953)	(9,652)
Benefit payments	(3,922)	(1,480)	(5,244)
Implicit rate subsidy fulfilled	(1,764)	-	(1,383)
Other changes	-	-	-
Net change in total OPEB liability	(4,653)	(140)	(6,708)
Total OPEB liability - end of year	$ 106,619	$ 111,272	$ 111,412
Covered-employee payroll	$ 1,324,116	$ 1,219,237	$ 1,217,867
Total OPEB liability as a percentage of covered payroll	8.05%	9.13%	9.15%

* This schedule is to be built until it contains ten years of data.

Notes to OPEB Required Supplementary Information

The plan does not have assets in trusts or equivalent arrangements and is funded on a pay-as-you-go basis. Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, benefit terms, and participation percentages.

Other Information

Water Quality is obligated by applicable bond ordinances to set sewage disposal rates at a level adequate to provide net revenue equal to at least 1.15 times the annual debt service requirements for sewer revenue and general obligation bonds payable from revenues of Water Quality. It is an adopted policy of Water Quality to achieve a debt service coverage ratio of 1.25.

Coverage (1.15 required by covenant, adopted policy 1.25)	1.78

In 2001, Water Quality adopted a new debt service target of 1.15 times the annual debt service for bonds, obligations, notes, and loans of Water Quality.

Coverage (1.15 adopted target)	1.56

Water Quality is required to generate revenues sufficient to pay all costs of operation of the sewage treatment system and debt service on obligations of Water Quality.

Coverage (1.00 required by covenant)	1.42

In 2001, Water Quality issued an additional tier of revenue bonds. The bond covenants of the Junior Lien Variable Rate Demand Sewer Revenue Bonds, Series 2001A and Series 2001B, require that sewage disposal rates provide net revenue equal to at least 1.10 times the annual debt service requirements for all junior lien obligations after payment of senior lien requirements. All of Water Quality Junior Lien Variable Rate Sewer Revenue Bonds and Multi-Modal Limited Tax General Obligation Revenue Bonds incorporate the identical requirement stated in the 2001 bond covenant requirements. In 2020, short-term interest rates fell to 1.22 percent from 2.11 percent in 2019.

Coverage (1.10 required by covenant)	21.88

King County Water Quality Enterprise Fund
Supplemental Information
Supplemental Schedule of Historical Debt Service Coverage Ratios (Unaudited)

DEBT SERVICE COVERAGE FOR THE WATER QUALITY ENTERPRISE
LAST TEN FISCAL YEARS
(dollars in thousands)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Residential customer and residential customer Equivalents (RCEs) (annual average, rounded)	707,300	708,900	718,160	725,844	736,090	756,430	756,916	760,571	763,436	767,265
Percentage annual change	0.41%	0.23%	1.31%	1.07%	1.41%	2.76%	0.06%	0.48%	0.38%	0.50%
Operating revenues										
Sewage disposal fees	$ 306,430	$ 307,143	$ 342,850	$ 346,591	$ 371,253	$ 381,513	$ 401,650	$ 403,589	$ 415,279	$ 417,361
Rate stabilization	(25,523)	13,923	10,350	18,000	(12,000)	-	-	-	-	-
Capacity charge revenues	48,693	51,411	58,660	59,522	62,479	71,200	82,615	86,836	102,146	92,622
Other operating revenues	7,830	9,398	10,126	11,675	11,674	11,828	18,308	19,125	19,024	19,956
Total Operating Revenues	337,430	381,875	421,986	435,788	433,406	464,541	502,573	509,550	536,449	529,939
Operating and maintenance expenses [1)]	103,995	114,939	117,183	122,014	127,211	138,698	142,263	139,585	143,834	154,513
Add: GAAP adjustment [2)]	-	-	-	2,187	1,715	(2,377)	5,936	13,004	10,438	3,505
Net operating and maintenance expenses	103,995	114,939	117,183	124,201	128,926	136,321	148,199	152,589	154,272	158,018
Net operating revenue	233,435	266,936	304,803	311,587	304,480	328,220	354,374	356,961	382,177	371,921
Interest income [3)]	2,725	1,697	2,682	2,822	2,863	4,549	6,055	8,956	10,765	7,971
Net revenue available for debt service	236,160	268,633	307,485	314,409	307,343	332,769	360,429	365,917	392,942	379,892
Debt service										
Parity bonds	132,664	157,117	172,959	175,463	167,694	160,957	159,761	163,967	171,321	162,385
Parity lien obligations	32,910	38,626	43,064	42,876	40,348	53,164	52,650	49,121	41,529	50,755
Subordinate debt service	12,769	14,087	15,039	17,477	18,318	21,316	26,277	33,139	35,174	30,367
Total debt service	$ 178,343	$ 209,830	$ 231,062	$ 235,816	$ 226,360	$ 235,437	$ 238,688	$ 246,227	$ 248,024	$ 243,507
Debt service coverage										
On parity bonds	1.78	1.71	1.78	1.79	1.83	2.07	2.26	2.23	2.29	2.34
On parity bonds and parity lien obligations	1.43	1.42	1.36	1.44	1.48	1.55	1.70	1.72	1.85	1.78
On all sewer system obligations	1.32	1.28	1.33	1.33	1.36	1.41	1.51	1.49	1.58	1.56

1) 2014 operating expenses were restated as part of GASB Statements 68 and 71 implementation.
2) Non-cash GAAP adjustments consist of pension, other post-employment benefits and compensated absence accruals.
3) Interest Income excludes unrealized gains in the GASB Statement 31 market valuation adjustment.

MOSSADAMS

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

The Metropolitan King County Council
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the King County Water Quality Enterprise Fund, which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 30, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Seattle, Washington
April 30, 2021

MOSSADAMS

This page left blank intentionally.

APPENDIX D

EXCERPTS FROM KING COUNTY'S 2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

This page left blank intentionally.

Basic Financial Statements

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

July 27, 2020

Council and Executive
King County
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Public Transportation, Water Quality, or Solid Waste funds, which in aggregate represent 97 percent, 94 percent, and 96 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Public Transportation, Water Quality, and Solid Waste funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2019, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note 20 to the financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the County. Management's plans in response to this matter are also described in Note 20. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated July 27, 2020, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the County's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of King County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2019. We encourage readers to consider this information in conjunction with that furnished in the letter of transmittal and with the County's financial statements and accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

- At December 31, 2019, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $7.24 billion (referred to as *net position* of the primary government). Of this amount, $982 million represents unrestricted net position, which may be used to meet the County's short-term obligations to its vendors, creditors, employees and customers.

- The County's total net position increased 6 percent or $434 million over last year mainly because of capital asset acquisitions and construction that did not utilize borrowing. The Puget Sound Emergency Radio Network levy collections have been sufficient to support its capital construction activities, avoiding previously anticipated borrowing. The county also decided to fund the Patricia H. Clark Child and Family Justice Center construction through current revenues.

- The governmental activities component of net position grew by 8 percent or $258 million over last year while the business-type activities component gained 5 percent or $176 million.

- The County's governmental funds reported combined fund balances of $1,045 million, an increase of $62 million over the prior year. Approximately 9 percent or $93 million of this amount is unassigned fund balance which is available for spending at the government's discretion.

- Unrestricted fund balance (the total of the *committed*, *assigned* and *unassigned* components of fund balance) for the General Fund was $182 million, or approximately 22 percent of total annual General Fund expenditures. Total fund balance for the General Fund increased 12 percent or $20 million from the prior year.

- Total liabilities of the County increased by 3 percent or $174 million in 2019. However, the largest component of liabilities is debt, which decreased 2 percent or $117 million. Governmental activities issued new general obligation bonds of $62 million and refunding issues of $56 million. Business-type activities issued $101 million in new general obligation debt, $148 million in general obligation refunding debt, and no revenue-backed debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements which include three components: government-wide financial statements, fund financial statements and notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The **government-wide financial statements** are designed to provide readers with an overview of the County's finances, in a manner similar to a private sector business. The statements provide near-term and long-term information about the County's financial position, which assists in assessing the County's financial condition at the end of the fiscal year.

The **statement of net position** presents all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

Both government-wide financial statements have separate sections for three different types of County programs or activities:

Governmental activities

The activities in this section are principally supported by taxes and revenues from other governments (called "intergovernmental revenues" in the statements). The county classifies governmental activities into general government; law, safety and justice; physical environment; transportation; economic environment; health and human services; culture and recreation; debt service and capital outlay. Further discussion of these activities may be found in Note 1 to the Basic Financial Statements. Also included within governmental activities are the operations of the King County Flood Control District which, although legally separate, is reported as a blended component unit and shown as a special revenue fund to comply with governmental accounting standards.

Business-type activities

These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users. The county's business-type activities include public transportation, wastewater treatment, solid waste disposal and recycling, airport property leasing, ferry, radio communications, and public internet services.

Discretely presented component units

The County’s government-wide financial statements include the financial data of other legally separate entities that are reported as discrete component units: Harborview Medical Center, Cultural Development Authority of King County and NJB Properties. While governmental accounting standards call for these entities to be reported as part of the overall financial reporting entity, they are not included within the primary government. Individual financial statements for these discrete component units can be found in the Basic Financial Statements section, immediately following the fiduciary funds financial statements.

Fund Financial Statements

The fund financial statements are designed to report financial information about the County’s funds. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives.

The County, like most state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds

Most of the services provided by the County are accounted for in governmental funds. Governmental funds are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements.

Unlike government-wide financial statements, however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

King County maintains a general fund and several other individual governmental funds organized according to their type (special revenue, debt service, and capital projects). The government reports two governmental **major funds**, the General Fund and the Behavioral Health Fund. Each major fund is presented in a separate column in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation as "nonmajor governmental funds." Individual fund data for each of these nonmajor funds is provided as supplementary information in the form of combining statements in the Governmental Funds section.

The County adopts biennial budgets for the General Fund and Behavioral Health Fund, appropriated at the department or division level. Budgetary comparison schedules are provided for each of the major governmental funds and may be found in the Required Supplementary Information section.

Proprietary funds

Proprietary funds are used to account for services for which the County charges customers a fee to recover all or a portion of the cost of providing the services. Proprietary funds provide the same type of information as shown in the government-wide financial statements but at a more detailed level, including the addition of cash flow statements. Like the government-wide financial statements, proprietary funds financial statements use the accrual basis of accounting. The basic proprietary funds financial statements can be found immediately following the governmental funds financial statements.

The County has two types of proprietary funds:

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary funds financial statements provide separate information for the Water Quality Enterprise, the Public Transportation Enterprise, and the Solid Waste Enterprise, all of which are considered to be major funds of the County for financial reporting purposes. All other enterprise funds are aggregated into a single "nonmajor enterprise funds" column within the proprietary funds financial statements. Individual fund data for each of these nonmajor funds is provided as supplementary information in the form of combining statements in the Proprietary Funds section.

Internal service funds are used to report activities that provide centralized services to the County's other programs and activities on a cost reimbursement basis. The County uses this type of fund to account for services such as the motor pool, information and technology, employee benefits, facilities management, risk management, financial, and various other administrative services. Most of these funds support or benefit governmental rather than business-type functions and those funds have therefore been appropriately consolidated within governmental activities in the government-wide financial statements. One of the internal service funds, however, provides equipment and fleet maintenance services almost exclusively to the Water Quality Enterprise and is therefore consolidated within the business-type activities in the government-wide financial statements. At the fund level, because of their business-type nature, all the internal service funds are aggregated for reporting purposes under the proprietary fund group in the basic financial statements with individual fund statements provided as other supplementary information in the Internal Service Funds combining section.

Fiduciary funds

Fiduciary funds such as trust and agency funds are used to account for resources held for the benefit of parties outside the government. This fund group also includes the investment trust funds that are used to report investment pool activity on behalf of special districts and public authorities. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements. The accounting for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found immediately following the proprietary funds financial statements.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the individual component unit financial statements in the Basic Financial Statements section.

Other Information

Required supplementary information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information on budget to actual comparisons for major governmental funds, the current funding progress for pensions, the current funding progress for defined benefit postemployment benefits other than pensions, and infrastructure assets reported using the modified approach. The required supplementary information immediately follows the notes to the financial statements.

Combining statements

The combining statements are presented in separate sections immediately after the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position over time may serve as a useful indicator of a government's financial position. In the case of King County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7.24 billion at the close of the most recent fiscal year.

King County's Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 1,842,952	$ 1,566,797	$ 2,498,873	$ 2,304,834	$ 4,341,825	$ 3,871,631
Capital assets[(a)]	3,447,644	3,344,379	6,304,284	6,245,746	9,751,928	9,590,125
Total Assets	5,290,596	4,911,176	8,803,157	8,550,580	14,093,753	13,461,756
Deferred Outflows of Resources	98,980	87,221	243,458	254,842	342,438	342,063
Liabilities						
Long-term liabilities	1,329,345	1,407,329	4,847,469	4,841,219	6,176,814	6,248,548
Other liabilities	409,469	212,303	288,706	240,190	698,175	452,493
Total Liabilities	1,738,814	1,619,632	5,136,175	5,081,409	6,874,989	6,701,041
Deferred Inflows of Resources	166,227	152,063	154,635	143,918	320,862	295,981
Net Position						
Net investment in capital assets[(a)]	2,820,829	2,651,748	2,392,806	2,267,809	5,213,635	4,919,557
Restricted	776,016	780,131	269,056	286,406	1,045,072	1,066,537
Unrestricted	(112,310)	(205,177)	1,093,943	1,025,880	981,633	820,703
Total Net Position	$ 3,484,535	$ 3,226,702	$ 3,755,805	$ 3,580,095	$ 7,240,340	$ 6,806,797

(a) Prior year balances restated. See Note 18 - Components of Fund Balance, Restrictions and Restatements.

The largest portion of King County's net position, 72 percent or $5.21 billion, reflects its net investment in capital assets. The County employs these long-lived assets in providing a variety of services to its citizens. Accordingly, the net position associated with the capital assets does not represent amounts available for future spending. The County's investment in capital assets is reported net of related debt. The resources used to repay the capital-related borrowing must be provided from other more current, or liquid, assets.

An additional portion of County's net position, 14 percent or $1.05 billion, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $982 million is unrestricted. A negative unrestricted net position, which is shown for some nonmajor governmental funds in the governmental funds section, represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources.

King County's overall net position increased 6 percent or $434 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities During the current fiscal year, net position for governmental activities increased 8 percent or $258 million from the prior fiscal year for an ending balance of $3.48 billion. Net position invested in capital assets comprised 81 percent of total net position, or $2.82 billion, an increase from the prior year of $169 million. The increase was caused by the combined net additions to capital assets and net reductions in outstanding capital related debt during the year. Net position restricted for specific purposes amounted to $776 million including $263 million dedicated to health and human services; $130 million for economic environment services; $128 million for future capital project spending; $108 million for law, safety and justice services; and, $74 million for transportation services. Other restrictions constituted the remaining $73 million.

Governmental activities accounted for 59 percent of the total improvement in net position of the County. The total revenues for governmental activities were $2.34 billion, an increase of 2 percent or $53 million from the prior year. Increases in property taxes accounted for the largest portion, $26 million, followed by interest earnings with $25 million. The increase in property taxes was the result of strong growth in newly constructed properties, totaling $11.56 billion of assessed value in 2019, from which the county receives a full allocation of property tax in the first year. The increase in interest earnings was due to favorable interest rate conditions at the beginning of the year. The net rate of return for 2019 was 2.25 percent, up from 1.73 percent in 2018. After signaling a “pause” on rate changes early in 2019, the Federal Reserve Bank went on to cut rates by 0.25 percentage points three times in August, September, and October; lowering the lower bound of the effect rate from 2.25 percent to 1.50 percent. As a result, County earnings from interest are expected to recede in the coming year.

Expenses for governmental activities during the year increased by a net of 6 percent or $116 million. Expenditure increases were focused on health and human services; and law, safety, and justice. In health and human services, which overall increased 6 percent or $44 million, the increase was driven by a greater need for services and full engagement of the Best Starts for Kids (BSK) levy which entered its third year of implementation. For example, expenditures in the Public Health nonmajor fund increased 9 percent or $17 million with the largest driver the provision of increased services to BSK clients; reflecting this increased participation BSK transferred $53 million to Public Health in 2019, an increase from $18 million in the prior year. Similarly, expenditures increased in the Developmental Disabilities nonmajor fund 12 percent or $5 million with increased demand for services from BSK clients increasing the transfer from BSK by 56 percent or $3 million to $8 million in 2019. Best Starts for Kids expenditures in its own fund increased 48 percent or $6 million to $17 million this year. In the Veterans, Seniors, and Human Services levy, which entered its second year of implementation following the expansion of scope to include seniors in 2018, expenditures increased 69% to $16 million from $9 million as new programs to serve seniors began. In law, safety, and justice, where expenditures increased 4 percent or $29 million, the increase was primarily related to the increased personnel cost (salary plus benefits) of providing these services to the residents from the General Fund which increased 5 percent or $23 million from last year despite the number of personnel assigned to the function increasing only 3 percent or 114 full-time equivalents from last year. Please refer to the *Full Time Equivalent County Government Employees by Function* table in the Statistical section for more information about the number of full time equivalent employees employed by the County in each governmental function and how that statistic has changed over the last ten years.

Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Revenues						
Program revenues						
Charges for services	$ 848,391	$ 840,576	$ 1,109,879	$ 1,080,500	$ 1,958,270	$ 1,921,076
Operating grants and contributions	211,658	220,680	26,168	41,488	237,826	262,168
Capital grants and contributions	20,556	30,461	64,081	138,057	84,637	168,518
General revenues						
Property taxes	924,076	897,969	35,378	29,536	959,454	927,505
Retail sales and use taxes	257,476	244,157	686,120	652,299	943,596	896,456
Other taxes	21,799	22,241	—	—	21,799	22,241
Unrestricted interest earnings	58,297	32,819	45,318	28,032	103,615	60,851
Total revenues	2,342,253	2,288,903	1,966,944	1,969,912	4,309,197	4,258,815
Expenses[(a)]						
General government[(b)]	193,291	173,000	—	—	193,291	173,000
Law, safety and justice	726,568	697,250	—	—	726,568	697,250
Physical environment	22,788	25,468	—	—	22,788	25,468
Transportation	102,793	93,723	—	—	102,793	93,723
Economic environment	198,326	192,707	—	—	198,326	192,707
Health and human services	746,148	702,015	—	—	746,148	702,015
Culture and recreation[(b)]	77,434	64,763	—	—	77,434	64,763
Interest and other debt service costs	23,606	25,629	—	—	23,606	25,629
Airport	—	—	25,475	22,869	25,475	22,869
Public transportation	—	—	1,032,062	824,623	1,032,062	824,623
Solid waste	—	—	234,164	155,026	234,164	155,026
Water quality	—	—	474,952	486,545	474,952	486,545
Other enterprise activities	—	—	18,047	15,431	18,047	15,431
Total expenses	2,090,954	1,974,555	1,784,700	1,504,494	3,875,654	3,479,049
Increase in net position before transfers	251,299	314,348	182,244	465,418	433,543	779,766
Transfers	6,534	5,453	(6,534)	(5,453)	—	—
Increase in net position	257,833	319,801	175,710	459,965	433,543	779,766
Net position, beginning of year[(c)]	3,226,702	2,906,901	3,580,095	3,120,130	6,806,797	6,027,031
Net position, end of year	$ 3,484,535	$ 3,226,702	$ 3,755,805	$ 3,580,095	$ 7,240,340	$ 6,806,797

(a) Expenses for all functions include the allocation of indirect expenses from general government. The amount of indirect general government expenses allocated to each function is shown in a separate column on the government-wide Statement of Activities next to the column of direct operating expenses incurred by each function. In the above statement, the $193.3 million in general government expense consists of $243.4 million in direct program expenses reduced by indirect charges of $50.1 million that was charged to the other benefiting functions.

(b) 2018 expenses in these functions were adjusted for the corresponding effects of the restatements of beginning net position.

(c) Net position, beginning of year has been restated. See Note 18 - Components of Fund Balance, Restrictions and Restatements.

Business-type Activities King County's business-type activities reported a net position of $3.76 billion, increasing by 5 percent or $176 million from the prior year. Of the total net position for business-type activities, 64 percent or $2.39 billion was invested in capital assets net of the related debt used to finance the acquisition or construction of these capital assets. Another 7 percent or $269 million of the total net position of business-type activities is restricted for spending on capital projects, debt service, regulatory assets and environmental liabilities. The remaining 29 percent or $1.10 billion is unrestricted net position which is available to meet ongoing obligations to customers, vendors, other creditors and employees.

Business-type activities' net position of $3.76 billion comprised 52 percent of the total County net position at the end of 2019. Business type activities accounted for 39 percent of the total increase in the County's aggregate net position during the year. This growth in net position was due primarily to acquisitions of capital assets not funded through long-term debt, for example when the Public Transportation Enterprise purchases new busses with cash or grants.

Total revenues of business-type activities remained flat at $2.00 billion this year. Retail sales and use tax revenues increased the most, at 5 percent or $34 million, representing a continued strong local economy in 2019. Similar to the governmental activities, and for the same reasons, interest earnings improved in the business-type activities by 62 percent or $17 million from last year.

Business-type activity expenses increased 19 percent or $280 million over the prior year for all business-type activities taken together. The Public Transportation Enterprise (PTE) saw the largest increase of expenses, at 25 percent or $207 million. $125 million of this apparent increase was actually a large gain on the sale of real property in 2018; adjusting for that one-time event PTE expenses only increased 9 percent or $82 million. The Solid Waste Enterprise had the largest percentage increase in expenses, totaling 51 percent or $79 million corresponding to an upward revision in the system-wide estimated post-closure care liability for municipal solid waste landfills it either operates, has operated, or has been named custodian over. The Water Quality Enterprise expenses decreased 2 percent or $12 million due to decreases in non-operating expenses related to lower short-term interest rates and fewer capital retirements.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. It represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Council.

At December 31, 2019, the County's governmental funds reported a combined fund balance of $1.04 billion, an increase of 6 percent or $62 million in comparison with the prior year. Approximately 9 percent or $93 million constitutes *unassigned fund balance*. The remainder of fund balance is either *nonspendable, restricted, committed* or *assigned* to indicate, respectively, that it is 1) not in spendable form or legally required to be maintained intact, $36 million, 2) restricted for particular purposes, $834 million, 3) committed for particular purposes, $27 million, or assigned for particular purposes, $55 million.

The **General Fund** is the chief operating fund of the County. At the end of the 2019 fiscal year, total fund balance for the General Fund was $184 million. Unassigned fund balance totaled $142 million, an increase of 31 percent or $34 million over the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of $828 million. The unassigned fund balance of $142 million represents 17 percent of total General Fund expenditures, an increase of 3 percent from 2018 while the total fund balance of $184 million represents 22 percent of total expenditures in 2019, compared to 21 percent in 2018.

Fund balance of the General Fund increased by 12 percent or $20 million during 2019. The increase in fund balance was attributed to taking in more resources than spending. The notable revenue streams contributing to the increase of fund balance are property taxes, 40 percent of total revenues, charges for services, 31 percent of total revenues and retail sales and use taxes, 17 percent of total revenues. Property taxes are budgeted on a biennial basis at the level needed and retail sales and use taxes remain a reliable resource with the continued strength of the economy. Charges for services are mostly comprised of contracts with other jurisdictions to provide legal, law enforcement and rehabilitation and detention services. Total expenditures increased by $58 million, but were easily eclipsed by revenues. The main expenditures are for law, safety and justice, 75 percent of total expenditures, related to contract costs with other jurisdictions, and general government, 19 percent of total expenditures, related to general operation costs such as elections, records and licensing, finance and budgeting and legislative expenditures.

The **Behavioral Health Fund** provides oversight and management of crisis services, mental health treatment, substance use disorder treatment and diversion and reentry services to low income clients, with an emphasis on prevention, intervention, treatment and recovery. At the end of 2019, it had a total fund balance of $297 thousand, a decrease of 99 percent or $34 million over the prior year.

The decrease in fund balance in the current year was caused by earning fewer revenues, $250 million, than incurring costs on programs, $271 million, due primarily to the change in administering Medicaid-related programs. Medicaid reimbursements were no longer paid directly to King County and went directly to managed care organizations that take an administrative portion before passing the remainder to the County. Last year, the County earned $213 million in Medicaid-eligible revenues versus $192 million from five managed care organizations, representing a $21 million decrease.

Proprietary Funds The County's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail.

At December 31, 2019, the County's proprietary funds reported a combined net position of $3.76 billion, an increase of 5 percent or $176 million compared to the prior year. The Public Transportation Enterprise net position increased 6 percent or $152 million; the Water Quality Enterprise net position improved by 11 percent or $81 million; and the Solid Waste Enterprise net position decreased 98 percent or $95 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2019, the Public Transportation Enterprise had total net position of $2.59 billion, of which 65 percent or $1.68 billion was invested in capital assets net of associated debt; 2 percent or $38 million was restricted for capital projects and debt service; while 34 percent or $873 million was unrestricted. Unrestricted net position increased from the prior year by 14 percent or $105 million. The large increase is due to continually keeping expenses under revenues. The key revenues that help continue to increase the Enterprise's net position are sales taxes at $686 million, or 60 percent of total revenues; passenger fares at $179 million, or 16 percent of total revenue; and service contracts at $184 million or 16 percent of total revenues. Total operating expenses increased by $89 million from the prior year, with personal services experiencing the largest increase at $34 million, followed by internal services and purchased transportation increasing by $20 million and $18 million, respectively.

The **Water Quality Enterprise** accounts for the operations, maintenance, capital improvements and expansion of the County's water pollution control facilities. At the end of 2019, the Water Quality Enterprise reported total net position of $827 million of which 51 percent or $423 million was invested in capital assets net of the related debt; 28 percent or $231 million was restricted for debt service and regulatory assets and environmental liabilities; and the remaining 21 percent or $173 million was unrestricted. Total net position improved by $81 million due to continually posting positive results from operations. The Enterprise reported $415 million in sewage disposal fees, an increase of $12 million or 3 percent from the prior year, attributed to a rate increase. Other operating revenues of $121 million increased by $15 million or 14 percent, mostly due to increases in water treatment capacity charges and capacity charge early payoffs. The Enterprise incurred $323 million in total operating expenses, mainly comprised of $180 million in depreciation and amortization expenses, personal services of $51 million and internal services of $39 million.

The **Solid Waste Enterprise** accounts for the operations, maintenance, capital improvements and expansion of the County's solid waste collection and disposal system. At the end of 2019, the Solid Waste Enterprise reported total net position of $2 million of which $144 million was invested in capital assets net of the related debt and -$142 million was unrestricted. A negative unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources. Total net position deteriorated by $95 million due to a one-time change in estimates for postclosure care needs of the last remaining active landfill, the Cedar Hills Regional Landfill, and several closed landfills under the division's care. The Enterprise reported $132 million in solid waste disposal charges, an increase of $3 million or 2 percent from the prior year, attributed to a rate increase. The Enterprise incurred $219 million in total operating expenses, mainly comprised of $107 million in landfill closure and postclosure care expenses, previously reported as nonoperating expenses, and personal services of $46 million.

General Fund Budgetary Highlights

King County budgets on a biennial basis with each budget period beginning in an odd-numbered year. This is the first year of the 2019-2020 biennium for County operating funds. The biennial budget is a true 24-month budget, not two separate budgets enacted at the same time.

Original Budget Compared to Final Budget The General Fund's final budget differs from the original budget in that it reflects an increase of $107 million in expenditures due to supplemental budget appropriations. The largest increases to estimated revenues occurred in intergovernmental revenues as a result of entering into additional contracts with other governments. Budget increases were made during the budget period to general government by $6 million; law, safety, and justice by $30 million; health and human services by $2 million; capital outlay by $1 million; and transfers out by $67 million. The majority of the significant increases to law, safety, and justice were a result of increases in full-time equivalents for the Sheriff, Public Defense and Superior Court, and increases due to the collective bargaining agreement between the King County Police Officers' Guild and King County Sheriff's Office to include cost of living adjustments and contract ratification bonuses. Large increases in transfers out are attributable to transfers to the major maintenance reserve, Building 4Equity Advance, and CIP transfers to the Department of Executive Services.

Final Budget Compared to Actual Results Property taxes are by far the largest source to the General Fund, accounting for 39 percent of the budgeted revenues. Charges for services and retail sales and use taxes are the other significant sources of revenue for the General Fund, representing 30 percent and 16 percent of total budgeted revenues, respectively. The amount received for charges for services is dependent on corresponding services provided and fluctuate with the applicable programs and services offered. Retail sales and use taxes are dependent on increased spending in the economy, which is influenced by various factors.

The actual budgetary basis expenditures were $1.04 billion less than the final appropriation. Law, safety and justice and general government comprise the largest amounts of actual expenditures at 68 percent and 17 percent, respectively.

CAPITAL ASSETS, INFRASTRUCTURE AND DEBT ADMINISTRATION

Capital Assets

The King County primary government's capital assets for its governmental and business-type activities as of December 31, 2019, amounted to $3.45 billion for governmental activities and $6.30 billion for business-type activities totaling $9.75 billion, net of depreciation.

Capital assets include land, rights-of-way, easements and development rights, buildings, improvements other than buildings, infrastructure, vehicles, machinery, computers, software and other equipment and construction in progress. The total increase in capital assets over the previous year was $162 million, net of depreciation.

Major capital asset events during 2019 included the following:

- The Patricia H. Clark Child and Family Justice Center which replaces the existing Youth Services Center, was completed in 2019 totaling $185 million. The parking garage is scheduled to be completed by the spring of 2021.

- Public Transportation purchased and placed into service 186 new buses during the year at a cost of $179 million.

- Water Quality brought new infrastructure into service during the year at a total cost of $55 million, $33 million for Kent Auburn Phase B-Pipeline and $22 million for Magnolia Pipeline.

- Solid Waste had completed development and construction of a new refuse area, Area 8, at the Cedar Hills Regional Landfill. Area 8 was completed during 2019 with a total cost of $46 million. Area 8 has a 32-acre footprint and will provide 8 million cubic yards of refuse capacity. It includes a bottom liner system, landfill gas collection system, and leachate collection and conveyance system.

- Puget Sound Emergency Radio Network (PSERN) is engaged in replacing the existing radio system that is over 20 years old. The new system as a whole will provide improved coverage, capacity, capability and connectivity in PSERN's regional service area. The total estimated project cost is $261 million; $90 million has been spent through 12/31/2019. The radio network is anticipated to be operational in 2023.

A summary of the 2019 capital assets activity is shown below. More detailed information on the County's capital assets can be found in *Note 7 - Capital Assets*.

Capital Assets
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and land rights [b]	$ 1,101.9	$ 1,080.0	$ 473.9	$ 469.9	$ 1,575.8	$ 1,549.9
Buildings[a][b]	696.3	521.8	1,744.5	1,788.3	2,440.8	2,310.1
Leasehold Improvements[a]	29.1	11.5	2.8	3.1	31.9	14.6
Improvements other than buildings[a][b]	107.6	69.3	314.8	233.4	422.4	302.7
Infrastructure - roads and bridges	1,128.3	1,121.7	—	—	1,128.3	1,121.7
Infrastructure - other[a][b]	75.9	32.8	1,751.3	1,749.1	1,827.2	1,781.9
Equipment, software and art collection[a][b]	133.5	123.0	1,399.2	1,345.0	1,532.7	1,468.0
Construction in progress	175.0	384.3	617.8	656.9	792.8	1,041.2
Total	$ 3,447.6	$ 3,344.4	$ 6,304.3	$ 6,245.7	$ 9,751.9	$ 9,590.1

(a) Net of Depreciation

(b) 2018 Governmental Activities Balance Restated. See Note 18 - Components of Fund Balance, Restatements and Restrictions.

Infrastructure

The County has elected to use the modified approach in reporting roads and bridges. Under the modified approach, capital assets are not depreciated because they will be preserved indefinitely. The condition of the assets is disclosed to provide evidence that established condition levels are being met. The rating scales for pavements (roads) and bridges and the results of the most recent condition assessments are further explained in the required supplementary information which follows the notes to the basic financial statements.

Condition assessments for roads are undertaken every three years using a pavement condition index (PCI). This is a 100-point scale numerical index that represents the pavement's functional condition based on the quantity, severity and type of visual distress. It is the policy of the King County Road Services Division to maintain at least 50 percent of the road system at a PCI of 40 or better. In the most recent condition assessment, more than two-thirds of the arterial and local access roads met the established condition level.

The County currently maintains 178 bridges. Physical inspections to uncover deficiencies are carried out at least every two years. A prioritization scale is maintained to determine which bridges are due for replacement or rehabilitation. The most significant criterion is the sufficiency rating which utilizes a 100-point priority scale based on various factors of bridge condition. The policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 6.5 percent will have a sufficiency rating of 20 or less. The most current complete assessment showed only nine bridges at or below this threshold.

The amount budgeted for 2019 roads preservation and maintenance was $75 million, but the actual amount expended was $58 million. For maintenance and preservation of bridges, the amount budgeted for 2019 was $12 million, but the actual expended amount was $6 million. The variance between budget and spending is due to supplemental budget and remaining work under contract to be completed in 2020.

Debt Administration

At the end of 2019, King County had a total of $4.93 billion in debt outstanding. Of this amount, $1.89 billion comprises debt backed by the full faith and credit of the County. The other $3.04 billion represents bonds secured by revenues generated by the debt-financed capital assets and state revolving loans. Below is a summary of the County's debt by type and activity.

Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	$ 721.0	$ 729.8	$ 1,157.4	$ 1,002.9	$ 1,878.4	$ 1,732.7
GO capital leases [(a)]	8.2	8.3	—	—	8.2	8.3
Revenue bonds	—	—	2,811.5	3,072.5	2,811.5	3,072.5
State revolving loans	—	—	227.5	229.5	227.5	229.5
Total	$ 729.2	$ 738.1	$ 4,196.4	$ 4,304.9	$ 4,925.6	$ 5,043.0

(a) Project lease agreements - NJB properties. Under the lease agreements, the County's obligation to pay rent to NJB Properties is a limited tax general obligation.

Total debt decreased over the previous year by 2 percent or $117 million (a 1 percent or $9 million decrease for governmental activities and a 3 percent or $108 million decrease for business-type activities). Governmental activities' outstanding debt decreased primarily due to $72 million debt service payments and defeasance of $65 million of bonds offset by the issuance of $118 million in both new limited tax general obligation bonds and refunding general obligation bonds, with related premium of $21 million.

Business-type activities' outstanding debt decreased primarily due to $107 million in debt service payments and the defeasance of $235 million in bonds offset by the issuance of $249 million in both new limited tax general obligation bonds and refunding general obligation bonds payable from sewer revenues, with related premiums of $28 million. State revolving loans decreased by $2 million.

The County maintained a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from Fitch for its limited tax general obligation debt. For its unlimited tax general obligation debt the County has a rating of "Aaa" from Moody's, a rating of "AAA" from Standard & Poor's, and a rating of "AAA" from Fitch. The ratings for Water Quality Enterprise's revenue debt are "Aa1" from Moody's and "AA+" from Standard & Poor's.

State statutes limit the amount of general obligation debt that the County may issue to 2.5 percent of its total assessed valuation for general county purposes and 2.5 percent for metropolitan functions (Water Quality and Public Transportation funds). The current debt limitation of total general obligations for general county purposes is $16.06 billion, significantly higher than the County's outstanding net general obligation long-term liabilities of $661 million. For metropolitan functions the debt limitation is also $16.06 billion and the County's outstanding net general obligation debt for metropolitan functions is $1.00 billion.

Additional information on King County's long-term debt can be found in Note 15 of the Basic Financial Statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

The last 10 years have been a period of stability and growth with most economic indicators reaching all-time highs in 2019.

Items of note within King County:

- King County's unemployment rate was only 2.5 percent as of December 2019, lower than state and national unemployment rates, which were 4.0 percent and 3.5 percent, respectively. Diversification of the County's employment base was an important buffer during the Great Recession economic downturn, and all sectors but one (Government) grew in 2019. Two of the region's prominent local employers, Amazon and Microsoft, retain strong demand for their products and services. Boeing, the state's largest employer, bucked recent trends by adding 2,000 jobs in Washington in 2019. However, the ongoing safety issues of the 737-MAX and financial health of the world's largest aircraft manufacturer is a cause for concern in both the short-term and longer-term. Also, as the COVID-19 pandemic continues to unfold in early 2020, the forced closure of restaurants, bars, schools, recreational facilities, and hundreds of other businesses across the state has led to substantial job losses and a dramatic increase to the unemployment rate in the near-term.

- Taxable retail sales growth has been robust the last few years thanks to growing incomes, enhanced consumer confidence, strong employment, and a booming construction sector. Local retail sales tax collections grew 8 percent in 2016, 5 percent in 2017, 11 percent in 2018, and 4 percent in 2019.

- Inflation remained steady in 2019. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-STB) increased by 2.1 percent, down from 3.3 percent in 2018. The national CPI for All Urban Consumers (CPI-U-US) increased 1.8 percent during the same period.

Other than the global pandemic which continues to unfold, King County will continue to face numerous challenges, including volatile energy prices, rising employee and programmatic health care costs, the need to raise sufficient revenues to support utilities, the transit system, and general government operations. Over the last three years the County has maintained its commitment to build reserves in times of economic prosperity and has increased its minimum undesignated reserve for the General Fund from 6 percent to 8 percent, which is the maximum amount under county policy. The county also is willing to make difficult decisions in order to reduce expenditures to match revenue levels while retaining prudent reserves. At the state level, the County also continues to pursue statutory enhancements to local government revenues to more flexibly balance revenues with long-term cost pressures.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the County's financial activities for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed as below.

King County Chief Accountant
500 Fourth Avenue, Room 650
Seattle, WA 98104

STATEMENT OF NET POSITION
DECEMBER 31, 2019
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 1,456,142	$ 1,701,303	$ 3,157,445	$ 360,531
Investments	1,944	15,727	17,671	11,453
Receivables, net	233,958	367,058	601,016	191,601
Internal balances	(110,093)	110,093	—	—
Inventories	3,186	33,489	36,675	9,032
Prepayments and other assets	25,719	5,190	30,909	12,720
Net pension asset	73,838	—	73,838	—
Capital assets:				
Nondepreciable assets	2,415,700	1,090,080	3,505,780	26,010
Depreciable assets, net	1,031,944	5,214,204	6,246,148	258,971
Net investment in capital lease	—	—	—	8,156
Deposits with other governments	—	—	—	7,007
Regulatory assets - environmental remediation	—	118,258	118,258	—
Other assets	158,258	147,755	306,013	16,426
TOTAL ASSETS	5,290,596	8,803,157	14,093,753	901,907
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refunding	14,530	185,120	199,650	—
Deferred outflows on pensions	82,046	53,172	135,218	275
Deferred outflows on other post employment benefits	2,269	355	2,624	—
Deferred outflows on asset retirement obligations	135	4,811	4,946	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	98,980	243,458	342,438	275
LIABILITIES				
Accounts payable and other current liabilities	178,814	164,893	343,707	87,712
Accrued liabilities	60,077	107,597	167,674	53,420
Unearned revenues	170,578	16,216	186,794	11,745
Noncurrent liabilities:				
Due within one year	134,620	163,452	298,072	2,314
Due in more than one year	1,194,725	4,684,017	5,878,742	26,244
TOTAL LIABILITIES	1,738,814	5,136,175	6,874,989	181,435
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	159,658	107,357	267,015	430
Rate stabilization	—	46,250	46,250	—
Deferred inflows on other post employment benefits	6,569	1,028	7,597	—
TOTAL DEFERRED INFLOWS OF RESOURCES	166,227	154,635	320,862	430
NET POSITION				
Net investment in capital assets	2,820,829	2,392,806	5,213,635	284,981
Restricted for:				
Capital projects	128,187	36,132	164,319	—
Debt service	2,494	156,161	158,655	—
General government	7,581	—	7,581	—
Law, safety and justice	108,001	—	108,001	—
Physical environment	32,401	—	32,401	—
Transportation	73,627	—	73,627	—
Economic environment	130,042	—	130,042	—
Health and human services	262,559	—	262,559	—
Culture and recreation	31,124	—	31,124	—
Regulatory assets and environmental liabilities	—	76,763	76,763	—
Expendable	—	—	—	23,528
Nonexpendable	—	—	—	2,870
Unrestricted	(112,310)	1,093,943	981,633	408,938
TOTAL NET POSITION	$ 3,484,535	$ 3,755,805	$ 7,240,340	$ 720,317

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

			Program Revenues			Net (Expense) Revenue and Changes in Net Position			
						Primary Government			Component Units Total
Functions/Programs	**Expenses**	**Indirect Expenses Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	
Primary government:									
Governmental activities:									
General government	$ 243,410	$ (50,119)	$ 147,176	$ 12,432	$ 566	$ (33,117)	$ —	$ (33,117)	$ —
Law, safety and justice	724,776	1,792	179,797	35,492	10	(511,269)	—	(511,269)	—
Physical environment	21,823	965	49,151	2,265	670	29,298	—	29,298	—
Transportation	100,126	2,667	11,997	15,682	14,229	(60,885)	—	(60,885)	—
Economic environment	194,821	3,505	81,900	55,630	1,391	(59,405)	—	(59,405)	—
Health and human services	737,395	8,753	368,535	87,781	—	(289,832)	—	(289,832)	—
Culture and recreation	75,998	1,436	9,835	2,376	3,690	(61,533)	—	(61,533)	—
Interest and other debt service costs	23,606	—	—	—	—	(23,606)	—	(23,606)	—
Total governmental activities	2,121,955	(31,001)	848,391	211,658	20,556	(1,010,349)	—	(1,010,349)	—
Business-type activities:									
Airport	25,012	463	27,805	1	466	—	2,797	2,797	—
Public Transportation	1,009,194	22,868	386,582	24,927	49,285	—	(571,268)	(571,268)	—
Solid Waste	231,297	2,867	137,158	285	—	—	(96,721)	(96,721)	—
Water Quality	470,454	4,498	544,083	—	—	—	69,131	69,131	—
Institutional Network	2,716	51	3,082	—	—	—	315	315	—
Marine	9,797	223	3,715	955	14,330	—	8,980	8,980	—
Radio Communications Services	5,229	31	7,454	—	—	—	2,194	2,194	—
Total business-type activities	1,753,699	31,001	1,109,879	26,168	64,081	—	(584,572)	(584,572)	—
Total primary government	$ 3,875,654	$ —	$ 1,958,270	$ 237,826	$ 84,637	$ (1,010,349)	$ (584,572)	$(1,594,921)	$ —
Component Units	$ 1,061,979		$ 1,063,228	$ 11,456	$ 3,609				$ 16,314
General revenues:									
Property taxes						$ 924,076	$ 35,378	$ 959,454	$ —
Retail sales and use taxes						257,476	686,120	943,596	—
Business and other taxes						21,799	—	21,799	—
Interest earnings						58,297	45,318	103,615	1,508
Transfers						6,534	(6,534)	—	—
Total general revenues and transfers						1,268,182	760,282	2,028,464	1,508
Change in net position						257,833	175,710	433,543	17,822
Net position - January 1, 2019 (Restated)						3,226,702	3,580,095	6,806,797	702,495
Net position - December 31, 2019						$ 3,484,535	$ 3,755,805	$ 7,240,340	$ 720,317

The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	$ 142,666	$ 9,973	$ 948,311	$ 1,100,950
Investments	—	—	1,944	1,944
Taxes receivable-delinquent	8,760	52	8,827	17,639
Accounts receivable, net	8,998	1,344	8,474	18,816
Interest receivable	19,857	—	455	20,312
Due from other funds	278	1,078	35,359	36,715
Due from other governments, net	82,987	14,081	79,485	176,553
Inventory	—	—	1,089	1,089
Prepayments	6	—	19,977	19,983
Advances to other funds	3,000	—	15,500	18,500
Notes receivable	—	—	158,258	158,258
TOTAL ASSETS	$ 266,552	$ 26,528	$ 1,277,679	$ 1,570,759
LIABILITIES				
Accounts payable	$ 5,588	$ 18,517	$ 88,567	$ 112,672
Due to other funds	12,180	904	36,940	50,024
Interfund short-term loans payable	—	—	20,250	20,250
Due to other governments	1,312	4,613	33,598	39,523
Wages payable	31,882	849	17,041	49,772
Taxes payable	125	—	71	196
Unearned revenues	3	1,309	168,853	170,165
Custodial accounts	7,340	—	3,621	10,961
Advances from other funds	11,500	—	38,529	50,029
TOTAL LIABILITIES	69,930	26,192	407,470	503,592
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	7,402	39	6,712	14,153
Unavailable revenue-other receivables	5,399	—	3,041	8,440
TOTAL DEFERRED INFLOWS OF RESOURCES	12,801	39	9,753	22,593
FUND BALANCES				
Nonspendable	6	—	35,506	35,512
Restricted	1,807	297	831,713	833,817
Committed	27,038	—	170	27,208
Assigned	13,435	—	41,918	55,353
Unassigned	141,535	—	(48,851)	92,684
TOTAL FUND BALANCES	183,821	297	860,456	1,044,574
TOTAL LIABILIITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 266,552	$ 26,528	$ 1,277,679	$ 1,570,759

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental funds	$ 1,044,574
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	3,390,734
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	161,753
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	122,361
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,234,887)
Net position of governmental activities	$ 3,484,535

See Note 2 for more detailed explanations of these adjustments.

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Taxes:				
Property taxes	$ 366,911	$ 3,465	$ 553,725	$ 924,101
Retail sales and use taxes	153,118	—	104,359	257,477
Business and other taxes	4,128	17	17,653	21,798
Licenses and permits	7,582	—	21,417	28,999
Intergovernmental revenues	27,350	13,303	167,972	208,625
Charges for services	287,376	229,636	275,978	792,990
Fines and forfeits	26,774	—	1,020	27,794
Interest earnings	23,640	778	29,119	53,537
Miscellaneous revenues	19,113	2,430	31,079	52,622
TOTAL REVENUES	915,992	249,629	1,202,322	2,367,943
EXPENDITURES				
Current:				
General government	156,562	—	42,313	198,875
Law, safety and justice	620,476	—	143,366	763,842
Physical environment	—	—	24,920	24,920
Transportation	—	—	107,478	107,478
Economic environment	73	—	203,988	204,061
Health and human services	49,199	279,170	435,983	764,352
Culture and recreation	—	—	75,422	75,422
Debt service:				
Principal	—	—	67,990	67,990
Interest and other debt service costs	58	—	31,457	31,515
Capital outlay	2,032	—	169,661	171,693
TOTAL EXPENDITURES	828,400	279,170	1,302,578	2,410,148
Excess (deficiency) of revenues over (under) expenditures	87,592	(29,541)	(100,256)	(42,205)
OTHER FINANCING SOURCES (USES)				
Transfers in	18,481	8,291	402,244	429,016
Transfers out	(87,277)	(12,579)	(304,561)	(404,417)
General government debt issued	—	—	62,340	62,340
Refunding bonds issued	—	—	55,877	55,877
Premium on general government bonds issued	—	—	13,125	13,125
Premium on refunding bonds issued	—	—	8,248	8,248
Payment to refunded bonds escrow agent	—	—	(63,652)	(63,652)
Sale of capital assets	944	—	2,522	3,466
TOTAL OTHER FINANCING SOURCES (USES)	(67,852)	(4,288)	176,143	104,003
Net change in fund balances	19,740	(33,829)	75,887	61,798
Fund balances - beginning	164,081	34,126	784,569	982,776
Fund balances - ending	$ 183,821	$ 297	$ 860,456	$ 1,044,574

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

(IN THOUSANDS)

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental funds	$ 61,798
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	128,962
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.	(23,646)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	1,706
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(7,947)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	68,537
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.	28,423
Change in net position of governmental activities	$ 257,833

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 1 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	**WATER QUALITY**	**SOLID WASTE**
ASSETS			
Current assets			
Cash and cash equivalents	$ 830,503	$ 323,751	$ 110,055
Restricted cash and cash equivalents	386	4,531	4,520
Accounts receivable, net	49,610	40,145	13,411
Due from other funds	6,728	3,006	2,910
Interfund short-term loans receivable	—	—	—
Property tax receivable-delinquent	419	—	—
Due from other governments	256,347	—	397
Inventory of supplies	21,954	9,625	1,370
Prepayments and other assets	254	11	331
Total current assets	1,166,201	381,069	132,994
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	38,415	273,412	13,366
Investments	—	15,727	—
Due from other governments	28	—	—
Total restricted assets	38,443	289,139	13,366
Capital assets:			
Nondepreciable assets	321,151	702,495	48,954
Depreciable assets, net	1,414,291	3,410,278	255,228
Total capital assets	1,735,442	4,112,773	304,182
Other noncurrent assets:			
Prepayments	4,444	—	—
Notes receivable	141,169	3,573	—
Advances to other funds	—	—	—
Regulatory assets, net of amortization	—	118,258	—
Other assets	—	3,013	—
Total other noncurrent assets	145,613	124,844	—
Total noncurrent assets	1,919,498	4,526,756	317,548
TOTAL ASSETS	3,085,699	4,907,825	450,542
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	1,921	182,410	782
Deferred outflows on pensions	44,417	5,170	2,902
Deferred outflows on other post employment benefits	290	36	23
Deferred outflows on asset retirement obligations	2,997	1,250	404
TOTAL DEFERRED OUTFLOWS OF RESOURCES	49,625	188,866	4,111

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2019

(IN THOUSANDS)

(PAGE 2 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS			
Current assets			
Cash and cash equivalents	$ 83,248	$ 1,347,557	$ 373,157
Restricted cash and cash equivalents	182	9,619	245
Accounts receivable, net	800	103,966	584
Due from other funds	344	12,988	669
Interfund short-term loans receivable	—	—	20,250
Property tax receivable-delinquent	89	508	—
Due from other governments	5,812	262,556	55
Inventory of supplies	535	33,484	2,102
Prepayments and other assets	150	746	5,736
Total current assets	91,160	1,771,424	402,798
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	724	325,917	—
Investments	—	15,727	—
Due from other governments	—	28	—
Total restricted assets	724	341,672	—
Capital assets:			
Nondepreciable assets	17,480	1,090,080	—
Depreciable assets, net	126,536	5,206,333	64,781
Total capital assets	144,016	6,296,413	64,781
Other noncurrent assets:			
Prepayments	—	4,444	—
Notes receivable	—	144,742	—
Advances to other funds	—	—	31,529
Regulatory assets, net of amortization	—	118,258	—
Other assets	—	3,013	—
Total other noncurrent assets	—	270,457	31,529
Total noncurrent assets	144,740	6,908,542	96,310
TOTAL ASSETS	235,900	8,679,966	499,108
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	7	185,120	—
Deferred outflows on pensions	683	53,172	11,003
Deferred outflows on other post employment benefits	6	355	62
Deferred outflows on asset retirement obligations	160	4,811	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	856	243,458	11,065

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 3 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	**WATER QUALITY**	**SOLID WASTE**
LIABILITIES			
Current liabilities			
Accounts payable	$ 120,400	$ 26,773	$ 6,973
Retainage payable	386	4,531	50
Estimated claim settlements	—	—	—
Due to other funds	—	24	—
Due to other governments	—	—	—
Interest payable	180	68,569	574
Wages payable	30,378	4,678	2,580
Compensated absences payable	10,371	851	228
Taxes payable	32	15	164
Unearned revenues	5,999	2,966	33
Pollution remediation	—	4,561	—
General obligation bonds payable	5,880	22,900	6,710
Revenue bonds payable	—	62,675	—
Capital leases payable	147	—	—
State revolving loan payable	—	17,348	70
Landfill closure and post-closure care	—	—	30,441
Other liabilities	—	297	—
Total current liabilities	173,773	216,188	47,823
Noncurrent liabilities			
Compensated absences payable	43,124	10,266	4,260
Other postemployment benefits	12,309	1,526	996
Net pension liability	173,111	5,962	4,878
General obligation bonds payable	46,919	900,270	166,643
Revenue bonds payable	—	2,748,909	—
Capital leases payable	2,094	—	—
State revolving loans payable	—	208,873	1,252
Landfill closure and post-closure care	—	—	217,875
Estimated claim settlements	—	—	—
Pollution remediation	659	39,947	1,210
Asset retirement obligation	3,480	1,500	500
Other liabilities	—	77,010	—
Total noncurrent liabilities	281,696	3,994,263	397,614
TOTAL LIABILITIES	455,469	4,210,451	445,437
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on rate stabilization	—	46,250	—
Deferred inflows on pensions	85,405	13,168	7,042
Deferred inflows on other post employment benefits	840	104	68
TOTAL DEFERRED INFLOWS OF RESOURCES	86,245	59,522	7,110
NET POSITION			
Net investment in capital assets	1,682,322	422,889	143,655
Restricted for:			
Capital projects	36,132	—	—
Debt service	2,311	153,850	—
Regulatory assets and environmental liabilities	—	76,763	—
Unrestricted	872,845	173,216	(141,549)
TOTAL NET POSITION	$ 2,593,610	$ 826,718	$ 2,106

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 4 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES			
Current liabilities			
Accounts payable	$ 2,159	$ 156,305	$ 13,279
Retainage payable	6	4,973	245
Estimated claim settlements	—	—	58,462
Due to other funds	223	247	101
Due to other governments	3,132	3,132	—
Interest payable	26	69,349	4
Wages payable	603	38,239	7,125
Compensated absences payable	47	11,497	872
Taxes payable	245	456	6
Unearned revenues	7,218	16,216	413
Pollution remediation	—	4,561	—
General obligation bonds payable	755	36,245	—
Revenue bonds payable	—	62,675	1,050
Capital leases payable	—	147	—
State revolving loan payable	—	17,418	—
Landfill closure and post-closure care	—	30,441	—
Other liabilities	176	473	2,156
Total current liabilities	14,590	452,374	83,713
Noncurrent liabilities			
Compensated absences payable	1,074	58,724	16,519
Other postemployment benefits	230	15,061	2,611
Net pension liability	772	184,723	38,326
General obligation bonds payable	7,199	1,121,031	—
Revenue bonds payable	—	2,748,909	—
Capital leases payable	—	2,094	—
State revolving loans payable	—	210,125	—
Landfill closure and post-closure care	—	217,875	—
Estimated claim settlements	—	—	101,269
Pollution remediation	245	42,061	—
Asset retirement obligation	200	5,680	—
Other liabilities	724	77,734	—
Total noncurrent liabilities	10,444	4,684,017	158,725
TOTAL LIABILITIES	25,034	5,136,391	242,438
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on rate stabilization	—	46,250	—
Deferred inflows on pensions	1,742	107,357	21,789
Deferred inflows on other post employment benefits	16	1,028	178
TOTAL DEFERRED INFLOWS OF RESOURCES	1,758	154,635	21,967
NET POSITION			
Net investment in capital assets	136,069	2,384,935	63,731
Restricted for:			
Capital projects	—	36,132	—
Debt service	—	156,161	—
Regulatory assets and environmental liabilities	—	76,763	—
Unrestricted	73,895	978,407	182,037
TOTAL NET POSITION	$ 209,964	$ 3,632,398	$ 245,768
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		123,407	
Net position of business-type activities		$ 3,755,805	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	**WATER QUALITY**	**SOLID WASTE**
OPERATING REVENUES			
I-Net fees	$ —	$ —	$ —
Airfield fees	—	—	—
Hangar, building and site rentals and leases	—	—	—
Radio services	—	—	—
Solid waste disposal charges	—	—	131,943
Passenger fares	178,678	—	—
Service contracts	183,625	—	—
Sewage disposal fees	—	415,279	—
Other operating revenues	22,073	121,170	4,609
TOTAL OPERATING REVENUES	384,376	536,449	136,552
OPERATING EXPENSES			
Personal services	557,443	50,969	46,145
Materials and supplies	76,449	17,789	8,326
Contract services and other charges	48,822	17,729	22,258
Utilities	5,839	17,875	1,210
Purchased transportation	84,235	—	—
Internal services	103,556	39,473	17,237
Landfill closure and post-closure care	—	—	107,201
Depreciation and amortization	155,518	179,547	16,795
TOTAL OPERATING EXPENSES	1,031,862	323,382	219,172
OPERATING INCOME (LOSS)	(647,486)	213,067	(82,620)
NONOPERATING REVENUES (EXPENSES)			
Sales tax	686,120	—	—
Property tax	29,299	—	—
Intergovernmental revenues	24,927	—	285
Interest earnings	22,940	15,767	3,836
Miscellaneous revenues	2,206	7,593	606
Interest expense	(2,740)	(138,563)	(5,925)
Gain (loss) on disposal of capital assets	1,025	(4,778)	(9,268)
Loss on extinguishment of debt	—	(5,451)	—
Miscellaneous expenses	(9,555)	(5,691)	(1,125)
TOTAL NONOPERATING REVENUES (EXPENSES)	754,222	(131,123)	(11,591)
Income (loss) before contributions, transfers and special item	106,736	81,944	(94,211)
Capital grants and contributions	49,285	—	—
Transfers in	2	—	—
Transfers out	(3,959)	(960)	(1,001)
CHANGE IN NET POSITION	152,064	80,984	(95,212)
NET POSITION - JANUARY 1, 2019	2,441,546	745,734	97,318
NET POSITION - DECEMBER 31, 2019	$ 2,593,610	$ 826,718	$ 2,106

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES			
I-Net fees	$ 3,082	$ 3,082	$ —
Airfield fees	3,597	3,597	—
Hangar, building and site rentals and leases	24,195	24,195	—
Radio services	7,139	7,139	—
Solid waste disposal charges	—	131,943	—
Passenger fares	3,382	182,060	—
Service contracts	—	183,625	—
Sewage disposal fees	—	415,279	—
Other operating revenues	314	148,166	619,910
TOTAL OPERATING REVENUES	41,709	1,099,086	619,910
OPERATING EXPENSES			
Personal services	12,403	666,960	141,056
Materials and supplies	2,316	104,880	10,205
Contract services and other charges	5,917	94,726	369,193
Utilities	2,812	27,736	—
Purchased transportation	—	84,235	—
Internal services	11,998	172,264	29,788
Landfill closure and post-closure care	—	107,201	—
Depreciation and amortization	8,375	360,235	16,023
TOTAL OPERATING EXPENSES	43,821	1,618,237	566,265
OPERATING INCOME (LOSS)	(2,112)	(519,151)	53,645
NONOPERATING REVENUES (EXPENSES)			
Sales tax	—	686,120	—
Property tax	6,079	35,378	—
Intergovernmental revenues	956	26,168	—
Interest earnings	2,272	44,815	5,271
Miscellaneous revenues	347	10,752	—
Interest expense	(276)	(147,504)	(279)
Gain (loss) on disposal of capital assets	2	(13,019)	953
Loss on extinguishment of debt	—	(5,451)	—
Miscellaneous expenses	—	(16,371)	(207)
TOTAL NONOPERATING REVENUES (EXPENSES)	9,380	620,888	5,738
Income (loss) before contributions, transfers and special item	7,268	101,737	59,383
Capital grants and contributions	14,796	64,081	3,531
Transfers in	—	2	2,539
Transfers out	(524)	(6,444)	(20,696)
CHANGE IN NET POSITION	21,540	159,376	44,757
NET POSITION - JANUARY 1, 2019	188,424		201,011
NET POSITION - DECEMBER 31, 2019	$ 209,964		$ 245,768
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds		16,334	
Change in net position of business-type activities		$ 175,710	

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 1 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	WATER QUALITY	SOLID WASTE
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 355,708	$ 541,372	$ 135,172
Cash received from other funds - internal services	3,762	1,574	2,873
Cash payments to suppliers for goods and services	(187,622)	(52,270)	(40,559)
Cash payments to other funds - internal services	(103,835)	(39,486)	(17,237)
Cash payments for employee services	(591,764)	(60,309)	(52,978)
Other receipts	—	76,177	606
Other payments	—	(18,730)	(1,982)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(523,751)	448,328	25,895
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and subsidies received	740,025	—	116
Interfund loan principal amounts loaned to other funds	—	—	—
Interfund loan principal repayments from other funds	—	—	—
Interfund advance principal loaned to other funds	—	—	—
Interfund advance principal repayments from other funds	—	—	—
Grants to others	(3,237)	—	—
Transfers in	2	—	—
Transfers out	(3,959)	(960)	(1,001)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	732,831	(960)	(885)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(204,566)	(191,922)	(14,913)
Proceeds from capital debt	—	142,215	1,256
Principal paid on capital debt	(12,930)	(103,850)	(6,420)
Interest paid on capital debt	(2,291)	(150,008)	(7,293)
Cash payments for bond defeasance	—	(96,288)	—
Capital grants and contributions	98,946	—	—
Proceeds from disposal of capital assets	1,689	57	385
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(119,152)	(399,796)	(26,985)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	—	(689)	—
Interest on investments	22,629	15,581	3,806
NET CASH PROVIDED BY INVESTING ACTIVITIES	22,629	14,892	3,806
NET INCREASE IN CASH AND CASH EQUIVALENTS	112,557	62,464	1,831
CASH AND CASH EQUIVALENTS - JANUARY 1, 2019	756,747	539,230	126,110
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2019	$ 869,304	$ 601,694	$ 127,941

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 2 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 46,660	$ 1,078,912	$ 6,629
Cash received from other funds - interfund services	1,974	10,183	617,175
Cash payments to suppliers for goods and services	(12,372)	(292,823)	(357,677)
Cash payments to other funds - interfund services	(12,103)	(172,661)	(59,294)
Cash payments for employee services	(13,822)	(718,873)	(151,557)
Other receipts	375	77,158	6,115
Other payments	(90)	(20,802)	—
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	10,622	(38,906)	61,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and subsidies received	6,084	746,225	—
Interfund loan principal amounts loaned to other funds	—	—	(20,250)
Interfund loan principal repayments from other funds	—	—	15,800
Interfund advance principal loaned to other funds	—	—	(31,529)
Interfund advance principal repayments from other funds	—	—	9,725
Grants to others	—	(3,237)	—
Transfers in	—	2	2,539
Transfers out	(524)	(6,444)	(20,696)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	5,560	736,546	(44,411)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(18,267)	(429,668)	(12,697)
Proceeds from capital debt	—	143,471	—
Principal paid on capital debt	(733)	(123,933)	(5,225)
Interest paid on capital debt	(353)	(159,945)	(298)
Cash payments for bond defeasance	—	(96,288)	—
Capital grants and contributions	17,519	116,465	—
Proceeds from disposal of capital assets	20	2,151	953
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,814)	(547,747)	(17,267)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	—	(689)	—
Interest on investments	2,238	44,254	5,270
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,238	43,565	5,270
NET INCREASE IN CASH AND CASH EQUIVALENTS	16.606	193,458	4,983
CASH AND CASH EQUIVALENTS - JANUARY 1, 2019	67.548	1,489,635	368,419
CASH AND CASH EQUIVALENTS - DECEMBER 31, 2019	$ 84,154	$ 1,683,093	$ 373,402

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 3 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	**WATER QUALITY**	**SOLID WASTE**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (647,486)	$ 213,067	$ (82,620)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	155,035	167,777	16,699
Nonoperating miscellaneous revenues (expenses)	2,206	2,658	(519)
(Increases) decreases in assets:			
Accounts receivable, net	(22,788)	(1,338)	2,911
Due from other funds	—	(1)	(2,300)
Due from other governments, net	(5,965)	—	12
Inventory	(774)	(80)	(113)
Prepayments	254	357	(91)
Other assets	53	(476)	—
(Increases) decreases in deferred outflows of resources:			
Deferred outflows on pensions, refunding, OPEB and ARO	(6,199)	(117)	149
Increases (decreases) in liabilities:			
Accounts payable	28,172	826	(3,667)
Retainage payable	7	41	21
Due to other funds	(278)	(14)	—
Wages payable	8,406	1,091	351
Taxes payable	(4)	(21)	157
Unearned revenues	1,587	491	13
Claims and judgments payable	—	—	—
Compensated absences	248	40	(760)
Other postemployment benefits	504	(7)	(104)
Net pension liability	(46,409)	(11,238)	(6,102)
Customer deposits and other liabilities	68	74,130	(45)
Landfill closure and post-closure care	—	—	102,174
Increases (decreases) in deferred inflows of resources:			
Deferred inflows on pension and OPEB	9,612	1,142	(271)
Total adjustments	123,735	235,261	108,515
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (523,751)	$ 448,328	$ 25,895

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:
Public Transportation capital grants on account decreased by $49.7 million in 2019.
Water Quality capital grants on account decreased by $258 thousand in 2019.

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)
(PAGE 4 OF 4)

	BUSINESS-TYPE ACTIVITIES NONMAJOR ENTERPRISE FUNDS	BUSINESS-TYPE ACTIVITIES TOTAL	INTERNAL SERVICE FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ (2,112)	$ (519,151)	$ 53,645
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	8,335	347,846	16,023
Nonoperating miscellaneous revenues (expenses)	356	4,701	—
(Increases) decreases in assets:			
Accounts receivable, net	747	(20,468)	717
Due from other funds	207	(2,094)	27
Due from other governments, net	139	(5,814)	11
Inventory	125	(842)	(554)
Prepayments	20	540	(1,359)
Other assets	—	(423)	—
(Increases) decreases in deferred outflows of resources:			
Deferred outflows on pensions, refunding, OPEB and ARO	(6)	(6,173)	(1,420)
Increases (decreases) in liabilities:			
Accounts payable	(4,611)	20,720	748
Retainage payable	—	69	227
Due to other funds	(106)	(398)	(3)
Wages payable	151	9,999	1,347
Taxes payable	21	153	(11)
Unearned revenues	7,135	9,226	—
Claims and judgments payable	—	—	2,012
Compensated absences	133	(339)	30
Other postemployment benefits	14	407	(129)
Net pension liability	(1,907)	(65,656)	(12,066)
Customer deposits and other liabilities	1,745	75,898	409
Landfill closure and post-closure care	—	102,174	—
Increases (decreases) in deferred inflows of resources:			
Deferred inflows on pension and OPEB	236	10,719	1,737
Total adjustments	12,734	480,245	7,746
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 10,622	$ (38,906)	$ 61,391

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Internal Service Funds received $3,531 thousand of capital assets from other funds and transferred $207 thousand of capital assets to other funds.

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019
(IN THOUSANDS)

	CUSTODIAL FUNDS	
	EXTERNAL INVESTMENT POOL FUNDS	**OTHER CUSTODIAL FUNDS**
ASSETS		
Cash and cash equivalents	$ —	$ 132,202
Investments at fair value:		
Repurchase agreements	126,229	—
Commercial paper	286,211	—
U.S. agency discount notes	212,941	—
Supranational discount notes	26,057	—
Corporate notes	344,935	—
Corporate notes floating rate	111,443	—
U.S. Treasury notes	1,459,182	14,400
U.S. agency notes	238,014	—
U.S. agency collateralized mortgage obligations	1,796	—
Supranational coupon notes	770,513	—
State Treasurer's investment pool	326,138	—
Total investments	3,903,459	14,400
Taxes receivable for other governments	—	74,862
Accounts receivable	—	24,872
Interest receivable	7,507	—
Assessments receivable for other governments	—	2,175
Notes and contracts receivable	—	52
TOTAL ASSETS	3,910,966	248,563
LIABILITIES		
Accounts payable and other liabilities	—	55,531
Due to beneficiaries	—	73,043
Due to other governments	—	62,172
TOTAL LIABILITIES	—	190,746
NET POSITION		
Restricted for:		
Individuals, organizations and other governments	3,910,966	57,817
TOTAL NET POSITION	$ 3,910,966	$ 57,817

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	CUSTODIAL FUNDS	
	EXTERNAL INVESTMENT POOL FUNDS	OTHER CUSTODIAL FUNDS
ADDITIONS		
Property taxes collected for other governments	$ —	$ 4,800,731
State apportionment	—	3,586,985
Real estate excise taxes collected for other governments	—	797,827
Bond proceeds	—	643,913
Utility charges	—	386,343
Local support non-tax receipts	—	368,637
Member contributions	—	243,206
Drainage utility charges collected for other governments	—	207,382
Pool participant contributions	9,460,150	(9,460,150)
Investment earnings:		
Interest, dividends and other	87,547	29
Net increase in fair value of investments	31,952	13
Total investment earnings	119,499	42
Less investment costs:		
Investment activity costs	(1,713)	—
Net investment earnings	117,786	42
Charges for fire protection services	—	32,815
Receipts from other governments	—	24,519
Court fees collected for other governments	—	16,678
Lease contributions	—	15,364
Regulatory fees	—	12,806
Recording fees collected for other governments	—	12,585
Other taxes collected for other governments	—	11,718
Charges for emergency medical services	—	7,710
Impact fees collected for other governments	—	3,794
Food services receipts	—	5,036
Forest funds	—	2,011
Fines and forfeits collected for other governments	—	378
Licensing fees collected for other governments	—	320
Other fees collected for other governments	—	188
Permitting fees collected for other governments	—	13
Miscellaneous receipts	—	202,901
Total additions	9,577,936	1,923,752
DEDUCTIONS		
Payments to vendors	—	9,466,475
Taxes distributed to other governments	—	1,172,597
Principal payments	—	361,099
Interest and other debt service costs	—	268,111
Other receipts distributed to other governments	—	245,423
Pool participant distributions	9,816,972	(9,816,972)
Election costs	—	5,714
Payments to escrow	—	4,950
Treasurer collection fees	—	2,606
Cash management fees	—	180
Miscellaneous payments	—	469,710
Total deductions	9,816,972	2,179,893
Net increase (decrease) in fiduciary net position	(239,036)	(256,141)
NET POSITION - BEGINNING (RESTATED)	4,150,002	313,958
NET POSITION - ENDING	$ 3,910,966	$ 57,817

The notes to the financial statements are an integral part of this statement.

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2019
(IN THOUSANDS)

	HARBORVIEW MEDICAL CENTER	CULTURAL DEVELOPMENT AUTHORITY	NJB PROPERTIES	TOTAL
ASSETS				
Cash and cash equivalents	$ 334,887	$ 25,644	$ —	$ 360,531
Investments	—	11,453	—	11,453
Receivables, net	191,598	—	3	191,601
Inventories	9,032	—	—	9,032
Prepayments	12,440	273	7	12,720
Nondepreciable assets	26,010	—	—	26,010
Depreciable assets, net of depreciation	258,971	—		258,971
Net investment in capital lease	—	—	8,156	8,156
Deposits with other governments	7,007	—	—	7,007
Other assets	15,439	94	893	16,426
TOTAL ASSETS	855,384	37,464	9,059	901,907
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	—	275	—	275
TOTAL DEFERRED OUTFLOWS OF RESOURCES	—	275	—	275
LIABILITIES				
Accounts payable and other current liabilities	87,201	509	2	87,712
Accrued liabilities	53,382	—	38	53,420
Unearned revenues	—	11,745	—	11,745
Noncurrent liabilities:				
Due within one year	686	1,318	310	2,314
Due in more than one year	10,495	7,754	7,995	26,244
TOTAL LIABILITIES	151,764	21,326	8,345	181,435
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	—	430	—	430
TOTAL DEFERRED INFLOWS OF RESOURCES	—	430	—	430
NET POSITION				
Net investment in capital assets	284,981	—	—	284,981
Restricted for:				
Expendable	7,545	15,983	—	23,528
Nonexpendable	2,870	—	—	2,870
Unrestricted	408,224	—	714	408,938
TOTAL NET POSITION	$ 703,620	$ 15,983	$ 714	$ 720,317

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**HARBORVIEW MEDICAL CENTER**	**CULTURAL DEVELOPMENT AUTHORITY**	**NJB PROPERTIES**	**Total**
Component Units:								
Harborview Medical Center	$ 1,042,206	$ 1,062,963	$ 6,582	$ 3,609	$ 30,948	$ —	$ —	$ 30,948
Cultural Development Authority	19,160	162	4,874	—	—	(14,124)	—	(14,124)
NJB Properties	613	103	—	—	—	—	(510)	(510)
Total Component Units	$ 1,061,979	$ 1,063,228	$ 11,456	$ 3,609	$ 30,948	$ (14,124)	$ (510)	$ 16,314
General revenues:								
Interest earnings					$ —	$ 1,089	$ 419	$ 1,508
Net general revenues					—	1,089	419	1,508
Change in net position					30,948	(13,035)	(91)	17,822
Net position - January 1, 2019 (Restated)					672,672	29,018	805	702,495
Net position - December 31, 2019					$ 703,620	$ 15,983	$ 714	$ 720,317

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements

For the Year Ended December 31, 2019

Note 1 - Summary of Significant Accounting Policies	B-40
Note 2 - Reconciliation of Government-wide and Fund Financial Statements	B-53
Note 3 - Stewardship, Compliance and Accountability	B-57
Note 4 - Deposits and Investments	B-58
Note 5 - Receivables	B-67
Note 6 - Tax Revenues	B-68
Note 7 - Capital Assets	B-76
Note 8 - Restricted Assets	B-79
Note 9 - Pension Plans	B-80
Note 10 - Defined Benefit Other Postemployment Benefit (OPEB) Plan	B-91
Note 11 - Risk Management	B-94
Note 12 - Leases	B-98
Note 13 - Landfill Closure and Post-closure Care	B-101
Note 14 - Pollution Remediation	B-102
Note 15 - Long-term Liabilities	B-104
Note 16 - Interfund Balances and Transfers	B-114
Note 17 - Related Party Transactions	B-116
Note 18 - Components of Fund Balance, Restatements and Restrictions	B-117
Note 19 - Legal Matters, Financial Guarantees and Other Commitments	B-122
Note 20 - Subsequent Events	B-125

Note 1
Summary of Significant Accounting Policies

Description of Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

King County was founded in 1852 and operates under a Home Rule Charter that was adopted by a vote of County citizens in 1968 and which established an executive-council form of government. Citizens elect the County Executive to a four-year, full-time term and the nine-member council by district to staggered four-year terms. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Blended Component Units

King County Flood Control District (FCD)

King County Flood Control District was created under the authority of chapter 86.15 RCW to manage, plan and construct flood control facilities within district boundaries. By statute, the King County Council serves as the Board of Supervisors for FCD.

FCD is a component unit of the County for the following reasons: (1) it is a legally separate entity established as a quasi-municipal corporation and independent taxing authority; (2) King County appoints the voting majority of FCD board because the County Council members are the *ex officio* supervisors of the district; and (3) the County can impose its will on FCD. FCD financial presentation is as a blended component unit because the two governing boards are substantively the same and there is a financial benefit relationship between the County and FCD. FCD contracts with King County Department of Natural Resources and Parks for flood control projects and programs. During 2019, FCD reimbursed the County $49.9 million for such projects and programs.

FCD issues its own financial statements, which are audited by the State Auditor's Office. Financial statements of FCD are included in Nonmajor Special Revenue Funds in the Governmental Funds section of this CAFR. Independently audited statements for the FCD can be obtained from Francis & Company, PLLC, 200 West Mercer St, Suite 208, Seattle, WA 98119.

Component Units – Discretely Presented

Harborview Medical Center (HMC)

Harborview Medical Center (HMC), a 413 licensed-bed hospital with extensive ambulatory services, is located in Seattle, Washington and is managed by the University of Washington (UW).

The HMC Board of Trustees is appointed by the County Executive. The County's director of Finance and Business Operations Division is the Treasurer of HMC. The management contract between the HMC Board of Trustees and the UW Board of Regents recognizes the Trustees' desire to maintain HMC as a means of meeting King County's obligation to provide the community with a resource for health services, and UW's desire that HMC be maintained as a continuing resource for medical education, training, and research. The general conditions of the management contract specify that King County retains title to all real and personal property acquired for King County with HMC capital or operating funds.

The Trustees determine major institutional policies and retain control of programs and fiscal matters. The Trustees agree to secure UW's recommendations on any changes to the above. The Trustees are accountable to the public and King County for all financial aspects of HMC's operation and agree to maintain a fiscal policy that keeps the operating program and expenditures of HMC within the limits of operating income.

HMC is a component unit of the County for the following reasons: (1) it possesses *de facto* corporate powers evident from the UW management agreement; (2) the County Executive appoints HMC's Board of Trustees, who may be removed only for statutorily defined causes; and (3) HMC creates a financial burden on the County because the County is responsible for the issuance and repayment of all general obligation bonds for HMC capital improvements.

HMC is reported in the County's CAFR using the discrete presentation method because the County and HMC's governing boards are not substantively the same and the hospital does not provide services solely to King County.

The primary classification of HMC is that of a component unit, however, the County is the issuer of HMC's general obligation bonds. Note 15 - "Long-term Liabilities" reports on all the general obligation bonds issued by the County as of December 31, 2019, including bonds reported by HMC as of June 30, 2019.

The County has not recorded an equity interest in HMC because it is not estimable. The management agreement under which HMC operates specifies that allocation of HMC's assets will be negotiated during a winding-up period following either the expiration of the agreement or its termination.

HMC hires independent auditors and prepares its own financial statements with a fiscal year ending June 30. These statements may be obtained from the Finance Section of the Harborview Medical Center, Box 359750, 325 Ninth Ave., Seattle, Washington, 98104.

Cultural Development Authority of King County (CDA), doing business as 4Culture

Cultural Development Authority of King County (CDA) is a public authority organized pursuant to Revised Code of Washington (RCW) 35.21.730 through 35.21.759 and King County Ordinance 14482. CDA commenced operations on January 1, 2003 and began doing business as 4Culture on April 4, 2004. CDA operates as a corporation for public purposes and was created to support, advocate for, and preserve the cultural resources of the region in a manner that fosters excellence, vitality, and diversity.

CDA is located in Seattle, Washington, and is governed by a 15-member board of directors and five *ex officio* members. The directors are appointed by the County Executive and confirmed by the County Council. CDA receives funds from King County through the Public Art Program where one percent of certain County construction project budgets are allocated to CDA to be used in providing artwork in County public spaces. For 2013-2020, the CDA is authorized to spend an endowment that was set-aside in prior years from a portion of the King County lodging tax receipts. In July of 2019, CDA launched Building for Equity, a two year joint initiative with the King County Council to support the existing needs of building projects within the cultural sector and to advance CDA's funding practices aimed at improving equitable outcomes.

CDA is a component unit of the County for the following reasons: (1) it is a separate legal entity; (2) CDA's board of directors is appointed by the County Executive (from a nonrestrictive pool of candidates) and confirmed by the County Council; and (3) the County is able to impose its will on CDA, for example, the County has the power to remove a director from the CDA board and the power to dissolve CDA. CDA's financial presentation is as a discrete component unit because the County and CDA's governing bodies are not substantively the same and CDA does not provide services solely to King County government.

CDA reports on a fiscal year-end consistent with the King County primary government. It issues its own financial statements, which are audited by the State Auditor's Office. These statements may be obtained from CDA at 4Culture, 101 Prefontaine Place South, Seattle, Washington 98104.

NJB Properties

King County has a project lease agreement with NJB Properties, a Washington State nonprofit corporation, which provided for the design and construction of the Ninth and Jefferson Building (NJB) for use by Harborview Medical Center, a discrete component unit of the County. The agreement is in accordance with IRS Revenue Ruling 63-20 and Revenue Procedure 82-26. The building was financed through bonds issued by NJB Properties on behalf of the County. The building is being leased to the County by the nonprofit corporation under guaranteed monthly rent payments over the term of the lease or until the bonds are fully retired. Harborview Medical Center makes monthly transfers to King County to satisfy the County's monthly rental payments to NJB Properties.

NJB Properties is recognized as a component unit of the County. Although it has an independently-appointed board, the nonprofit corporation is a single-purpose entity that is fiscally dependent on the County and who imposes a financial burden on the County because the monthly rent payments are considered limited general obligation debt. Because NJB Properties provides services almost exclusively to Harborview Medical Center and not to the County, it is reported using discrete presentation. Separately issued and audited financial statements for NJB Properties may be obtained from the National Development Council, 1218 Third Avenue, Suite 1403, Seattle, WA 98101.

Joint Venture

Seattle-King County Workforce Development Council (WDC) is a joint venture between King County and the City of Seattle. It was established as a nonprofit corporation in the State of Washington on July 1, 2000, as authorized under the Workforce Investment Act of 1998. It functions as the United States Department of Labor pass-through agency to receive the employment and training funds for the Seattle-King County area. The King County Executive and the Mayor of the City of Seattle, serving as the chief elected officials of the local area, have the joint power to appoint the members of the WDC board of directors and the joint responsibility for administrative oversight. An ongoing financial responsibility exists because of the potential for liability to grantors over disallowed costs. If expenditures of funds are disallowed by a grantor agency, WDC can recover the funds from (in order): (1) the agency creating the liability; (2) the insurance carrier; (3) future program years; and (4) as a final recourse, from King County and City of Seattle, each responsible for one-half of the disallowed amount. As of December 31, 2019, there are no outstanding program eligibility issues that might lead to a liability on the part of King County.

WDC contracts with King County to provide programs related to dislocated workers and workforce centers. For 2019, the WDC reimbursed King County approximately $1.5 million for the Employment and Education Resource Program in eligible program costs. King County has a $560 thousand equity interest in the WDC. Separately issued and independently audited financial statements may be obtained from the Workforce Development Council, 2003 Western Avenue, Suite 250, Seattle, Washington 98121.

Jointly Governed Organization

The Washington State Convention Center Public Facilities District (WSCC) was created in July 2010 to acquire, own and operate the convention and trade center transferred from a public nonprofit corporation that owned the original WSCC. The District's board of directors consists of those nine directors who served at the time of the District's creation. Following the expiration of the terms of the initial board, three members will be nominated by the County Executive subject to confirmation by the County Council, three members will be nominated by the City of Seattle, and three members will be appointed by the Washington state governor. Because there is equal representation in the governance of the District among the two local governments and the State, and the participant governments do not retain any ongoing financial interest nor any ongoing financial responsibility, the WSCC is a jointly governed organization.

Related Organizations

There are five separate entities for which the County is accountable, but is not financially accountable. These related organizations are King County Library System (KCLS), Library Capital Facility District (LCFD), King County Housing Authority (KCHA) and Washington State Major League Baseball Public Facilities District (PFD), and King County Regional Homelessness Authority (KCRHA). The County Council appoints a majority of the board of KCLS, KCHA and PFD; and, selected Councilmembers make up the three-member board of LCFD. The County Executive and two Councilmembers hold three of the twelve board positions of the KCRHA. There is no evidence that the County Council can influence the programs and activities of these five organizations or that they create a significant financial benefit or burden to the County.

The County serves as the treasurer for KCLS, LCFD, PFD and KCRHA providing services such as tax collection and warrant issuance. Due to this fiduciary relationship, these districts are reported as custodial funds to distinguish them from County funds.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds that benefit the governmental activities, while business-type activities incorporate data from the government's enterprise funds and internal service fund that benefit the business-type activities.

Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds (excluded from the government-wide financial statements), and component units. As discussed earlier, the government has three discretely presented component units, HMC, CDA and NJB. While none of the three is considered to be a major component unit, each is nevertheless shown in a separate column in the component unit financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule include payments for services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would misstate the direct costs of the purchasing function and the program revenues of the selling function.

HMC has a June 30 fiscal year end, differing from the County's December 31 fiscal year end. The County reports HMC's financial results as of June 30 in the financial statements. There is no material effect on the balances, transactions and interfund activity reported for the period, as a result of the disparity in reporting period.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate financial statements are provided for each fund category – governmental funds, proprietary funds and fiduciary funds. Governmental funds are reported by mission, which corresponds to the County's strategic plan. Proprietary funds are reported by individual funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

Major Governmental Funds

The County reports the following major governmental funds:

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

The Behavioral Health Fund encompasses the continuum of services for the King County Behavioral Health Administrative Services Organization (BH-ASO) and provides oversight and management of publicly funded mental health and substance use disorder services for eligible King County residents, with emphasis on prevention, intervention, treatment, and recovery. Its main sources of funding are Medicaid, federal and state grants, charges for services and property taxes.

Major Enterprise Funds

The County reports the following major enterprise funds:

The Public Transportation Enterprise accounts for the operations, maintenance, capital improvements and expansion of public transportation facilities in King County under the King County Metro Transit Division. Primary revenue sources include sales tax and passenger service fees. Construction and fleet replacement are funded through sales taxes, bonds and federal grants.

The Water Quality Enterprise accounts for the operations, capital improvements, and maintenance of the County's water pollution control facilities. The enterprise has three large treatment plants, the recently constructed Brightwater

Treatment Plan that came online in 2011-12, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, namely the Carnation and Vashon Island Treatment Plants.

The Solid Waste Enterprise accounts for the operation, maintenance, capital improvements, and expansion of the County's solid waste disposal facilities under the Solid Waste Division of the Department of Natural Resources and Parks. The County operates eight solid waste transfer stations, two drop box stations, two household hazardous waste facilities, one regional landfill, and recycling services for residential customers. Operating revenues result primarily from tipping fees at the active solid waste disposal sites, while bond proceeds fund most new construction. Significant reserves are set aside to provide for post-closure care and remediation costs, and to replace capital equipment.

Nonmajor Governmental Funds

Special Revenue Funds are used to account for a variety of County programs including the arts, an automated fingerprint identification system, community development, road maintenance, emergency medical services, the enhanced 911 emergency telephone system, local hazardous waste management, parks, surface water management and other services.

Debt Service Funds are used by the County to account for the accumulation of resources for, and the payment of, principal and interest on the County's general obligation bonds, and special assessment debt for certain special districts.

Capital Projects Funds are used to account for the acquisition, construction, and improvement of major capital assets and other capital-related activities such as infrastructure preservation, parks development and open space preservation, flood control, technology systems, and historic preservation.

Nonmajor Proprietary Funds

Enterprise Funds are used to account for the County's business-type operations, including the King County International Airport, and other services.

Internal Service and Fiduciary Funds

Internal Service Funds are used to account for the provision of motor pool, information technology, risk management, construction and facilities management, financial, employee benefits program and other services provided by one department or agency to other departments or agencies of the County on a cost reimbursement basis. The Wastewater Equipment Rental Fund was established to exclusively serve the Water Quality Enterprise. It is consolidated for reporting purposes with business-type activities in the government-wide financial statements.

Custodial Funds are used to report cash received and disbursed in the County's capacity as *ex officio* treasurer or collection agent for special districts and other governments and investment activity conducted by King County on behalf of legally separate entities.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/due to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds that benefit the governmental activities) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be reasonably estimated. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues from property taxes to be available if they are collected within 60 days of the end of the current fiscal period. All other accrued revenue sources are determined to be available if collected within 12 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales and use taxes, business and occupation taxes, federal grants-in-aid, and charges for services are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Taxes imposed on exchange transactions are accrued when the underlying exchange transaction occurs if collected within one year. Revenues from licenses, permits, and fees are recognized when received in cash. Revenues related to expenditure-driven grant agreements are recognized when the qualifying expenditures are made, provided that the availability criteria are met. Expenditure-driven grant revenue is considered available if it can be collected at the same time cash is disbursed to cover the associated grant expenditure.

The proprietary and investment trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting assets and liabilities.

New Accounting Standards

GASB Statement No. 83, Certain Asset Retirement Obligations, is effective for fiscal years beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations. King County implemented the statement in 2019.

GASB Statement No. 84, Fiduciary Activities, is effective for fiscal years beginning after December 15, 2018. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting. The statement was implemented by King County in 2019.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, is effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement was adopted by King County in 2019.

GASB Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61, is effective for fiscal years beginning after December 15, 2018. This Statement improves financial reporting by providing users of financial statements with essential information related to presentation of majority equity interests in legally separate organizations that previously was reported inconsistently. In addition, requiring reporting of information about component units if the government acquires a 100 percent equity interest provides information about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. This statement was adopted by King County in 2019.

Terminology

Expenditure Functions

Expenditures are presented on the non-major special revenue fund statements by county function. A short description of each function appears below.

General Government - Provided by the administrative branches of the government entity for the benefit of the public or governmental body as a whole. This function includes the County Council, County Executive, Performance Strategy and Budget, Information and Technology, Records and Licensing Services, Elections and Assessments.

Law, Safety and Justice - Essential to the safety of the public, including expenditures for law enforcement, detention and/or correction, judicial operations, protective inspections, emergency services and juvenile services. This function includes the Sheriff's Office, Prosecuting Attorney, Superior Court, Public Defense, Judicial Administration, Adult and Juvenile Detention and Emergency Medical Services.

Physical Environment - Provided to achieve a satisfactory living environment for the community and the individual. This function includes Surface Water Management.

Transportation - Provided by the governmental entity for the safe and adequate flow of vehicles and pedestrians that includes expenditures for road and street construction, maintenance, transportation facilities and systems, and general administration. This function includes Road Services and Roads Capital Program.

Economic Environment - Provided for the development and improvement of the welfare of the community and individual. This function includes expenditures for employment opportunity and development, child care services, and services for the aging and disabled. This function includes Youth Employment Programs, Development and Environmental Services, Planning and Community Development, River Improvement, Animal Control, River and Flood Control Construction and Natural Resources.

Health and Human Services - Provided to promote healthy people and healthy communities by preventing and treating mental, physical, and environmentally induced illnesses. This function includes expenditures for community mental health, communicable diseases, environmental health, public health clinics and programs, alcoholism treatment, drug abuse prevention, programs for the mentally disabled and mentally ill, the medical examiner, hospitals and jail health services. This function also includes regional hazardous waste management.

Culture and Recreation - Provided to increase the individual's understanding and enjoyment that includes expenditures for education, libraries, community events, parks and cultural facilities. This function includes Parks, Historical Preservation, Arts and Cultural Development and Law Library.

Debt Service - Accounts for the redemption of general long-term debt principal and interest and other debt service costs in the General, Special Revenue, Debt Service and Capital Projects Funds and payments to escrow agents other than refunding bond proceeds.

Capital Outlay - Accounts for expenditures related to capital projects and expenditures for capital assets acquired by outright purchase and by capital lease financing agreements.

Certain Accounts are Grouped on the Statement of Net Position:

- The asset account *Receivables, net* combines Taxes receivable - delinquent; Accounts receivable, net; Interest receivable; and Due from other governments, net.
- The liability account *Accounts payable and other current liabilities* combines Accounts payable, Retainage payable, Due to other governments, Custodial accounts and Other liabilities.
- The liability account *Accrued liabilities* combines Wages payable, Taxes payable and Interest payable.
- The liability account *Noncurrent liabilities* includes Claims and judgments payable, Estimated claim settlements, General obligation bonds, Revenue bonds payable, Capital leases, State revolving loans payable, Compensated absences, Pollution remediation, Other postemployment benefits, Net pension liability, Landfill closures and post-closure care, Asset retirement obligations, and Other liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and pooled equity invested in the King County Investment Pool.

All County funds and most component units and special districts participate in the King County Investment Pool ("Pool") maintained by the King County Treasury Operations Section (See Note 4 - "Deposits and Investments"). The Pool consists of internal and external portions. For Pool participants, the Pool functions essentially as a demand deposit account where participants receive an allocation of their proportionate share of pooled earnings. Each fund's equity share of the internal portion of the Pool's net position is reported on the balance sheet as Cash and cash equivalents and reflects the change in fair value of the corresponding investment securities.

Included in the internal portion of the Pool is the investment of short-term cash surpluses not otherwise invested by individual funds. The interest earnings related to investment of short-term cash surpluses that are not pool participants are allocated to the General Fund in accordance with legal requirements and are used in financing general County operations.

Receivables (See Note 5 - "Receivables")

Receivables include charges for services rendered by the County or intergovernmental grants that have not been received by the end of the fiscal year. All unbilled service receivables are recorded at year-end. The provisions for estimated uncollectible receivables are reviewed and updated at year-end. These provisions are estimated based on an analysis of an aging of the year-end *Accounts receivable* balance or the historical rate of collectability.

Taxes receivable - delinquent - This account includes receivables for property taxes levied for the current year and the allowance for uncollectible amounts. Revenue is recognized when payment is received within 60 days of the end of the fiscal period.

Accounts receivable, net - This account includes receivables for customer accounts, employee travel advances, abatement revenues from the DLS / Permitting Division, civil penalties, district court revenues, assessments on local improvement districts and abatement revenues and an allowance for uncollectible amounts from violations reported by the Code Enforcement Section on property within the County. Abatement costs may be certified to the property tax parcel; as a result, these costs might not be paid until the property is sold, which may take years.

Interfund Activity

Due to/from other funds - These accounts include any outstanding balances between funds on the governmental funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

Interfund short-term loan receivables/payables - These accounts include the short-term portion of lending or borrowing arrangements between funds that are outstanding at the end of the fiscal year.

Advances to/from other funds - Noncurrent portions of long-term interfund loans are reported as advances. In the governmental funds, Advances to other funds are included in nonspendable fund balance as they are long-term receivables and are not available for appropriation.

Interfund Reimbursements

Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not recognized in the fund-level activity statements. Charge back transactions for shared services from certain departmental funds or cost centers to the fund of divisions under their administration are also treated as reimbursements.

Inventory

Inventories of governmental funds are recorded using the consumption method; expenditures are recognized when inventories are actually consumed. Proprietary funds expense inventories when used or sold. Facilities Management Department (FMD) and Public Health funds use the first-in, first-out (FIFO) valuation method. Radio Communications uses last-in, first-out (LIFO). The Motor Pool Equipment Rental, Public Works Equipment Rental, King County

International Airport, Marine, Solid Waste, Public Transportation and Water Quality Funds use the weighted average valuation method.

Prepayments

Payments made in advance to vendors for certain goods or services, such as building rent, that will benefit future periods are recorded as prepaid items in both the government-wide and fund financial statements. The expenditures are recognized in the period of consumption or occupancy.

Capital Assets (See Note 7 - “Capital Assets”)

Capital assets include: Land (fee simple land, rights-of-way and easements and farmland development rights); Infrastructure (roads and bridges network); Buildings; Improvements other than buildings; Furniture, machinery and equipment; Software and Artwork. Work-in-progress is reported for all unfinished construction and development for most capital assets except for roads and bridges infrastructure.

General capital assets, including those in internal service funds that support governmental funds, are reported in the governmental activities column of the government-wide Statement of Net Position.

Capital assets of enterprise funds, including those in internal service funds that exclusively support enterprise funds, are reported in the business-type column of the government-wide Statement of Net Position. Enterprise and internal service funds capital assets are also reported in the individual proprietary fund Statement of Net Position.

The capitalization threshold in the King County primary government is $5 thousand for machinery and equipment, $500 thousand for internally developed and purchased software, and $100 thousand for buildings, intangible assets and other improvements.

The County elects to use the modified approach for reporting infrastructure assets in lieu of the depreciation method because it is committed to maintaining the roads and bridges infrastructure indefinitely. The County is eligible to use the modified approach because it has an asset management system in place that allows for periodic monitoring of the infrastructure to ensure that assets are maintained and preserved at the predetermined condition level set by the Road Services Division. The asset management system tracks the mileage, condition and the actual and planned maintenance and preservation costs of individual infrastructure assets.

Certain equipment and facilities used in the Solid Waste Enterprise landfill closure and post-closure activities are not reported as capital assets. Instead, the liability for landfill post-closure care is reduced by these costs.

Capital assets are valued at historical cost or estimated historical cost where actual historical cost is not available. Donated capital assets are recorded at their acquisition value at the date of donation. Expenditures for normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item, or extend its useful life beyond the original estimate, are expensed as incurred. Expenditures for repairs and upgrades that materially add to the value or life of an asset are capitalized. Costs incurred to extend the life of governmental infrastructure assets are considered preservation costs and are therefore not capitalized.

Capital assets other than land, roads and bridges infrastructure, and artwork are depreciated or amortized over their estimated useful lives using a standard straight-line allocation method. Capital assets and their components useful lives are as follows:

Description	Estimated Life (Years)
Buildings and other improvements	10-50
Buses and trolleys	12-18
Cars, vans, and trucks	3-10
Downtown transit tunnel	50
Equipment - other	3-25
Software	3-10
Sewer plant	20-50

Regulatory Accounting

King County Council has taken various regulatory actions resulting in differences between the recognition of revenues for rate-making purposes in the Water Quality Enterprise fund and their treatment under generally accepted accounting principles for nonregulated entities. Currently, the Water Quality Enterprise is authorized to apply the accounting treatment of costs under the GASB Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements” criteria because the rates for its services are regulated by the Metropolitan King County Council, and the regulated rates chargeable to its customers are designed to recover the enterprise’s allowable costs of operations.

Rate stabilization - The County Council established a Rate Stabilization Reserve in the Water Quality Enterprise fund. This allows for certain operating revenues to be treated as deferred inflows of resources and recognized as revenue in subsequent years through amortization in order to maintain stable sewer rates**.**

Regulatory assets - GASB Statement No. 62 is used by the Water Quality Enterprise to treat pollution remediation obligations, program payments to Rainwise participants, and strategic planning costs as regulatory assets to allow for cost recovery through future rate increases. The portion of regulatory asset costs that have been accrued is being amortized over a recovery period of 7 to 30 years.

Accrued Liabilities

Accrued liabilities refer to Accounts payable, Due to other governments, Interest payable, Wages payable and Taxes payable. Expenditures incurred during the year but paid in the subsequent year are recorded based on the following materiality thresholds according to when invoices were received:

February 3 - 13	$5,000
February 14 - March 8	$50,000
March 9 - 15	$100,000
March 16 - April 10	$1,000,000

Individual assessments for specific funds are made for amounts not meeting the stated materiality thresholds. Grant-related items to be reported on the Schedule of Expenditures of Federal Awards or Schedule of State Financial Assistance are assessed without considering the materiality thresholds.

Unearned Revenues

Unearned revenues are obligations of the County to perform services or provide goods. This account offsets reported assets for revenues that have not met recognition requirements. Reported assets include grants received in advance, mitigation fees received in lieu of developers performing mitigation projects, prepayment for parks programs and rental facilities and rent prepaid by tenants in internal service funds.

Long-term Obligations (See Note 15 - “Long-term Liabilities”)

Long-term debt and other long-term obligations are reported in the applicable accrual basis statements of net position. Bond premiums and discounts, and refunding gains and losses, are deferred and amortized over the life of the associated bonds using the outstanding principal balance method. Bonds payable are reported net of the applicable premium or discount. Refunding losses are reported as deferred outflows of resources while refunding gains are reported as deferred inflows of resources.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and bond issuance costs in the current period. The face amount of the debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service costs.

Rebatable Arbitrage

The County’s tax-exempt debt is subject to arbitrage restrictions as defined by the Internal Revenue Code. All of the County’s bonded debts are tax-exempt except certain taxable debts as identified in Note 15 - “Long-term Liabilities.” Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. The County had no arbitrage liability at December 31, 2019, in part because the yields on the County's Investment Pool remained at relatively low levels during 2019.

Net Pension Liability

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 all state sponsored pension plans and additions to/deductions from those plans, fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, 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/ expenditures) until then. The government only has four items that qualify for reporting in this category. They are the deferred charge on debt refunding, the deferred outflow of resources associated with pensions, postemployment benefits (OPEB), and the deferred retirement obligations associated with certain capital assets. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources for pensions results from contributions subsequent to the measurement date, the difference between projected and actual investment earnings, the difference between expected and actual experience, and changes in actuarial assumptions and changes in proportions. The deferred outflows related to OPEB arise from changes in actuarial assumptions. The deferred outflow of resources related to the retirement of certain tangible capital assets arise from a legal obligation for the government to perform future asset retirement activities.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, 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 that time. The government has three types of items that qualify for reporting in this category. The *deferred inflows of resources* reported in the business-type activities and proprietary funds represent sewer revenues that are reserved annually to normalize future sewer rates (see Rate Stabilization, p. 45). The deferred inflows of resources on pensions and OPEB are reported in the government-wide Statement of Net Position.

The deferred inflows of resources on pensions and OPEB result from contributions subsequent to the measurement date, the difference between projected and actual investment earnings, the difference between expected and actual experience, and changes in actuarial assumptions and changes in proportions. The *deferred inflows of resources*-advanced grants is reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet, representing grants received before meeting time requirements, but after all other eligibility requirements have been met. The *deferred inflows of resources*-unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, district court receivables and abatement receivables. These amounts are deferred and recognized as an inflow of resources in the period that amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Metropolitan King County Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance or motion prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Council has by ordinance authorized the executive to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

Compensated Absences

Compensated absences consist of vacation pay, sick pay, and compensatory time in lieu of overtime pay. Employees earn vacation based on their date of hire and years of service. Employees hired prior to January 1, 2018 have a maximum vacation accrual of 480 hours, while those hired January 1, 2018 or after have a maximum vacation accrual of 320 hours unless the employee's collective bargaining unit agreement specifies a different maximum. Unused vacation at retirement or normal termination is considered vested and payable to the employee, up to the employee's maximum accrual. Employees also earn up to 12 days of sick leave per year and may accumulate sick leave balances without limit. If the employee is leaving their employment due to death or retirement, they are paid for 35 percent of the value of unused sick leave with no maximum. For reporting purposes, a variety of factors are used to estimate the portion of the accumulated sick leave that is subject to accrual.

A liability is accrued for estimated excess compensation payable to the Washington State Department of Retirement Systems based on an employee's accrued vacation and sick leave. An excess compensation liability is incurred when an employee whose retirement benefits are based in part on excess compensation receives a termination or severance payment defined by the State as excess compensation. This includes, but is not limited to, a cash-out of unused annual leave in excess of 240 hours and a cash-out of any other form of leave. Compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement). All vacation pay liability and a portion of sick leave liability are accrued in the government-wide and proprietary statements.

Revenues and Expenditures/Expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Allocating Indirect Expense to Functions

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. User fees (sewage fees, passenger fares, disposal charges, etc.) charged by the County's enterprise funds for the use of its business-type facilities and charges for services of internal service funds are classified as operating revenues. Rental income is operating revenue to the Airport enterprise, whose principal operation is leasing real property. The corresponding costs of service provision and delivery, including direct administration costs, depreciation or amortization of capital assets, and other allocations of future costs to current year operations (e.g., landfill post-closure, other postemployment benefits), comprise operating expenses. All other revenues and expenses not meeting this definition are reported as nonoperating.

Note 2

Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (in thousands): The governmental funds balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position* - governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

Long-term liabilities reported for governmental activities:	
Bonds payable	$ (657,997)
Plus: Unamortized premiums on bonds sold	(61,988)
Accrued interest payable	(5,341)
Capital leases payable	(8,156)
Compensated absences	(93,208)
Net pension liability	(192,779)
Deferred inflows on pensions	(137,869)
Earned but unavailable court fines and penalties	6,771
Earned but unavailable taxes and assessments	15,821
Asset retirement obligations	(150)
Other postemployment benefits	(93,600)
Deferred inflows on OPEB	(6,391)
Total adjustments related to long-term liabilities and deferred inflows	$ (1,234,887)

Another element of that reconciliation states, "Capital assets used in governmental activities are not financial resources and are not reported in the funds."

Capital assets reported for governmental activities:	
Nondepreciable assets	$ 2,415,700
Depreciable assets	1,031,944
Less: Capital assets in governmental internal service funds (all internal service funds except Wastewater Equipment Replacement)	(56,910)
Total adjustments related capital assets	$ 3,390,734

Another element of the reconciliation states, "Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds."

Other long-term assets reported for governmental activities:	
Net pension asset	$ 73,838
Deferred outflows on refunding (to be amortized as interest expense)	14,530
Deferred outflows on pensions	71,043
Deferred outflows on other post employment benefits	2,207
Deferred outflows on asset retirement obligation	135
Total adjustments related to long-term assets and deferred outflows	$ 161,753

Another element of that reconciliation states, "Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position."

Internal service funds reported for governmental activities:	
Net position of the governmental activities internal service funds	$ 219,679
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(82,130)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	(15,188)
Total adjustments related to internal service funds	$ 122,361

Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (in thousands): The governmental funds statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds and changes in net positions of governmental activities* reported in the government-wide statement of activities.

One element of that reconciliation explains, “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay reported for governmental activities:	
Capital outlay	$ 171,693
Depreciation expense	(42,731)
Total adjustments related to capital outlay	$ 128,962

Another element of that reconciliation states, “The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins and donations) increases net position.”

Miscellaneous capital asset transactions reported for governmental activities:	
The statement of activities report the gain on the sale of capital assets while gross proceeds increase financial resources in the governmental funds. The difference is the net book value of capital assets sold.	$ (36,852)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds.	13,206
Total adjustments related to miscellaneous capital asset transactions	$ (23,646)

Another element of that reconciliation states, “Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.”

Revenues reported for the governmental activities:	
Unavailable revenue-property taxes	$ (23)
Unavailable revenue-abatement fees	(225)
Unavailable revenue-noxious weeds	26
Unavailable revenue-charges for services	(575)
Unavailable revenue-fines and forfeits	(330)
Unavailable revenue-grants	(350)
Unavailable revenue-pet licenses	(83)
LEOFF special funding	3,173
Judgments	93
Total adjustments related to revenues	$ 1,706

Another element of that reconciliation states, “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

Debt issuance or refundings reported for governmental activities:	
Issuance of general government debt	$ (118,217)
Premium on bonds sold	(21,372)
Principal repayments	67,990
Payment to escrow agent	63,652
Total adjustments related to debt issuance or refundings	$ (7,947)

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.”

Expenses reported for governmental activities:	
Compensated absences	$ (3,996)
Other postemployment benefits	998
Interest on long-term debt	8,188
Lease amortization	(15)
Pension expense	66,390
Transfers out	(3,163)
Lease payments	135
Total adjustments related to expenses	$ 68,537

Another element of that reconciliation states, “Net revenues and expenses of certain activities of internal service funds are reported with governmental activities.”

Internal service funds reported for governmental activities:	
Investment interest earnings	$ 4,768
Revenues related to services provided to outside parties	7,531
Expenses related to services provided to outside parties	(6,879)
Gain on disposal of capital assets	580
Interest on long-term debt	(279)
Capital contributions	3,334
Transfers in	2,539
Transfers out	(20,640)
Internal service fund gains allocated to governmental activities	37,469
Total adjustments related to internal service funds	$ 28,423

Explanation of certain differences between the Proprietary Funds Statement of Net Position and the Government-wide Statement of Net Position (in thousands): The proprietary funds statement of *net position includes reconciliation between net position - total enterprise funds and net position of business-type activities as reported in the government-wide statement of net position.*

The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds." The assets and liabilities of one internal service fund, Wastewater Equipment Rental Fund, are included in the business-type activities in the statement of net position because the fund was established to serve the Water Quality Enterprise.

Consolidation of internal service fund activities related to enterprise funds:	
Net position of the business-type activities internal service fund	$ 26,089
Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	82,130
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	15,188
Total adjustments related to internal service fund activities related to enterprise funds	$ 123,407

Explanation of certain differences between the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Position and the Government-wide Statement of Activities (in thousands): The proprietary funds statement of revenues, expenses and changes in fund net position includes a reconciliation between *change in net position - total enterprise funds* and *change in net position of business-type activities* as reported in the government-wide statement of activities.

The description of the reconciliation is "Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds."

Consolidation of internal service fund activities related to enterprise funds:	
Investment interest earnings	$ 503
Revenues related to services provided to outside parties	41
Expenses related to services provided to outside parties	(37)
Gain on disposal of capital assets	166
Capital contributions	197
Transfers out	(56)
Internal service fund gains allocated to business-type activities	15,520
Total adjustments related to internal service fund activities related to enterprise funds	$ 16,334

Note 3
Stewardship, Compliance and Accountability

Budgetary Basis of Accounting

Biennial budgets are adopted on the modified accrual basis of accounting for the General Fund, Behavioral Health Fund, nonmajor special revenue funds and debt service funds. The capital projects funds are controlled by multi-year budgets. Some funds reported as nonmajor special revenue funds are controlled by multi-year budgets. They include Long-Term Leases, Major Maintenance, Regional Justice Center Projects, Surface Water Capital, Transfer of Development Credits and Urban Reforestation and Habitat Restoration. The budget for the Flood Control District, a blended component unit, is approved under the authority of its respective governing body. The Law Library Fund, Road Improvement Districts and Treasurer's Operating and Maintenance have the authority under state law to pay expenditures without appropriations.

Revenues are estimated on the basis of when they become susceptible to accrual. Budgeted appropriations include both expenditures and other financing uses; they are budgeted based on liabilities expected to be paid in the given budget period for the acquisition of goods and services.

The Metropolitan King County Council enacts appropriations by ordinance, generally at the appropriation unit level. The Grants Fund is appropriated at the fund level. These are the legal levels of budgetary control. Unless otherwise provided by the appropriation ordinances, all unexpended and unencumbered operating appropriations lapse at the end of the biennium. The budgetary comparison schedules (budgetary basis) include variances at the appropriation level of expenditure.

Deficit Fund Equity

Nonmajor Governmental Funds

The KC Flood Control Contract fund reports a total fund balance deficit of $171 thousand. The fund primarily provides services to the Flood Control District. Future contract billing receipts are anticipated to reduce the fund deficit.

The Long-Term Leases fund reports a total fund deficit of $908 thousand. The Facilities Management Division has developed a plan to address the fund deficit which was approved by the Executive Finance Committee during 2016 and 2017. The fund balance deficit will be resolved by the end of 2022 through streamlined rates.

The Permitting and Abatement fund reports a total fund balance deficit of $142 thousand. The deficit mostly results from an industry-driven cyclical downturn in permitting activity in unincorporated King County. The next cyclical upturn is expected to resolve the fund deficit by 2024.

The Risk Abatement fund reports a total fund balance deficit of over $6.3 million. In December 2016, a judgment directed King County to pay the Washington State Department of Retirement Systems (DRS) $10.5 million in interest payments. The Risk Abatement fund made the payment to DRS in 2016. The deficit will be paid down over five years by transfers from the General Fund.

The Building Repair and Replacement fund reports a total fund deficit of $15.8 million. The deficit is mostly caused by the Children and Family Justice Center project. Expenditures pool faster than tax revenues are collected. Currently, an interfund loan is approved until all revenues can be collected.

Internal Service Funds

The County implemented GASB Statement Nos. 68 and 71 in 2015, which requires reporting its share of net pension liabilities. As a result, the following funds have deficit net positions at December 31, 2019 (in thousands):

Fund:	Total Net Position
Construction and Facilities Management	$ (14,514)
Financial Management Services	(8,458)
King County Geographic Information Systems	(228)

Note 4
Deposits and Investments

Deposits

King County maintains deposit relationships with several local commercial banks in addition to its concentration bank. The deposits that are not covered by the Federal Deposit Insurance Corporation (FDIC) are collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC) at no less than 50 percent. Effective June 7, 2018, resolution 2018-1 adopted by Commission on June 1, 2018, allowed that “all Well Capitalized public depositaries may collateralize uninsured public deposits at no less than fifty percent.” The PDPC is a statutory authority established under chapter 39.58 RCW that governs public depositaries and provides that “All public funds deposited in public depositories, including investment deposits and accrued interest thereon, shall be protected against loss, as provided in the chapter.” It constitutes a multiple financial institution collateral pool that can make *pro rata* assessments to all public depositories within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk - Deposits The custodial credit risk for deposits is the risk that, in the event of a bank failure, the County’s deposits may not be recovered. State statutes require that certificates of deposit be placed in qualified public depositaries in the State of Washington and total deposits cannot exceed the net worth of the financial institution. Those institutions not meeting 100 percent collateralization or the minimum credit rating requirements may receive deposits up to the FDIC or federally guaranteed amounts. The County’s diversification policy limits the maximum amount of investment in certificates of deposit to 25 percent of the total amount of the portfolio and five percent from a single issuer.

As of December 31, 2019, the County’s total deposits, including certificates of deposits and excluding the equity in the component units, were $45.3 million in carrying amount and $39.9 million in bank balance, of which $13.7 million was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

King County Investment Pool - The King County Investment Pool (KCIP), the main pool, consists of monies invested on behalf of the County and other special purpose districts within the County including school, fire, sewer, library, water and other districts. The KCIP operates in accordance with the King County Investment Policy which has been prepared in accordance with state law. This policy is reviewed annually and any modifications shall be approved by the King County Executive Finance Committee (EFC). The policy applies to all financial assets invested in the KCIP as defined in King County Code (KCC) 4.10.090.

This policy also covers King County non-pooled investments. Non-pooled King County investments, which do not meet the criteria of this policy, require approval by the EFC.

The King County Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. Oversight is provided by the EFC, which serves the role of the County Finance Committee as defined in RCW 36.48.070.

The Investment Pool Advisory Committee (IPAC) was created by Ordinance 16280 to provide input to the EFC on matters related to the King County Investment Pool. The IPAC has not been vested with decision-making authority for the KCIP; it makes recommendations to the EFC on agenda items related to the KCIP.

The King County Investment Policy is designed to help King County meet the objectives of the KCIP. The objectives of the County’s investment policy are to invest public funds in a manner which will preserve the safety and liquidity of all investments within the KCIP while obtaining a reasonable return within established investment guidelines. The portfolio should be managed in a manner that is responsive to the public trust and consistent with state law. The King County Investment Pool is guided by the following principles:

1. The primary objective of King County’s investment of public funds is to safeguard investment principal.
2. The secondary objective is to maintain sufficient liquidity to ensure that funds are available to meet daily cash flow requirements.
3. The third consideration is to achieve a reasonable yield consistent with these objectives.

Investment Instruments - Statutes authorize King County to invest in:

- Savings or time accounts in designated qualified public depositories; and certificates, notes or bonds of the United States.

- Other obligations of the United States, its agencies, or in any corporation wholly owned by the United States government and supranational institutions where the United States is its largest shareholders.

- Bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes, debentures and guaranteed certificates of participation.

- Obligations of any other government-sponsored corporation whose obligation is or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System.

- Commercial paper and corporate notes (within the policies established by the State Investment Board).

- Debt instruments of local and state general obligations.

- General obligation bonds issued by any states and revenue bonds issued by Washington state governments that are rated at least "A" by a nationally recognized rating agency.

King County voluntarily invests in the Washington State Treasurer's Local Government Investment Pool (LGIP). The LGIP values its investments at amortized cost, which approximates fair value. The LGIP portfolio will be managed to meet the portfolio maturity, quality, diversification and liquidity requirements set forth in GASB 79 for external investment pools who wish to measure, for financial reporting purposes, all of its investments at amortized cost. LGIP 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.

LGIP participants may withdraw funds from the LGIP on any business day and must notify the LGIP of any withdrawal over $1.0 million no later than 9 A.M. on the same day the withdrawal is made. The State Treasurer also may suspend redemptions if the New York Stock Exchange suspends trading or closes, if U.S. bond markets are closed, if the SEC declares an emergency or if it has determined irrevocably to liquidate the LGIP and suspend withdrawals and payments of withdrawal proceeds in order to facilitate the permanent termination of the LGIP in an orderly manner.

The County is authorized to enter into repurchase agreements to meet the investment needs of the King County Investment Pool. Such transactions are governed by a Master Repurchase Agreement. County investment policies require that securities' tri-party underlying repurchase agreements must have a fair value equal to at least 102 percent of repurchase price, plus accrued interest. Repurchase agreements in excess of 60 days are not allowed. Currently, the County's tri-party custodial bank monitors compliance with some of these provisions.

Although the County is authorized to enter into reverse repurchase agreements, the County chose not to enter into this type of transaction since 2008. Also, the County did not buy, sell, or hold any derivative or similar instrument except for certain U.S. agency collateralized mortgage obligation securities during the year.

External Investment Pool - The King County Investment Pool administered by the King County Treasury Operations Section is an external investment pool. For investment purposes, the County pools the cash balances of County funds and participating component units, and allows for participation by other legally separate entities such as special districts, for which the County is the *ex officio* treasurer, and public authorities. The external portion of the KCIP (the portion that belongs to special districts and public authorities other than component units) is reported in the Fiduciary Funds under Custodial Section. Except for County agencies that have been approved to invest in the Pool-Plus program, it is County policy to invest all County funds in the King County Investment Pool. All non-County participation in the KCIP is voluntary.

All securities are reported at fair value. Fair value reports are prepared monthly and are distributed to all Pool participants. Fair value pricing is provided by the County's investment accounting system. If a security is not priced by the County's accounting system vendor, prices are obtained from the County's safekeeping bank or from Bloomberg L.P., a provider of fixed income analytics, market monitors, and security pricing. The County has not provided or obtained any legally binding guarantees to support the value of the King County Investment Pool's shares.

The King County Investment Pool values participants' shares using an amortized cost basis. Monthly income is distributed to participants based on their relative participation during the period. Income is calculated based on: (1) realized investment gains and losses; (2) interest income based on stated rates (both paid and accrued); and (3) the amortization of discounts and premiums on a straight-line basis. Income is reduced by the contractually agreed upon fees. This method differs from the fair value method used to value investments in the financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses due to changes in the fair values. The net change in the fair values of the investments is reported as an increase or decrease in cash and cash equivalents in the statement of net position.

The King County Investment Pool's total fair value of investment including purchased interest was $7.5 billion at year-end. At year-end, the change in the fair value of the total investments for the reporting entity, after considering purchases, sales and maturities, resulted in a net markup from cost of $32.2 million. The following schedule shows the types of investments, the average interest rate, and the effective duration limits of the various components of the King County Investment Pool as of December 31, 2019 (dollars in thousands):

KING COUNTY INVESTMENT POOL

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)
Repurchase Agreements	$ 242,000	$ 242,000	1.55%	0.005
Commercial Paper	545,325	547,375	2.01	0.203
U.S. Agency Discount Notes	408,240	410,300	1.54	0.318
Supranational Discount Notes	49,956	50,000	1.86	0.063
Corporate Notes	661,244	655,365	2.64	1.521
Corporate Notes Floating Notes	213,653	213,400	2.18	0.148
U.S. Treasury Notes	2,768,359	2,750,000	2.15	1.320
U.S. Agency Notes	456,309	455,000	1.84	0.894
U.S. Agency Collateralized Mortgage Obligations	3,444	3,218	4.33	3.485
Supranational Coupon Notes	1,476,026	1,472,593	2.15	1.009
State Treasurer's Investment Pool (LGIP)	625,256	625,256	1.78	0.003
Total investments in Pool	$ 7,449,812	$ 7,424,507	2.08	0.919

Custodial credit risk - Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. County policy mandates that all security transactions, including repurchase agreements, are settled "delivery versus payment (DVP)." This means that payment is made simultaneously with the receipt of the security. These securities are delivered to the County's safekeeping bank or its tri-party custodian banks. Exempt from the DVP policy are Certificates of Deposits (CDs) and funds placed with the Local Government Investment Pool (LGIP).

Concentration of credit risk - Investments - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the King County Investment Pool had concentrations greater than 5 percent in the following issuer: International Bank Reconstruction and Development, 8.3 percent.

Interest rate risk - Investments - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by setting maturity and effective duration limits for the King County Investment Pool. The policy limit for the KCIP's maximum effective duration is 1.5 years or less, and 40 percent of the KCIP's total value in securities must have a maturity of 12 months or less. Securities in the portfolio cannot have an average life greater than five years at purchase. As of December 31, 2019, the effective duration of the main Pool was .919 years.

Credit risk - Debt Securities - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At year-end, the King County Investment Pool was not rated by a Nationally Recognized Statistical Rating Organization (NRSRO). In compliance with state statutes, the King County Investment Pool's policy authorizes investments in U.S. Treasury securities, U.S. federal agency securities and mortgage-backed securities, municipal securities and corporate notes (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1" by two NRSROs), certificates of deposit issued by qualified public depositories, repurchase agreements and the LGIP.

The credit quality distribution below is categorized to display the greatest degree of credit risk as rated by Standard and Poor's and Moody's. For example, a security rated "AAA" by one rating agency and "AA" by another would be listed as "AA."

This table shows the credit quality for all securities in the King County Investment Pool not backed by the full faith and credit of the United States (in thousands):

Credit Quality Distribution

Investment Type	AAA or A-1	AA	A	Not Rated	Total
Repurchase Agreements	$ 242,000	$ —	$ —	$ —	$ 242,000
Commercial Paper	545,325	—	—	—	545,325
U.S. Agency Discount Notes	408,240	—	—	—	408,240
Supranational Discount Notes	49,956	—	—	—	49,956
Corporate Notes	98,559	235,255	327,430	—	661,244
Corporate Notes Floating Notes	—	57,658	155,995	—	213,653
U.S. Agency Notes	—	456,309	—	—	456,309
U.S. Agency Collateralized Mortgage Obligations	—	3,444	—	—	3,444
Supranational Coupon Notes	1,476,026	—	—	—	1,476,026
State Treasurer's Investment Pool	—	—	—	625,256	625,256
Total investments	$ 2,820,106	$ 752,666	$ 483,425	$ 625,256	$ 4,681,453

The King County Investment Pool's policies limit the maximum amount that can be invested in various securities. The following table summarizes the King County Investment Pool's diversification policy:

OVERVIEW OF THE KING COUNTY INVESTMENT POOL'S POLICIES TO LIMIT INTEREST RATE & CREDIT RISK

Investment Type	Maximum Maturity	Security Type Limit	Single Issuer Limit	Minimum Credit Rating
U.S. Treasury	5 Years	100%	None	N/A
U.S. Federal Agency(1)	5 Years	100%	35%	N/A
U.S. Federal Agency MBS(2)	5 Year WAL	25%	25%	N/A
Certificates of Deposit(3)	1 Year	25%	5%	A-1 or P-1
Municipal Securities(4)	5 Years	20%	5%	A
Corporate Securities	5 Years	25%	2%	A(5)
Commercial Paper	270 Days	25%	3%	A-1/P-1(6)
Repurchase Agreements(7)	60 Days	100%	25%	A-1 or P-1
Bankers' Acceptances	180 Days	25%	5%	A-1/P-1(8)
State LGIP(9)	N/A	25%	25%	N/A

N/A = Not applicable

(1) Senior debt only and includes Supranational agencies where the U.S. is the largest shareholder.

(2) MBS counts towards the total that can be invested in any one U.S. federal agency.

(3) Must be a public depository; if not 100% collateralized, must be rated at least A-1 or P-1.

(4) County policy limits purchases to general obligation bonds rated A or better by Standard & Poor's or Moody's.

(5) Must be rated A or better by both Standard and Poor's and Moody's for 2 percent issuer limit. But if rated AA or higher, 3 percent issuer limit applies.

(6) Must be rated in top credit category by Standard & Poor's and Moody's. Maturities > 100 days must have a long-term rating of A or higher.

(7) Tri-party repurchase agreements collateralized at 102 percent and for purposes of aggregating across sectors, overnight repos shall not be included. Ten percent of the portfolio can be in overnight repos rated A-2 or P-2.

(8) Bankers' acceptances must be rated in top credit category by Standard & Poor's and Moody's.

(9) The State LGIP is a money market-like fund managed by the State Treasurer's Office.

At year-end the King County Investment Pool was in compliance. The KCIP's actual composition consisted of Repurchase Agreements, 3.3 percent; Commercial Paper, 7.3 percent; U.S. Agency Discount Notes, 5.5 percent; Supranational Discount Notes, 0.7 percent; Corporate Notes, 8.9 percent; Corporate Notes Floating Rate, 2.9 percent; U.S. Treasury Notes, 37.1 percent; U.S. Agency Notes, 6.1 percent; Supranational Coupon Notes, 19.8 percent; and the LGIP, 8.4 percent.

Fair Value Hierarchy

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The following is a summary of inputs in valuing the County's investments as of December 31, 2019 (in thousands):

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value 12/31/2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Commercial Paper	$ 545,325	$ —	$ 545,325	$ —
U.S. Agency Discount Notes	408,240	—	408,240	—
Corporate Notes	661,244	—	661,244	—
Corporate Notes Floating Rate	213,653	—	213,653	—
U.S. Treasury Notes	2,768,359	2,768,359	—	—
U.S. Agency Notes	456,309	—	456,309	—
Supranational Discount Notes	49,956	—	49,956	—
U.S. Agency Collateralized Mortgage Obligations	3,444	—	3,444	—
Supranational Coupon Notes	1,476,026	—	1,476,026	—
Subtotals	6,582,556	$ 2,768,359	$ 3,814,197	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
Repurchase Agreements	242,000			
State Treasurer's Investment Pool	625,256			
Subtotal investments measured at cost	867,256			
Total investments in Investment Pool	$ 7,449,812			

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

Commercial Paper, U.S. Agency Discount Notes, Corporate Notes, Corporate Notes Floating Rate, U.S. Agency Notes, Supranational Discount Notes, U.S. Agency Collateralized Mortgage Obligations and Supranational Coupon Notes are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Interactive Data also monitors market indicators, industry and economic events and corroborating market data and are classified in Level 2 of the fair value hierarchy.

Impaired Investment Pool

The King County Executive Finance Committee approved the bifurcation of the investment pool as of September 1, 2008. This separated the impaired investments into their own pool distinct from the main pool of performing investments. The reasons for bifurcating the pool were to: (1) ensure the yield on the performing assets is not negatively impacted by the impaired investments; (2) enhance transparency about the value of the performing pool and the impaired pool; (3) ease the implementation of the restructuring processes for the impaired investments.

For the bifurcation, the County placed four impaired commercial paper investments into an impaired investment pool (Impaired Pool). The Impaired Pool holds one commercial paper asset (Victoria), in which the County accepted an exchange offer in 2009 and is receiving the cash flows from the investment's underlying securities. For the other three commercial paper investments (Cheyne, Mainsail and Rhinebridge), the County accepted a cash-out option in 2008, based on the results of three separate restructuring auctions conducted by the designated "receiver" of each commercial paper asset.

The fair value of the Impaired Pool at December 31, 2019, was $3.1 million and the book value was $4.5 million. The majority of the amount remaining in the impaired investment pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. During 2019, VFNC Trust distributed a total of $1.1 million to the County. Including all the receipts to date brings the cash recovery rate on the original VFNC Trust investment to 92 percent. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay. This monthly distribution is expected to continue for at least 5 to 10 more years or as long as the underlying securities continue to make cash payments. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

The impaired investments in commercial paper recorded at fair value total $3.1 million, are based on market price of the underlying securities that are held by VFNC Trust (Victoria) and the cash value retained by the receivers as of December 31, 2019, and are classified in Level 3 inputs of fair value hierarchy. These prices are provided by the collateral agent.

King County Investment Pool and Impaired Investment Pool Condensed Statements

The King County Investment Pool (main Pool) and the Impaired Investment Pool's Condensed Statements of Net Position and Changes in Net Position as of December 31, 2019 (in thousands) are as follows:

Condensed Statement of Net Position

	Total	King County Investment Pool	Impaired Pool
Net position held for pool participants	$ 7,462,766	$ 7,459,715	$ 3,051
Equity of internal pool participants	$ 3,566,460	$ 3,565,175	$ 1,285
Equity of external pool participants	3,896,306	3,894,540	1,766
Total equity	$ 7,462,766	$ 7,459,715	$ 3,051

Condensed Statement of Changes in Net Position

	Total	King County Investment Pool	Impaired Pool
Net position - January 1, 2019	$ 7,470,912	$ 7,466,891	$ 4,021
Net change in investments by pool participants	(8,146)	(7,176)	(970)
Net position - December 31, 2019	$ 7,462,766	$ 7,459,715	$ 3,051

Pool Plus - Long-Term Investment Option

King County's Executive Finance Committee (EFC) adopted the Pool-Plus program which allows approved County agencies and districts to invest funds beyond the maximum maturity limit established for the KCIP. This policy provides an investment option that allows a participant in the KCIP to request the County to combine a portfolio of individual long-term securities in the same fund that is invested in KCIP. The pooling of the long-term portfolio with the KCIP provides the ability to invest at durations longer than KCIP, while maintaining access to the liquidity of the KCIP. The Pool-Plus program allows qualifying funds to invest over longer durations recognizing there are: (1) potential risks such as increased price volatility and the possibility of selling securities before maturity to pay unexpected expenditures that could result in a loss of principal; (2) benefits from reducing reinvestment risk which improves the predictability of future budget revenue; (3) and potential rewards such as increased earnings.

The policy is intended to serve the following goals:

- Provide an investment option for funds with investment horizons far beyond the maximum maturity limit of the pool.
- Minimize credit risk exposure that long-term investments outside the KCIP will face.
- Minimize the possibility of negative financial impacts on current pool participants.
- Ensure that a fund requesting to invest in long-term investments outside the pool understands, and accepts, the greater price volatility that is inherent in longer term investments.
- Minimize any operational burden that would distract the investment team from its primary mission of managing the investment pool.

The KCIP will be used for the liquidity portion of the portfolio, while the following investment types will be used for the longer term investments:

- U.S Treasuries or securities with full faith and credit of the U.S. government backing them.
- Senior debt obligations issued by U.S. agencies, instrumentalities, or government-sponsored enterprises such as Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Farm Credit Bank (FFCB), and Federal Home Loan Mortgage Corporation (FHLMC). While these agencies have credit

ratings equivalent to the U.S. government, they are not explicitly guaranteed by the U.S. government. Financial market participants view them as having an "implied guarantee" because these agencies were chartered by Congress.

At yearend, the fair value of securities invested in the Pool Plus program was $15.6 million for County's agencies and $14.5 million for districts. The following schedule shows a summary of the characteristics of the assets in the Pool Plus program at December 31, 2019 (dollars in thousands):

KING COUNTY POOL-PLUS PROGRAM

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)
U.S Treasury Notes - County's agencies	$ 15,628	$ 15,262	2.53%	4.200
U.S. Treasury Notes - Districts funds	9,348	9,126	2.61%	3.900
U.S. Treasury Notes - Districts funds	5,120	5,034	2.47%	3.770

Individual Investments Accounts

King County purchases individual investments for other legally separate entities, such as special districts and public authorities, which are not part of the financial reporting entity. Net positions in these individual investments accounts are reported in the Fiduciary Funds section under Custodial Funds.

Nonfinancial Assets

The County has some land that is being held for future sale. The investment is valued at $1.9 million which is determined based on comparable sales in the area or average per acre value of similar size and layout in the vicinity at the end of 2019.

Component Units

Harborview Medical Center (HMC)

Harborview Medical Center (HMC) participates in the County's investment pool and follows the applicable criteria as described above for the King County Investment Pool deposits and investments.

Custodial credit risk - Deposits - The custodial credit risk for deposits is the risk that in the event of a bank failure, HMC's deposits may not be recovered. As of June 30, 2019, the deposits not covered by the FDIC are uninsured and are partially collateralized by the PDPC collateral pool. HMC's custodial credit risk for its deposits as shown in the following table (in thousands):

Harborview Medical Center
As of June 30, 2019

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	$ 3,194	$ 220	$ 2,974
Equity in Investment Pool	331,693	336,832	—
Total deposits	$ 334,887	$ 337,052	$ 2,974

Cultural Development Authority of King County (CDA)

Deposits

The Cultural Development Authority of King County (CDA) maintains a deposit relationship with a local commercial bank. All deposits with this qualified public depositary that are not insured by the Federal Deposit Insurance Corporation (FDIC) are partially collateralized by the Public Deposit Protection Commission of the State of Washington (PDPC). The PDPC is a statutory authority established under charter 39.58 RCW and constitutes a multiple financial institution collateral pool that can make pro rata assessments to all public depositaries within the state for their public deposits. PDPC protection is of the nature of collateral, not of insurance.

Custodial credit risk - Deposits - The custodial credit risk for deposits is the risk that, in the event of a bank failure, the CDA's deposits may not be recovered. At yearend, the CDA's total deposits, were $1.3 million in carrying amount, and $1.6 million in bank balance, of which $650 thousand was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The CDA has an investment policy to guide the management of its assets and help ensure that all investment activity is within the regulations established by State law and County codes. The primary objective is the preservation of principal.

State laws authorize CDA to invest in certificates, notes and bonds of the United States, and other obligations of the United States or its agencies, or any corporation wholly owned by the government of the United States. Statutes also authorize the CDA to invest in bankers' acceptances purchased on the secondary market, Federal Home Loan bank notes and bonds, Federal Land Bank bonds, Federal National Mortgage Association notes and debentures and guaranteed certificates of participation.

CDA is also authorized to invest in the Washington State Local Government Investment Pool (LGIP). The LGIP values its investments at amortized cost, which approximates fair value. The LGIP funds are limited to high quality obligations with limited maximum and average maturities, which has the effect of minimizing both market and credit risk.

Fair Value Hierarchy

The CDA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following is a summary of inputs in valuing CDA's investments as of December 31, 2019 (in thousands):

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value 12/31/2019**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservabl e Inputs (Level 3)**
U.S. Treasury Notes	$ 762	$ 760	$ —	$ —
U.S Agency Notes	10,691	—	10,691	—
Subtotal investments at fair value	11,453	$ 760	$ 10,691	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
State Treasurer's Investment Pool (LGIP)	24,402			
Subtotal investments measured at cost	24,402			
Total CDA investments	$ 35,855			

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agency notes are valued using significant other observable inputs other than quoted prices including issuer spreads scales by Interactive Data based on the new issue market, secondary trading, and dealer quotes and are classified in Level 2 of the fair value hierarchy.

The following schedule shows the types of investments, the average interest rate, the effective duration limits and the concentration of all CDA investments as of December 31, 2019 (in thousands):

Cultural Development Authority
Investments By Type

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)	Concentration
U.S. Treasury Notes	$ 762	$ 760	2.63%	0.625	2.13%
U.S. Agency Notes:					
Federal National Mortgage Association Notes	5,690	5,715	1.46	1.003	15.87
Federal Home Loan Bank Bonds	5,001	5,005	3.58	0.38	13.95
State Treasurer's Investment Pool	24,402	24,402	1.75	0.003	68.05
Subtotal investments	35,855	$ 35,882	1.98	0.227	100.00%
Less: State Treasurer's Investment Pool (Cash Equivalent)	(24,402)				
Total investments per Statement of Net Position	$ 11,453				

Interest rate risk - Investments - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, CDA manages its exposure to interest rate risk by setting maturity and effective duration limits for its portfolio. As of December 31, 2019, the combined weighted average effective duration of the CDA's portfolio was 0.227 years.

Credit risk - Debt Securities - Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2019, all issuers of investments in CDA's portfolio had a Standard & Poor's rating of "AA+." The Washington State Local Government Investment Pool is not rated.

Concentration of credit risk - Investments - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. As of December 31, 2019, the CDA had concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations, in the following issuers: Federal Home Loan Banks, 14.0 percent; and Federal National Mortgage Association, 16.0 percent.

NJB Properties

Concentration of credit risk - The Organization maintains its cash and reserves in various financial institutions in which the accounts are insured up to $250 thousand per depositor under the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. The Organization believes it is not exposed to any significant credit risk on its cash, reserves and other deposits.

Deposits Held In Trust - In accordance with the Indenture of Trust, certain restricted deposits and funded reserves have been established in the form of escrows. The balance of each fund as of December 31 is as follows (in thousands):

	2019
Non-bond Proceeds	$ 29
Revenue Fund	825
Bond Fund	39
	$ 893

Note 5
Receivables

Receivables are reported net of estimated uncollectible amounts in the basic financial statements: Balance Sheet for Governmental Funds and Statement of Net Position for Proprietary Funds. The schedule below shows receivables at gross with the related estimated uncollectible amounts (in thousands):

Governmental	**General Fund**	**Behavioral Health Fund**	**Nonmajor Governmental Funds**	**Total Governmental Funds**
Accounts receivable:				
Accounts receivable	$ 40,782	$ 1,344	$ 18,020	$ 60,146
Estimated uncollectible	(31,784)	—	(9,546)	(41,330)
Accounts receivable, net	$ 8,998	$ 1,344	$ 8,474	$ 18,816
Due from other governments:				
Due from other governments	$ 82,992	$ 14,081	$ 79,716	$ 176,789
Estimated uncollectible	(5)	—	(231)	(236)
Due from other governments, net	$ 82,987	$ 14,081	$ 79,485	$ 176,553

Proprietary	**Public Transportation**	**Water Quality**	**Solid Waste**	**Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
Current assets:						
Accounts receivable:						
Accounts receivable	$ 49,939	$ 40,158	$ 13,727	$ 808	$ 104,632	$ 632
Estimated uncollectible	(329)	(13)	(316)	(8)	(666)	(48)
Accounts receivable, net	$ 49,610	$ 40,145	$ 13,411	$ 800	$ 103,966	$ 584
Due from other governments:						
Due from other governments	$ 256,347	$ —	397	$ 5,819	$ 262,563	$ 55
Estimated uncollectible	—	—	—	(7)	(7)	—
Due from other governments, net	$ 256,347	$ —	$ 397	$ 5,812	$ 262,556	$ 55
Noncurrent assets:						
Due from other governments	$ 28	—	$ —	—	$ 28	—

Note 6

Tax Revenues

Taxing Powers

King County is authorized to levy both “regular” property taxes and “excess” property taxes.

Regular property taxes are imposed for general municipal purposes, including the payment of debt service on limited tax general obligation bonds. Regular property tax levies are subject to rate limitations and amount limitations, as described below, and to the uniformity requirement of Article VII, Section 1, of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the taxing district. Aggregate property taxes vary within the County because of its different overlapping taxing districts.

Maximum Rate Limitations. The County may levy regular property taxes for general municipal purposes and for road district purposes. Each purpose is subject to a rate limitation. The general municipal purposes levy is limited to $1.80 per $1,000 of assessed value, and the County levied $1.09639 per $1,000 of assessed value for the 2019 tax year. The road district levy, which is levied in unincorporated areas of the county for road construction and maintenance and other County services provided in the unincorporated areas, is limited to $2.25 per $1,000 of assessed value, for which the County currently is at $1.87677 per $1,000 of assessed value for the 2019 tax year. Additional statutory provisions limit the increase in the aggregate amount of taxes levied.

The County is authorized to increase its general purposes levy to a maximum of $2.475 per $1,000 of assessed value if the total combined levies for both general and road district purposes do not exceed $4.05 per $1,000 and if no other taxing district has its levy reduced as a result of the increased County levy (RCW 84.52.043).

The $1.80 per $1,000 limitation on the general purposes levy is exclusive of the following regular property taxes:

(1) A voted levy for emergency medical services, limited to $0.50 per $1,000 of assessed value (RCW 84.52.069),

(2) A voted levy to finance affordable housing for very low income households, limited to $0.50 per $1,000 of assessed value (RCW 84.52.105), although, the County has not sought approval from voters for this levy,

(3) A non-voted levy for conservation futures, limited to $0.0625 per $1,000 of assessed value (RCW 84.34.230), and

(4) A non-voted levy for transit-related purposes, limited to $0.075 per $1,000 of assessed value (RCW 84.52.140).

One Percent Aggregate Regular Property Tax Levy Limitation. Aggregate regular property tax levies by the State and all taxing districts except port districts and public utility districts are subject to a rate limitation of 1.0 percent of the true and fair value of property (or $10.00 per $1,000 assessed value) by Article VII, Section 2, of the State Constitution and RCW 84.52.050.

$5.90/$1,000 Aggregate Regular Property Tax Levy Limitation. Within the 1.0 percent limitation described above, aggregate regular property tax levies by all taxing districts except the State, port districts and public utility districts are subject to a rate limitation of $5.90 per $1,000 of assessed value by RCW 84.52.043(2). This limitation is exclusive of excess levies authorized by Article VII, Section 2, of the State Constitution; levies for acquiring conservation futures, for emergency medical services, affordable housing for very low income households, for ferry districts, for transit-related purposes, for regional transit authorities, for criminal justice purposes, a portion of certain levies by metropolitan park districts, fire protection districts and certain flood control zone districts.

If aggregate regular property tax levies exceed the 1.0 percent or $5.90 per $1,000 of assessed value limitations, then, in order to bring the aggregate levy into compliance, levies requested by “junior” taxing districts within the area affected are reduced or eliminated according to a detailed prioritized list (RCW 84.52.010). Junior taxing districts are defined by RCW 84.52.043 as all taxing districts other than the State, counties, cities, towns, road districts, port districts and public utility districts.

Regular Property Tax Increase Limitation. The regular property tax increase limitation (RCW 84.55) limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of such taxes levied in the highest of the three most recent years multiplied by a limit factor, plus an adjustment to account for taxes on new construction at the previous year's rate. The limit factor is defined as the lesser of 101 percent or 100 percent plus inflation, but if the inflation rate is less than 1.0 percent, the limit factor can be increased to 101.0 percent, if approved by a majority plus one vote of the governing body of the taxing district, upon a finding of substantial need. In addition, the limit factor may be increased, regardless of inflation, if such increase is authorized by the governing body of the taxing district upon a finding of substantial need and is also approved by the voters at a general or special election within the taxing district. Such election must be held less than 12 months before the date on which the proposed levy will be made, and any tax increase cannot be greater than described under "Maximum Rate Limitations." The approval of a majority of the voters would be required for the limit factor to be increased. The new limit factor will be effective for taxes collected in the following year only.

Since the regular property tax increase limitation applies to the total dollar amount levied, rather than to levy rates, increases in the assessed value of all property in the taxing district (excluding new construction) which exceed the growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy and vice versa for decreases in assessed value.

RCW 84.55.092 allows the property tax levy to be set at the amount that would be allowed if the tax levy for taxes due in each year since 1986 had been set at the full amount allowed under chapter 84.55 RCW. This is sometimes referred to as "banked" levy capacity. The County currently has no such banked levy capacity.

With a majority voter approval, a taxing district may levy, within the statutory rate limitations described above, more than what otherwise would be allowed by the tax increase limitations (RCW 84.55.050). This is known as a "levy lid lift," which has the effect of increasing the taxing district's levy "base" when calculating permitted levy increases in subsequent years. The new base can apply for a limited or unlimited period, except that if the levy lid lift was approved for the purpose of paying debt service on bonds, the new base can apply for no more than nine years. After the expiration of any limited purpose or limited duration specified in the levy lid lift, the levy is calculated as if the taxing district had levied only up to the limit factor in the interim period.

In 2018 the State Legislative approved SHB 2597 (Chapter 46, Wash. Laws of 2018), which permits cities and counties to provide senior citizens, individuals with disabilities, and veterans in the Senior Exemption Program with an exemption from any portion of their regular property tax attributable to a levy lid life, with voter approval.

Excess Property Taxes. The County also may impose "excess" property taxes, which are not subject to limitation, when authorized by a 60.0 percent supermajority voter approval, as provided in Article VII, Section 2 of the State Constitution and RCW 84.52.052. To be valid, such popular vote must have a minimum voter turnout of 40.0 percent of the number who voted at the last County general election, except that one-year excess tax levies also are valid if the number of voters approving the excess levy is at least 60% of a number equal to 40% of the number who voted at the last County general election. Excess levies also may be imposed without voter approval when necessary to prevent the impairment of the obligation of contracts.

Component Units with Taxing Authority. In 2019, the county-wide flood control zone district levy rate was $0.09660 per $1,000 of assessed value. The boundaries of the District's coterminous with the boundaries of the County and the members of the County Council serve initially as the legislative body for the District, but under state law, it is a separate taxing district with independent taxing authority.

A county-wide transportation benefit district known as the King County Transportation District ("KCTD") was formed by the County Council in February 2014, as authorized by the State's transportation benefit district law. Shortly, thereafter, the KCTD adopted a resolution to put a funding measure up for a public vote on April 22, 2014. The KCTD proposal was to enact a $60 annual vehicle fee and a one-tenth-of-a-cent increase in the sales tax; both would have expired after ten years. The measure failed by a margin of 46.0 percent to 54.0 percent, and at this time, the KCTD has no plans to propose any additional funding measures.

Allocation of Tax Levies

The table on the following page compares the allocation of the 2019 and 2018 Countywide, Conservation Futures, Unlimited Tax GO Bonds, Emergency Medical Services (EMS) and unincorporated County (Road District) levies. The original tax levy reflects the levy before any supplemental levies, tax cancellations or other adjustments. The 2019 countywide assessed valuation was $606.6 billion, a $72 billion increase from 2018; the assessed valuation for the unincorporated area levy was $48.9 billion, an increase of $5.1 million from 2018.

ALLOCATION OF 2019 AND 2018 TAX LEVIES

	2019 Original Taxes Levied (in thousands)	2019 Levy Rate (per thousand)	2018 Original Taxes Levied (in thousands)	2018 Levy Rate (per thousand)
Countywide Levy				
Assessed Value:				
$606,623,698,132[(a)]				
Items Within Operating Levy:[(b)]				
General Fund	$ 369,346	0.61087	$ 358,302	0.67262
Veterans' Relief	3,107	0.00514	3,010	0.00565
Human Services	6,977	0.01154	6,761	0.01269
Intercounty River Improvement	48	0.00008	49	0.00009
Automated Fingerprint Identification System	21,169	0.03501	22,123	0.04153
Parks Levy	78,152	0.12926	74,259	0.13940
Veterans and Human Services	56,287	0.09349	53,267	0.10000
Children and Family Justice Center	25,865	0.04278	25,054	0.04703
Best Starts for Kids	69,095	0.11428	65,656	0.12325
Radio Communications	32,614	0.05394	31,590	0.05930
Marine Operating	6,120	0.01012	5,930	0.01113
Total Operating Levy	668,780	1.10651	646,001	1.21269
Conservation Futures Levy				
Conservation Futures Levy[(c)]	20,714	0.03426	11,071	0.02078
Farmland and Park Debt Service	—	—	8,999	0.01689
Total Conservation Futures Levy	20,714	0.03426	20,070	0.03767
Unlimited Tax GO Bonds (Voter-approved Excess Levy)	17,906	0.02974	17,298	0.03261
Transportation Levy[(d)]	29,353	0.04855	23,642	0.04438
Total Countywide Levy	736,753	1.21906	707,011	1.32735
Emergency Medical Services Levy				
Assessed Value:				
$606,502,929,644[(a)]				
Emergency Medical Services Levy[(e)]	78,403	0.21762	76,412	0.23940
Unincorporated County Levy				
Assessed Value:				
$48,876,861,321[(a)]				
County Road Fund[(f)]	91,211	1.87677	89,354	2.05402
Total County Tax Levies	$ 906,367		$ 872,777	

(a) Assessed value for taxes payable in 2019.

(b) The operating levy tax rate is statutorily limited to $1.80 per $1,000 of assessed value.

(c) The Conservation Futures Levy is limited statutorily to $0.0625 per $1,000 of assessed value.

(d) The Transportation Levy is limited statutorily to $0.075 per $1,000 of assessed value.

(e) The Emergency Medical Services Levy is limited statutorily to $0.335 over $1,000 of assessed value. The assessed value for the County's Emergency Medical Services levy does not include the cities of Seattle or Milton.

(f) The County Road Fund Levy is levied only in the unincorporated areas of the County and is limited statutorily to $2.25 per $1,000 of assessed value.

The Automated Fingerprint Identification System (AFIS) levy, a regular property tax levy (RCW 84.55.050), was renewed in August 2018 for a six year term by a majority of voters in the County. The levy began in 2013 at a rate of no more than 0.0592 per $1,000 assessed value. In 2018 and 2019, the tax rate was 0.04153 and 0.03501 per $1,000 of assessed value, respectively.

In August 2013, the Park lid lift levy was renewed by voters for six years, for a rate of 0.1877 per $1,000 of assessed value. The 2018 and 2019 tax year rate for the Parks levy lid lift is 0.13940 and 0.12926 per $1,000 of assessed value, respectively.

In November 2017, voters approved a new temporary six-year lid lift for the Veterans, Seniors, and Human Services Levy at a rate of $0.10 per $1,000 of assessed value. This is a regular property tax levy and is to be increased by no more than 3.5% in each of the remaining five years. Due to the passage of SHB 2597 in the 2018 legislative session, this lid lift is now exempt for taxpayers in the Senior Exemption Program for the next five years of its existence. The 2018 and 2019 tax rate is 0.10000 and 0.09349 per $1,000 of assessed value, respectively.

The Children and Family Justice Center is a nine-year temporary levy lid lift approved by voters on August 7, 2012 at a rate of 0.070000 per $1,000 of assessed value for the first year (2013). The rate for 2018 and 2019 is 0.04703 and 0.04278 per $1,000 of assessed value.

A nine-year regular property tax levy for the Puget Sound Emergency Radio Network (PSERN) replacement was approved by voters in April 2015 at a rate of 0.07 per $1,000 of assessed value for the first year (2016). The rate for 2018 and 2019 is 0.05930 and 0.05394 per $1,000 assessed value.

The Best Starts for Kids levy was approved by voters at the November 3, 2015, general election that will be used to invest in prevention and early intervention strategies for children and families. This is a six-year levy beginning in 2016 at a rate of 0.13285 per $1,000 of assessed value. The rate for 2018 and 2019 is 0.12325 and 0.11428 per $1,000 of assessed value.

The County's levy rate for transit-related purposes is 0.04855 per $1,000 of assessed value, and its levy rate for conservation futures is 0.03426 per $1,000 of assessed value in 2019.

The County's EMS levy was approved at a special election on November 5, 2013, for an additional six years, at a rate of 0.335 or less per $1,000 of assessed value, with collections beginning in 2014. The rate for 2018 and 2019 is 0.23940 and 0.21762 per $1,000 of assessed value.

Assessed Valuation Determination

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

For tax purposes, the assessed value of property is 100.0 percent of its true and fair value. Since 1996, all property in the County has been subject to on-site appraisal and revaluation every six years, and is revalued each year based on annual market adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor on a roll at its current assessed value and the roll is filed in the Assessor's office. The Assessor's determinations are subject to revision by the County Board of Appeals and Equalization and, if appealed, subject to further revision by the State Board of Tax Appeals. At the end of the assessment year, in order to levy taxes payable the following year, the County Council receives the Assessor's final certificate of assessed value of property within the County.

Tax Collection Procedure

Property taxes are levied in specific amounts by the County Council and the rate for all taxes levied for all taxing districts in the County is determined, calculated and fixed by the Assessor based upon the assessed valuation of the property within the various taxing districts. The Assessor extends the tax levied within each taxing district upon a tax roll that contains the total amounts of taxes levied and to be collected and assigns a tax account number to each tax lot. The tax roll is delivered to the Treasury Operations Manager, who is responsible for the billing and collection of taxes due for each account. All taxes are due and payable on April 30 of each tax year, but if the amount due from a taxpayer exceeds $50, one-half may be paid then and the balance no later than October 31 of that year (except that the half to be paid on April 30 may be paid at any time prior to October 31 if accompanied by penalties and interest accrued until the date of payment).

The methods for giving notice of payment of taxes due, collecting taxes, accounting for the taxes collected, dividing the collected taxes among the various taxing districts, and giving notice of delinquency are covered by detailed statutes. Personal property taxes levied by the County Council are secured by a lien on the personal property assessed. A federal tax lien filed before the County Council levies the personal property taxes is senior to the County's personal property tax lien. In addition, a federal civil judgment lien is senior to a lien on real property taxes once the federal lien has been recorded. In all other respects, and subject to the possible "homestead exemption" described below, the lien of property taxes is senior to all other liens or encumbrances of any kind on real or personal property subject to taxation. By law, the County may commence foreclosure on a tax lien on real property after three years have passed since the first delinquency. The State's courts have not decided if the homestead law (chapter 6.13 RCW) gives the occupying homeowner a right to retain the first $125 thousand in proceeds of the forced sale of a family residency or other "homestead" property for delinquent general property taxes. The United States Bankruptcy Court for the Western District of Washington has held that the homestead exemption applies to the lien for property taxes, while the State Attorney General has taken the position that it does not.

Property Tax Calendar

January 1	Taxes are levied and become an enforceable lien against properties
February 14	Tax bills are mailed
April 30	First of two equal installment payments due
May 31	Assessed value of property established for next year's levy at 100% of market value
October 31	Second installment due

Accounting for Property Taxes Receivable

In the governmental funds, property taxes levied for the current year are recorded on the balance sheet as taxes receivable and unavailable revenue - property taxes at the beginning of the year. Property taxes are recognized as revenue when collected in cash at which time the accounts taxes receivable and unavailable revenues - property taxes on the balance sheet are reduced by the amount of the collection. The amount of taxes receivable at year-end that would be collected soon enough to be used to pay liabilities of the current period is not material. At year-end, all uncollected property taxes are reported on the balance sheet as taxes receivable-delinquent and deferred inflow of resources. For the government-wide financial statements, the deferred inflow of resources related to the current period, net of the allowance for uncollectible property taxes, is reclassified as revenue.

Tax Abatements

As of December 31, 2019, the County provides tax abatements through three programs - the Current Use Program, Historic Preservation Program and the Single-family Dwelling Improvement Program. All of these programs are property tax abatements. The property tax system in the state of Washington is budget-based, which means the taxing authority determines a budget or dollar amount and adjusts the rates for the taxpayers based on the assessed valuation of their property. The tax abatements did not result in a reduction or loss of revenue to the County because, pursuant to state law, these taxes were effectively reallocated to other property taxpayers.

Current Use Programs

The Current Use Programs provide property tax abatements to landowners to voluntarily preserve open space, farmland or forestland via four programs on their property pursuant to RCW 84.33.130 and RCW 84.34.010.

Public Benefit Rating System (PBRS) enrollment and associated tax savings are based on a point system. Points are awarded for each PBRS resource category a property qualifies for such as protecting buffers to streams and wetlands, ground water protection, preserving significant wildlife habitat, conserving farmland and native forestland and preserving historic landmarks.

Timber Land enrollment requires a property to have between five and 20 acres of manageable forestland, and be zoned accordingly. Land participating in this program must be devoted primarily to the growth, harvest and management of forest crops for commercial purposes and must be managed according to an approved forest stewardship plan.

Farm and Agricultural Land enrollment requires land to be used for the production of livestock or agricultural commodities for commercial purposes.

Forestland enrollment requires a property to have more than 20 acres of eligible forestland primarily devoted to the growth and harvest of timber.

An owner of land desiring current use classification must submit an application to the County Assessor. Once enrolled, a participating property is assessed at a “current use” value, which is lower than the “highest and best use” assessment value that would otherwise apply to the property.

When land no longer meets the requirements for the respective classifications, abated taxes and applicable penalties and interest are collected.

Historic Preservation Program

The Historic Preservation Program provides property tax abatements through the legislature’s encouragement to maintain, improve and preserve privately owned historic landmarks pursuant to Chapter 84.26 RCW. The property must meet four criteria to qualify for special valuation to receive a reduction in property taxes. The property must: (1) be a historic property; (2) fall within a class of historic property determined eligible for special valuation by the local legislative authority; (3) be rehabilitated at a cost which meets the definition set forth in RCW 84.26.020(2) within 24 months prior to the application for special valuation; and (4) be protected by an agreement between the owner and the local review board as described in RCW 84.26.050(2). Abatement under this program remains valid for ten (10) consecutive assessment years from the date of application.

The County Assessor shall, for 10 consecutive assessment years following the calendar year in which application is made, place a special valuation on property classified as eligible historic property. The entitlement of property to the special valuation provisions of this section shall be determined as of January 1. If property becomes disqualified for the special valuation for any reason, the property shall receive the special valuation for that part of any year during which it remained qualified or the owner was acting in good faith belief that the property was qualified. At the conclusion of special valuation, the cost shall be considered new construction.

Whenever property classified and valued as eligible historic property under RCW 84.26.070 becomes disqualified for the valuation, there shall be added to the tax an additional tax equal to (a) the cost multiplied by the levy rate in each year the property was subject to special valuation; plus (b) interest on the amounts of the additional tax at the statutory rate charged on delinquent property taxes from the dates on which the additional tax could have been paid without penalty if the property had not been valued as historic property under this chapter; plus (c) a penalty equal to 12 percent of the amount determined in (a) and (b).

Single-family Dwelling Improvement Program

The Single-family Dwelling Improvement Program provides property tax abatements to encourage home improvements to single-family dwellings under RCW 84.36.400. Any physical improvement to single-family dwellings upon real property shall be exempt from taxation for the three (3) assessment years subsequent to the completion of the improvement. Abatements are obtained through application by the property owner, including proof that the improvements have been made and equal 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, not to exceed 30 percent of the pre-improvement value of the structure.

Multifamily Housing Property Tax Exemption

Chapter 5.73 of the Seattle Municipal Code provides an exemption from ad valorem property taxation for eligible housing construction and rehabilitation improvement projects for up to twelve years, depending on the circumstance of each project. The goal being to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for housing in Seattle. Among the eligibility requirements, the housing must be located in a residentially targeted area as designated by the city council. If the recipient of the tax abatement fails to comply with the statutory requirements of this Chapter the tax exemption shall be canceled and additional taxes, interest, and penalties will be imposed pursuant to state law.

Below summarizes the tax abatement programs and the total amount of taxes abated during the calendar year ended December 31, 2019 (in thousands):

Tax Abatement Program	Total Amount of Taxes Abated
Current Use	$2,459
Single-family Dwelling Improvement	$132
Historic Preservation	$584
Multifamily Housing Property Tax Exemption	$6

State of Washington Tax Abatements

The information provided by Washington State is based upon calendar 2018 as a proxy for fiscal year 2019. The State's fiscal year end is June 30, 2019. The state of Washington provides tax abatements through seven programs subject to the requirements of GASB Statement No. 77, some of which are only available to businesses in the aerospace industry. Only tax abatement programs that are material and attributable to activities in King County are disclosed below.

High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities

To encourage public and private investment in low-income areas with high rates of unemployment, sales and use tax arising from certain construction and equipment purchases for new and expanding manufacturers, persons conditioning vegetable seeds, research and development, and commercial testing for manufacturers in a Community Empowerment Zone (CEZ) may be permanently deferred if the project meets specific criteria per chapter 82.60 RCW.

Deferred taxes need not be repaid if the business fills at least one permanent full-time position for each $750 thousand investment with a resident of the CEZ by the end of the second calendar year following the year in which the project is certified as operationally complete. Failure to meet the employment requirement causes all deferred taxes to become immediately due.

High-Technology Sales and Use Tax Deferral

Chapter 82.63 RCW provides a deferral and ultimate waiver of sales and use tax to encourage the creation of high-wage, high-skilled jobs in Washington. The deferral applies to sales and use tax arising from the construction or expansion of a qualified research and development facility or a pilot scale manufacturing facility used in the fields of advanced computing, advanced materials, biotechnology, electronic device technology, or environmental technology.

If the investment project is used for any other purpose at any time during the calendar year in which the investment is certified as operationally complete, or during the next seven calendar years, a portion of the deferred taxes must be repaid immediately.

Multi-Unit Urban Housing Exemption

Chapter 84.14 RCW provides for an exemption from ad valorem property taxation for eligible housing construction, conversions, and rehabilitation improvement projects for a duration between eight and twelve years, depending on the circumstances of each project. The goal being to stimulate the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for housing in urban centers. Among the eligibility requirements, the housing must be located in a residentially targeted area as designated by the city or county. If the recipient of the tax abatement fails to comply with the statutory requirements of this Chapter a lien will be placed on the property in the amount of the real property taxes that would normally be imposed, plus a penalty and interest.

Multipurpose Sports and Entertainment Facility Deferral

RCW 82.32.558 allows qualifying businesses to apply for a deferral of state and local sales and use taxes for multipurpose sports and entertainment facilities, associated parking structures, plazas and public spaces projects intended to attract professional ice hockey and basketball league franchises. Qualifying businesses receive a certificate for the taxes abated which expires upon project completion. Abated local sales and use taxes, and interest accrued from the date of project completion, may be repaid in annual installments beginning on January 1st of the year following the year of project completion. State sales and use taxes, along with aforementioned interest, must be paid back by

June 30, 2023. If the project is not complete within three calendar years from the date the certificate was issued, the amount of taxes outstanding for the project is immediately due and payable. The debt for taxes due is not extinguished by insolvency.

Aerospace Incentives

The state of Washington provides seven tax abatement and incentive programs to the aerospace industry to encourage the industry's continued presence in the state of Washington.

RCWs 82.04.260(11), 82.04.290(3), and 82.04.250(3) allow for a reduced business and occupation (B&O) tax for manufacturers and processors for hire of commercial airplanes, component parts of commercial airplanes, or tooling designed for use in manufacturing commercial airplanes or components; non-manufacturers engaged in the business of aerospace product development; and certificated Federal Acquisition Regulation (FAR) repair stations making retail sales.

The purchase of goods and services, including labor, for the construction of new buildings used to manufacture commercial airplanes or fuselages or wings of commercial airplanes are exempt from sales and use tax per RCWs 82.08.980 and 82.12.980. The exemption also applies to new buildings or parts of new buildings used for storing raw materials or finished products used to manufacture commercial airplanes and certain commercial airplane parts. Port districts, political subdivisions, or municipal corporations may also use the sales and use tax exemption when constructing new facilities to lease to these manufacturers.

RCW 82.04.4461 allows a business and occupation tax credit equal to 1.5 percent of expenditures on aerospace product development performed within Washington.

Per RCW 82.04.4463, manufacturers and processors for hire of commercial airplanes or their component parts and aerospace tooling manufacturers are eligible for a business and occupation tax credit equal to the property and leasehold taxes paid on certain buildings, land, and the increased value from certain building renovations or expansions, as well as a portion of property taxes paid on certain machinery and equipment. Eligibility for the credit requires the building, land, and/or machinery and equipment be used exclusively in manufacturing commercial airplanes or their components or in manufacturing tooling specifically designed for use in manufacturing commercial airplanes or their components.

Non-manufacturers engaged in the business of aerospace product development and certificated FAR repair stations making retail sales are eligible for a business and occupation tax credit equal to property and leasehold taxes on certain buildings, land, and the increased value of renovated buildings, and qualifying computer equipment and peripherals under RCW 82.04.4463. Eligibility for the credit requires the building, land, and/or computer equipment and peripherals be used exclusively in aerospace product development or in providing aerospace services.

The purchase and use of computer hardware, software, or peripherals, including installation charges is exempt from sales and use tax per RCWs 82.08.975 and 82.12.975 if the buyer uses the purchased item primarily in developing, designing, and engineering aerospace products.

Leasehold interests in port district facilities used by a manufacturer of super-efficient airplanes are exempt from leasehold excise tax per RCW 82.29A.137. In addition, all buildings, machinery, equipment, and other personal property of a lessee of a port district used exclusively in manufacturing super-efficient airplanes is exempt from property taxation per RCW 84.36.655.

The following table shows the amount of taxes, attributable to activities in King County, abated by the state of Washington during the calendar year ended December 31, 2018 (in thousands):

Tax Abatement Program	**Total Amount of Taxes Abated**
High Unemployment County Sales and Use Tax Deferral for Manufacturing Facilities	D*
High-Technology Sales and Use Tax Deferral	$1,015
Multi-Unit Urban Housing Exemption	$11,851
Multi-Purpose Sports and Entertainment Facility Deferral	D*
Aerospace incentives: Computer Hardware, Software and Peripherals sales and use tax exemption	54

*Washington State cannot disclose the amounts abated.

Note 7
Capital Assets

Primary Government

A summary of changes in capital assets for the King County Primary Government (in thousands):

	Balance 01/01/2019	Additions	Retirements / WIP Deductions	Transfers / Reclassifications	Balance 12/31/2019
Governmental Activities:					
Capital assets not being depreciated:					
*Land	$ 605,837	$ 16,692	$ (48)	$ 90	$ 622,571
*Rights-of-way and easements	474,122	6,360	(1,161)	—	479,321
Infrastructure - road and bridges	1,121,670	12,859	(6,186)	—	1,128,343
Art collections	10,495	—	—	—	10,495
Work in progress	384,290	125,973	(37,252)	(298,041)	174,970
Total capital assets not being depreciated	2,596,414	161,884	(44,647)	(297,951)	2,415,700
Capital assets being depreciated:					
Buildings	1,027,150	8,464	—	188,594	1,224,208
Leasehold improvements	19,076	—	—	19,272	38,348
*Improvements other than buildings	98,890	6,601	—	35,575	141,066
*Infrastructure – levees	36,175	—	—	43,677	79,852
*Furniture, machinery and equipment	195,875	27,326	(6,825)	1,369	217,745
Software	129,519	—	(204)	9,499	138,814
Total capital assets being depreciated	1,506,685	42,391	(7,029)	297,986	1,840,033
Less accumulated depreciation for:					
*Buildings	(505,353)	(22,599)	—	—	(527,952)
Leasehold improvements	(7,630)	(1,599)	—	—	(9,229)
*Improvements other than buildings	(29,540)	(3,892)	—	—	(33,432)
*Infrastructure – levees	(3,331)	(583)	—	—	(3,914)
*Furniture, machinery and equipment	(130,682)	(16,001)	6,673	(35)	(140,045)
Software	(82,184)	(11,536)	203	—	(93,517)
Total accumulated depreciation	(758,720)	(56,210)	6,876	(35)	(808,089)
Total capital assets being depreciated, net	747,965	(13,819)	(153)	297,951	1,031,944
Governmental activities capital assets, net	$ 3,344,379	$ 148,065	$ (44,800)	$ —	$ 3,447,644
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 433,319	$ 218	$ —	$ 3,946	$ 437,483
Rights-of-way and easements	30,570	—	—	—	30,570
Art collections	4,258	—	—	—	4,258
Work in progress	656,860	409,681	—	(448,772)	617,769
Total capital assets not being depreciated	1,125,007	409,899	—	(444,826)	1,090,080
Capital assets being depreciated:					
Buildings	3,506,929	424	(4,357)	46,407	3,549,403
Leasehold improvements	7,307	—	—	—	7,307
Improvements other than buildings	425,519	4,487	(14,175)	99,448	515,279
Rights-of-way - temporary easement	7,635	—	—	—	7,635
Infrastructure – water quality	2,418,997	—	(1,741)	54,264	2,471,520
Furniture, machinery and equipment	2,894,058	9,307	(57,323)	244,118	3,090,160
Software	149,318	—	(287)	554	149,585
Total capital assets being depreciated	9,409,763	14,218	(77,883)	444,791	9,790,889
Less accumulated depreciation for:					
Buildings	(1,718,648)	(88,970)	2,723	—	(1,804,895)
Leasehold improvements	(4,161)	(378)	—	—	(4,539)
Improvements other than buildings	(192,138)	(22,448)	14,175	(7)	(200,418)
Rights-of-way - temporary easement	(1,581)	(218)	—	—	(1,799)
Infrastructure – water quality	(669,904)	(50,788)	485	—	(720,207)
Furniture, machinery and equipment	(1,588,329)	(179,154)	45,024	42	(1,722,417)
Software	(114,263)	(8,434)	287	—	(122,410)
Total accumulated depreciation	(4,289,024)	(350,390)	62,694	35	(4,576,685)
Total capital assets being depreciated, net	5,120,739	(336,172)	(15,189)	444,826	5,214,204
Business-type activities capital assets, net	$ 6,245,746	$ 73,727	$ (15,189)	$ —	$ 6,304,284

Governmental activities include capital assets of governmental internal service funds except for the Wastewater Equipment Rental Fund, which is reported under business-type activities because it provides services exclusively to the Water Quality Enterprise.

Beginning Balance Adjustment

Beginning improvements other buildings was restated by $7.4 million due to not reversing an accrual from 2017.

Beginning accumulated depreciation for buildings was restated by $6.8 million due to reporting too much depreciation to the Ninth and Jefferson Building in 2017.

Beginning accumulated depreciation for improvements other than buildings was restated by $2.4 million along with reclassification of Parks assets of $26.4 million into improvements other than buildings from land.

Beginning accumulated depreciation was restated by $202 thousand, land was restated by $15.9 million, rights-of-way and easements was restated by $174 thousand, infrastructure - levees was restated by $9.8 million, and furniture, machinery and equipment was restated by $5 thousand due to reconciliation to the Flood Control District stand-alone statement.

Depreciation Expense

Depreciation expense charged to functions of the Primary Government (in thousands):

	2019
Governmental Activities	
General government	$ 23,674
Law, safety and justice	11,511
Physical environment	824
Transportation	499
Economic environment	50
Health and human services	1,008
Culture and recreation	5,165
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets	13,479
Total depreciation - governmental activities	$ 56,210
Business-type Activities	
Water Quality	$ 167,777
Public Transportation	155,035
Solid Waste	16,699
King County International Airport	5,944
Institutional Network	392
Radio Communications	672
Marine Fund	1,327
Capital assets held by the Wastewater Equipment Rental internal service fund are charged to business-type activities based on its usage of the assets	2,544
Total depreciation - business-type activities	$ 350,390

Infrastructure

Roads and Bridges Infrastructure Valuation

The roads and bridges infrastructure network acquired or constructed prior to 2002 is valued at estimated historical cost. Base year estimates of 2001 replacement costs for all existing roads and 1988 replacement costs for all bridges were obtained using standard costing methods with the resultant values being deflated to the acquisition year (or estimated acquisition year, where the actual year was unknown), using the Engineering News Record Construction Cost Index. Retroactive reporting of traffic control elements is based on replacement cost.

Rights-of-Way

Historical costs for infrastructure-related rights-of-way were obtained by estimating replacement costs at 2001 using land assessed valuation data and then deflating the resultant values to the acquisition year (or estimated acquisition year, where the actual year is unknown), using assessed land value indices from the King County Assessor's Office.

Construction Commitments

Project commitments are defined as authorized and planned expenditures for the next fiscal year.

Enterprise Funds

Public Transportation Enterprise - $3.3 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - $93.3 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Solid Waste Enterprise - $4.0 million is committed to improving the County's solid waste regional landfill and maintenance of existing facilities.

Other Enterprises - $793 thousand is committed for Airport facility improvements within the County and $4.5 million for the construction of Seattle Ferry Terminal and the replacement of infrastructure for Marine Enterprise.

Capital Projects Funds

$134.8 million is committed to various capital projects, including: (1) open space and conservation easement acquisitions; (2) development and improvement of trails, playgrounds and ballfields and other cultural facilities; (3) technology initiatives to improve business efficiency, emergency preparedness and network security; (4) flood control projects to protect the ecosystem and public property; (5) preservation of roads and construction of bridges; and (6) improvements and major repairs to office buildings and other facilities.

Discretely Presented Component Units

Harborview Medical Center (HMC)

Capital assets activity for HMC during the fiscal year ended June 30, 2019 (in thousands):

	Balance 7/1/2018	Additions	Retirements	Transfers	Balance 6/30/2019
Capital assets not being depreciated:					
Land	$ 2,432	$ —	$ —	$ —	$ 2,432
Work in progress	14,698	14,994	—	(6,114)	23,578
Total capital assets not being depreciated	17,130	14,994	—	(6,114)	26,010
Capital assets being depreciated:					
Buildings	405,692	—	(300)	4,680	410,072
Improvements other than buildings	17,486	—	(13)	790	18,263
Equipment	312,248	17,225	(20,589)	644	309,528
Total capital assets being depreciated	735,426	17,225	(20,902)	6,114	737,863
Less accumulated depreciation for:					
Buildings	(200,996)	(13,315)	233	—	(214,078)
Improvements other than buildings	(9,299)	(1,021)	10	—	(10,310)
Equipment	(260,824)	(13,738)	20,058	—	(254,504)
Total accumulated depreciation	(471,119)	(28,074)	20,301	—	(478,892)
HMC capital assets, net	$ 281,437	$ 4,145	$ (601)	$ —	$ 284,981

Note 8
Restricted Assets

Within the Statement of Net Position are amounts that are restricted as to their use. In some funds, these amounts appear under both current and noncurrent assets. The restricted assets for these funds are summarized below (in thousands):

Proprietary Funds	
Public Transportation - restricted for future construction projects, debt service and obligations.	$ 38,829
Water Quality - restricted for future construction projects, debt service, and reserves and obligations.	293,670
King County International Airport - restricted for construction projects and obligations.	900
Radio Communications Services - restricted for construction projects and obligations.	6
Solid Waste - restricted for construction projects, landfill closure and post-closure care costs.	17,886
Construction & Facilities Management - restricted for construction projects and obligations.	204
Financial Management Services - restricted for construction projects.	41
Total Proprietary Funds restricted assets	$ 351,536

Component Unit - Harborview Medical Center (HMC)	
HMC Special Purpose Fund - restricted donations, gifts and bequests from various sources for specific uses.	$ 11,583
Total HMC restricted assets	$ 11,583

Component Unit - Cultural Development Authority of King County (CDA)	
1% for Art Fund - restricted for the one percent for public art programs operated to benefit King County.	$ 11,771
Building for Culture Program - restricted for a regional King County cultural capital investment partnership program.	35
Cultural Special Account and Other Funds - restricted for arts and heritage cultural programs.	25,658
Total CDA restricted assets	$ 37,464

Component Unit - NJB Properties	
Non-bond Proceeds Fund - restricted for costs of the NJB Project	$ 29
Revenue Fund - restricted for transfers to the Bond Fund and authorized administrative fees	825
Bond Fund - restricted for interest and principal on the bonds	39
Total NJB Properties restricted assets	$ 893

Note 9
Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* for the year 2019:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	$ 415,828
Pension assets	73,838
Deferred outflows of resources related to pensions	135,218
Deferred inflows of resources related to pensions	267,015
Pension expense/expenditures	22,885

Substantially all of the County's full-time and qualifying part-time employees participate in one of the following retirement plans: Public Employees' Retirement System (PERS) Plan 1, 2 and 3; Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 and 2; Public Safety Employees' Retirement System (PSERS) Plan 2; and Seattle City Employees' Retirement System (SCERS).

PERS, LEOFF and PSERS are administered by the Washington State Department of Retirement Systems under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes and amends laws pertaining to the creation and administration of all statewide public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

SCERS is administered by the City of Seattle's Employees' Retirement System under cost-sharing, multiple-employer public employee defined benefit retirement plans. The seven-member Board of Administration establishes and amends laws pertaining to the administration of SCERS.

The Employees' Retirement System issues an independent financial report. A copy of the report is available from the Seattle City Employees' Retirement System at 720 Third Avenue, Suite 900, Seattle, WA 98104; by telephone at 206-386-1293; or by accessing the website http://www.seattle.gov/retirement.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS Plan 1 and Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1

Benefits Provided: PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits.

Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions: The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2019	12.83%	6.00%
July through December 2019	12.86%	6.00%

The County's actual contributions to the plan were $62.3 million for the year ended December 31, 2019.

PERS Plans 2 and 3

Benefits Provided: PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's AFC times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS Plan 2 members are vested after completing five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, PERS Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

The Judicial Branch Multiplier (JBM) program began January 1, 2007. It gave eligible justices and judges an option to increase the benefit multiplier used, along with service credit years and average final compensation, to set the retirement benefit. The JBM program increases the multiplier for Plan 2 to 3.5 percent (from 2.0 percent for non-JBM participants) and for Plan 3 to 1.6 percent (from 1.0 percent for non-JBM participants).

Contributions: PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. PERS Plan 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***	**Employee 3**
January through June 2019	12.83%	7.41%	Varies (5-15%)
July through December 2019	12.86%	7.90%	Varies (5-15%)

* For employees participating in the JBM, the contribution rate was 18.53% for January - June 2019, and 19.75% for July - December 2019.

The County's actual contributions to the plan were $93.9 million for the year ended December 31, 2019.

Public Safety Employees' Retirement System (PSERS)

PSERS Plan 2 was created by the 2004 Legislature and became effective July 1, 2006. To be eligible for membership, an employee must work on a full time basis and:

- Have completed a certified criminal-justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington, and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30 2006; and
- Employees hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

PSERS covered employers include:

- Certain State of Washington agencies (Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor and Cannabis Board, Parks and Recreation Commission, and Washington State Patrol),
- Washington State Counties,
- Washington State Cities (except for Seattle, Spokane, and Tacoma),
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

Benefits Provided: PSERS Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit. Members are eligible for retirement at the age of 65 with five years of service; or at the age of 60 with at least ten years of PSERS service credit; or at age 53 with 20 years of service. Retirement before age 60 is considered an early retirement. PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a three percent per year reduction for each year between the age at retirement and age 60 applies. PSERS Plan 2 retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of living adjustment, and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PSERS Plan 2 members are vested after completing five years of eligible service.

Contributions: PSERS Plan 2 employer and employee contribution rates are developed by the OSA to fully fund Plan 2. The Plan 2 employer rate includes components to address the PERS Plan 1 unfunded actuarial accrued liability and administrative expense currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts

Plan 2 employer and employee contribution rates. In addition to the regular change in contribution rates on July 1, 2017, PSERS contribution rates changed again on September 1, 2017 due to HB 1709, which allows PERS members meeting specific criteria to transfer service credit into PSERS as long as they and their employer pay the difference between the PERS and PSERS contribution rates.

The PSERS Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2019	12.38%	7.07%
July through December 2019	12.14%	7.20%

The County's actual contributions to the plan were $3.5 million for the year ended December 31, 2019.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF is comprised of two separate defined benefit plans.

LEOFF Plan 1
Benefits Provided: LEOFF Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined per year of service calculated as a percent of final average salary (FAS) as follows:

- 20+ years of service 2.0% of FAS
- 10 - 19 years of service 1.5% of FAS
- 5 - 9 years of service 1.0% of FAS

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last ten years of service. Members are eligible for retirement with five years of service at the age of 50. Other benefits include duty and non-duty disability payments, a cost-of-living adjustment, and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF Plan 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions: Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. The LEOFF Plan 1 had no required employer or employee contributions for fiscal year 2019. Employers paid only the administrative expense of 0.18 percent of covered payroll.

LEOFF Plan 2
Benefits Provided: LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF Plan 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Contributions: LEOFF Plan 2 employer and employee contribution rates are developed by the OSA to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

LEOFF 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2019	5.43%	8.75%
July through December 2019	5.33%	8.59%

The County's actual contributions to the plan were $5.3 million for the year ended December 31, 2019.

During the 2019 Session, legislation (C366, L19) was passed which transferred $300 million from the LEOFF Plan 2 trust fund to the LEOFF Benefit Improvement Account on July 2019.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2019, the State contributed $73.0 million to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $28.9 million.

Seattle City Employees' Retirement System (SCERS)

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with Chapter 4.36 of the Seattle Municipal Code. County employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who are former employees of Seattle Transit are also covered by the system.

Benefits Provided: SCERS provides retirement, disability and death benefits. Employees covered by this plan may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. Disability retirement is available after 10 years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive 24-months' average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service. It ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary and, at the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

Contributions: The SCERS member contribution rate is 10.03 percent of compensation except for members qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 15.23 percent of annual covered payroll. The contribution requirements of plan members and the County are established and may be amended by the Board of Administration. The SCERS Plan required contribution rates (expressed as a percentage of covered payroll) for 2019 were as follows:

SCERS		
Actual Contribution Rates:	**Employer**	**Employee**
January through December 2019	15.23%	10.03%

The County's actual contributions to the plan were $300 thousand for the year ended December 31, 2019.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2019 with a valuation date of June 30, 2018. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2018 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2019.

Plan liabilities were rolled forward from June 30, 2018, to June 30, 2019, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75% total economic inflation
- Salary increases: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4%

Mortality rates for DRS pension plans were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were changes in methods and assumptions since the last valuation.

- Modeling was updated to reflect providing benefit payments to the date of initial retirement eligibility for terminated vested members who delay application for retirement benefits.
- Updated cost of living adjustment (COLA) programming to reflect legislation signed during the 2018 legislative session (C151 L18). This law provides PERS Plan 1 annuitants who are not receiving a basic minimum, alternate minimum, or temporary disability benefit with a one-time permanent 1.5 percent increase to their monthly retirement benefit, not to exceed a maximum of $62.50 per month.

The TPL for SCERS pension plan was determined by an actuarial valuation as of December 31, 2018. The actuarial assumptions used in the valuation were based on an actuarial experience study for the period January 1, 2014 through December 31, 2017. The following actuarial assumptions were applied to all periods including the measurement period.

- Inflation: 2.75%
- Salary increases: In addition to the 3.5% salary increase assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.25% compounded annually, net of expenses

Mortality rates for the SCERS plan were based on the RP-2000 report's Employee Table, Combined Healthy Table and Combined Disabled Table. All mortality tables are generational using Projection Scale AA to reflect expected future mortality improvement.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.5 percent except LEOFF Plan 2, which has assumed 7.4 percent.) Consistent with the long-term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test.

The discount rate used to measure the total pension liability for SCERS pension plan was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and the participating governmental entity contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods on projected benefit payment to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return on the SCERS pension plan investments of 7.25 percent was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the DRS pension plan's target asset allocation as of June 30, 2019, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.2%
Tangible Assets	7%	5.1%
Real Estate	18%	5.8%
Global Equity	32%	6.3%
Private Equity	23%	9.3%
	100%	

Best estimates of geometric real rates of return for each major asset class included in the SCERS pension plan's target asset allocation as of December 31, 2018 are summarized in the chart that follows:

Asset Class	% Long-term Expected Real Rate of Return Geometric
Equity: Public	5.4%
Equity: Private	8.4%
Fixed Income: Core	1.6%
Fixed Income: Credit	4.3%
Real Assets: Real Estate	3.9%
Real Assets: Infrastructure	4.3%
Diversifying Strategies	4.0%

Sensitivity of Net Pension Liability (Asset)

The table below presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent (7.25 percent for SCERS), as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.4 percent, 6.25 percent for SCERS) or one percentage point higher (8.4 percent, 8.25 percent for SCERS) than the current rate.

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	**1% Decrease (6.4%)**	**Current Discount Rate (7.4%)**	**1% Increase (8.4%)**
PERS 1	$ 397,402	$ 317,333	$ 247,863
PERS 2/3	749,589	97,735	(437,154)
PSERS 2	11,636	(1,127)	(11,153)
LEOFF 1	(9,674)	(11,825)	(13,683)
LEOFF 2	(11,321)	(60,886)	(101,341)

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCERS	$ 1,017	$ 760	$ 535

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' and SCERS plan's fiduciary net position are available in the separately issued DRS and City of Seattle financial reports.

Pension Liabilities (Assets), Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the County reported a total pension liability of $415.8 million and total pension asset of $73.8 million for its proportionate share of the net pension liabilities (assets) as follows:

Total Pension Liability (Asset) (in thousands)	
PERS 1	$ 317,333
PERS 2/3	97,735
PSERS 2	(1,127)
LEOFF 1	(11,825)
LEOFF 2	(60,886)
SCERS	760

The amount of the asset reported above for LEOFF Plan 2 reflects a reduction for State pension support provided to the County. The amount recognized by the County as its proportionate share of the net pension asset, the related State support and the total portion of the net pension asset that was associated with the County were as follows:

Net Pension Liability/(Asset) (in thousands)	
LEOFF 2 - County's proportionate share	$ (60,886)
LEOFF 2 - State's proportionate share of the net pension liability/(asset) associated with King County	(39,872)
TOTAL	$ (100,758)

The County proportionate share of the collective net pension liabilities was as follows:

Collective Net Pension Liabilities			
	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	8.56%	8.25%	-0.31%
PERS 2/3	10.29%	10.06%	-0.23%
PSERS 2	9.69%	8.67%	-1.02%
LEOFF 1	0.60%	0.60%	0.00%
LEOFF 2	2.88%	2.63%	-0.25%

Collective Net Pension Liabilities			
	Proportionate Share 12/31/17	Proportionate Share 12/31/18	Change in Proportion
SCERS	0.05%	0.05%	0%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2019. Historical data was obtained from a 2011 study by the Office of the State Actuary. In fiscal year 2019, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2019, the State of Washington contributed 39.57 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.43 percent of employer contributions.

The collective net pension liability (asset) for all DRS pension plans was measured as of June 30, 2019, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2018, with update procedures used to roll forward the total pension liability to the measurement date.

The collective net pension liability for SCERS was measured as of December 31, 2018, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2018, with update procedures used to roll forward the total pension liability to the measurement date taking into account any significant changes between the valuation date and the fiscal year end.

Pension Expense

For the year ended December 31, 2019, the County recognized pension expense as follows:

Pension Expense (in thousands)	
PERS 1	$ 456
PERS 2/3	19,385
PSERS 2	1,851
LEOFF 1	(591)
LEOFF 2	1,462
SCERS	322
TOTAL	$ 22,885

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ —	$ —
Net difference between projected and actual investment earnings on pension plan investments	—	(21,201)
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	33,237	—
TOTAL	$ 33,237	$ (21,201)

PERS 2/3	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 28,001	$ (21,013)
Net difference between projected and actual investment earnings on pension plan investments	—	(142,262)
Changes of assumptions	2,503	(41,006)
Changes in proportion and differences between contributions and proportionate share of contributions	4,810	(16,153)
Contributions subsequent to the measurement date	51,070	—
TOTAL	$ 86,384	$ (220,434)

PSERS 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 952	$ (100)
Net difference between projected and actual investment earnings on pension plan investments	—	(1,957)
Changes of assumptions	9	(606)
Changes in proportion and differences between contributions and proportionate share of contributions	60	(420)
Contributions subsequent to the measurement date	2,001	—
TOTAL	$ 3,022	$ (3,083)

LEOFF 1	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ —	$ —
Net difference between projected and actual investment earnings on pension plan investments	—	(1,226)
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	—	—
TOTAL	$ —	$ (1,226)

LEOFF 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 4,381	$ (1,095)
Net difference between projected and actual investment earnings on pension plan investments	—	(12,482)
Changes of assumptions	100	(6,852)
Changes in proportion and differences between contributions and proportionate share of contributions	4,296	(310)
Contributions subsequent to the measurement date	2,633	—
TOTAL	$ 11,410	$ (20,739)

SCERS	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ —	$ (16)
Net difference between projected and actual investment earnings on pension plan investments	80	—
Changes of assumptions	41	—
Changes in proportion and differences between contributions and proportionate share of contributions	768	(316)
Contributions subsequent to the measurement date	276	—
TOTAL	$ 1,165	$ (332)

Deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1 (in thousands)
2020	$ (4,680)
2021	(11,086)
2022	(3,956)
2023	(1,479)
2024	—
Thereafter	—

Year ended December 31:	PERS 2/3 (in thousands)
2020	$ (45,767)
2021	(75,464)
2022	(34,831)
2023	(19,780)
2024	(8,929)
Thereafter	(349)

Year ended December 31:	PSERS 2 (in thousands)
2020	$ (348)
2021	(655)
2022	(417)
2023	(250)
2024	(69)
Thereafter	(323)

Year ended December 31:	LEOFF 1 (in thousands)
2020	$ (285)
2021	(628)
2022	(228)
2023	(85)
2024	—
Thereafter	—

Year ended December 31:	LEOFF 2 (in thousands)
2020	$ (2,926)
2021	(5,958)
2022	(2,377)
2023	(1,053)
2024	(53)
Thereafter	405

Year ended December 31:	SCERS (in thousands)
2020	$ 218
2021	124
2022	90
2023	92
2024	33
Thereafter	—

Component Unit - Harborview Medical Center (HMC)

HMC personnel are University of Washington (UW) employees. HMC faculty and professional staff participate in the University of Washington Retirement Plan (UWRP), an IRC Section 403(b) defined contribution retirement plan, authorized by the Board of Regents. HMC staff participate in a plan authorized by the State of Washington Department of Retirement Systems (DRS). Plan participation is defined by position, with the majority of HMC employees enrolled in one of the three Public Employees' Retirement Systems (PERS) plans.

All plans include contributions by both employee and employer. Employee contributions are tax-deferred. Employer contributions are paid semi-monthly by the UW in accordance with rates specified by the retirement systems.

Component Unit - Cultural Development Authority of King County (CDA)

All eligible CDA personnel participate in PERS, a statewide local government retirement system administered by the DRS under cost-sharing, multiple-employer defined benefit plans. CDA’s net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2019 were $804 thousand, $266 thousand and $430 thousand, respectively.

Note 10
Defined Benefit Other Postemployment Benefit (OPEB) Plan

The County is required to accrue other postemployment benefits (OPEB) expense related to its postretirement health care plan based on a computed total OPEB liability. Instead of recording expense on a "pay-as-you-go" basis, the County has recorded a liability of $111.3 million for the difference between the actuarially calculated liability and the estimated contributions made.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement No. 75 for the year ended December 31, 2019 (in thousands):

OPEB liabilities	$	111,272
OPEB assets		—
Deferred outflows of resources		2,624
Deferred inflows of resources		7,597
OPEB expense/expenditures		5,621

The County's total OPEB liability was measured as of December 31, 2019 using an actuarial valuation as of December 31, 2018.

Plan Description The King County Health Plan (the Health Plan) is a single-employer defined-benefit health care plan administered by the County. The Health Plan provides medical, dental, prescription drug, and vision benefits to eligible retirees, their spouses, and children. Retiree premiums for dental and vision plans are assumed to cover the full cost of those benefits. The Health Plan does not issue a separate stand-alone financial report.

LEOFF 1 retirees, representing less than 2 percent of plan participants, are not required to contribute to the Health Plan. All other retirees are required to pay into the health plan by contributing 100 percent of the rate established by the County for coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). As a self-insurer, COBRA rates are set by the County each budget year. At December 31, 2018 (the census date) the following employees were covered by the Health Plan.

Inactive employees or beneficiaries currently receiving benefits	449
Inactive employees entitled to, but not yet receiving benefits	—
Active employees	14,378
Total	14,827

For the fiscal year ended December 31, 2019, the County contributed an estimated $5.0 million to the Health Plan to pay for retiree benefits. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits. Accordingly, there are no assets in a qualifying trust.

Actuarial Methods and Assumptions The basis of benefit projections for financial reporting purposes is the substantive plan (the Health Plan as understood by the County and members of the Health Plan) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the County and Members of the Health Plan. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2018 valuation used the entry age normal level percentage of salary actuarial cost method. The actuarial assumptions included an initial annual health care cost trend rate of 6.50 percent reduced by decrements to an ultimate rate of 3.84 percent after 56 years. The Medicare premium trend rate is 6.00 percent, for all years. All trend rates include a 2.50 percent inflation assumption and 3.00 percent salary increase assumption. County employees have multiple medical plans to select from during and after employment. Plan Members are assumed to retain the same medical plan after retirement as they selected while an employee pre-retirement, including an assumption that employees choosing not to enroll in a County medical plan before retirement will not select a County medical plan after retirement. Mortality rates were based on tables from the Society of Actuaries.

These assumptions reflect the County's best estimates. The following presents the total OPEB liability of the County calculated using the current healthcare cost trend rate of 6.50 percent decreasing to 3.84 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands).

	1% Decrease	Current Trend Rate	1% Increase
	(5.5% decreasing to 2.84%)	(6.5% decreasing to 3.84%)	(7.5% decreasing to 4.84%)
Total OPEB Liability	$ 100,586	$ 111,272	$ 123,601

Discount Rate The discount rate used to measure the total OPEB liability is 3.75 percent. The County's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high-quality 20-year municipal bonds, as of the valuation date.

The following presents the total OPEB liability of the County calculated using the discount rate of 3.75 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (in thousands).

	1% Decrease	Current Discount Rate	1% Increase
	2.75%	3.75%	4.75%
Total OPEB Liability	$ 121,288	$ 111,272	$ 102,385

Changes in the Total OPEB Liability The County's actuarial analysis used a measurement date of December 31, 2018. For the current reporting period, the following schedule includes changes in the total OPEB liability since last year (in thousands).

	Total OPEB Liability
Balance at 1/1/2019	$ 111,412
Changes for the Year:	
Service cost	2,155
Interest	4,138
Changes of benefit terms	—
Difference between expected and actual experience	—
Changes of assumptions	—
Benefit payments	(4,954)
Other changes	(1,479)
Net changes	(140)
Balance at 12/31/2019	$ 111,272

The County recognized $5.6 million in OPEB expense for the year. There were no changes to the plan benefits in 2019. Changes in actuarial assumptions for the last valuation dated December 31, 2018 included changing the actuarial method from unit credit actuarial cost to entry age normal level percent per GASB 75, increasing the payroll growth rate to 3 percent from zero, updating the mortality tables to use the MP-280 improvement scale, updating the medical trend assumptions to use a single rate for medical and pharmacological services, and updating the claims and contributions for medical plans.

Deferred Inflows and Deferred Outflows At December 31, 2019 the County reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,624	$ —
Changes of assumptions	—	(7,597)
Payments subsequent to the measurement dates	—	—
Total	$ 2,624	$ (7,597)

The County did not make payments subsequent to the measurement date, which otherwise would have been reported as a deferred outflow of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (in thousands):

Year ended December 31:	Amount
2020	$ (672)
2021	(672)
2022	(672)
2023	(672)
2024	(672)
Thereafter	(1,613)

Component Unit - Harborview Medical Center (HMC)

All University employees, including medical center employees, are eligible for participation in healthcare and life insurance programs administered by the WSHCA (Washington State Health Care Authority). HMC retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits based on their age and other demographic factors.

The Office of the State Actuary determines total OPEB obligations at the State level using individual state employee data, including age, retirement eligibility, and length of service. Information to support actuarial calculation at the division, department, or component unit level is not available. The State is ultimately responsible for the obligation; therefore, the net OPEB liability is not recorded at the University or its departments, divisions, agencies or component units.

Note 11
Risk Management

The County uses three internal service funds to account for and finance property/casualty, workers' compensation and employee medical, pharmacy, dental, and vision benefits self-insurance programs. The County contracts with a plan administrator to process medical, pharmacy, vision and dental claims. County fund/claims managers, together with the Civil Division of the Prosecuting Attorney's Office, are responsible for processing all tort and workers' compensation claims.

Claims settlements and loss expenses are accrued in the three internal service funds for the estimated settlement value of both reported and unreported claims. These funds are responsible for collecting interfund premiums from insured funds and departments for paying claim settlements and for purchasing certain policies. Interfund premiums are assessed on the basis of claims experience and are reported as revenues and expenses or expenditures.

Insurance Fund

The Insurance Fund, an internal service fund, accounts for the County's property/casualty program. The fund accounts for the County's exposures to loss due to the tortious conduct of the County, including those exposures commonly covered by general liability, automobile liability, police professional, public officials, errors and omissions and professional malpractice insurance policies. With the assistance of an actuary, the Insurance Fund's claims liability is estimated based upon historical claims experience and other actuarial techniques. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2019, is $78.9 million.

Changes in the Insurance Fund's estimated claims liability in 2018 and 2019 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2018	$ 74,921	$ 14,191	$ (18,645)	$ 70,467
2019	70,467	21,234	(12,797)	78,904

In 2019, there were no settlements that resulted in payment in excess of the County's $7.5 million self-insured retention (SIR). In 2018, there was one settlement that resulted in payment in excess of the SIR by $300 thousand, and in 2017, there were no losses paid in excess of the SIR.

In April 2019, the County procured an additional $20.0 million in excess liability coverage that currently provides $112.5 million in limits above a $7.5 million per occurrence SIR for Transit and $6.5 million SIR for all other County agencies. In lieu of purchasing the certified terrorism coverage offered through the federal government offered by the County's excess liability insurance carriers, a stand-alone liability terrorism insurance policy was placed on April 1, 2019 with limits of $40.0 million.

Effective July 1, 2019, the County renewed the property insurance policies. The program maintains a blanket limit of $750.0 million above a $250 thousand per occurrence deductible. The program provides an overall earthquake sublimit of $100.0 million and a Flood sublimit of $250 million. In lieu of purchasing the certified terrorism coverage offered by our property insurance carriers, a stand-alone property terrorism insurance policy was placed with limits of $500.0 million.

As of April 1, 2019, an additional $20.0 million in cyber liability limits was purchased for total limits of $50.0 million. The County's cyber liability deductible was reduced from $1.0 million per occurrence to $750 thousand per occurrence.

Due to the reduced appetite for swimming pool liability risk in the insurance marketplace and pricing, the County saw a reduction in insurance limits for the April 1, 2019 policy term. The County's swimming pool liability limits reduced from $6.5 million per occurrence and $7.5 million on the aggregate down to $1.0 million per occurrence and $2.0 million in the aggregate for its 2019 policy.

In addition to the policies already mentioned, the County has specific insurance policies to cover some of its other exposures. These are listed in the following table:

COVERAGE	COVERAGE AMOUNT	DEDUCTIBLE
Excess General Liability	$112.5 million	$6.5 million per occurrence / $7.5 million Transit bus losses
Property & Mobile Equipment	$750 million	$250 thousand per occurrence
	$100 million EQ (Earthquake)	EQ - 5% of location value / $500 thousand minimum
	$250 million Flood	Flood - $250 thousand / $500 thousand
Terrorism - Property	$500 million	$100 thousand per occurrence
Terrorism - General Liability	$40 million	$100 thousand per occurrence
Excess Workers' Compensation	Statutory (unlimited)	$2 million per occurrence
Multi-State Workers' Compensation	Statutory	None
Aircraft Liability & Physical Damage	$50 million per occurrence / scheduled value	None
King County International Airport General Liability	$300 million	None
King County International Airport Property Damage	$197 million	$100 thousand per occurrence
Marine Liability & Property Damage	$150 million / scheduled values	Varies based on vessel and coverage type
Foreign Liability in General and Automobile	$1 million	$1 thousand
Fiduciary Liability for Employees' Benefit	$20 million	None
Parks Swimming Pools General Liability	$1 million	$5 thousand
Crime and Fidelity	$2.5 million	$50 thousand
Flood Insurance	scheduled value (property)	$1 - 2.5 thousand
Cyber Liability	$50 million	$750 thousand
Cedar Hills Regional Landfill Pollution Liability	$50 million	$250 thousand
PSERN - Inland Marine	$35 million	$2.5 thousand per occurrence; EQ - $50 thousand per location; Flood - $10 thousand per location
PSERN - Site Specific Pollution (Scheduled locations only)	$2.0 million per occurrence; $4.0 million aggregate	$25 thousand (3rd party); $50 thousand (clean-up)

Safety and Workers' Compensation Fund

The Safety and Workers' Compensation Fund, an internal service fund, accounts for the County's self-insurance for workers' compensation as certified under Title 51 Revised Code of Washington (RCW), Industrial Insurance Act. Interfund charges are derived from actuarial projections of their future claims and administrative costs. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the financial statements is not discounted due to the low rate of return on investment. As of December 31, 2019, the total claim liability is $61.3 million.

The County purchases an excess workers' compensation policy that provides statutory limits coverage, and therefore has had no risk exposure over the statutory limits during the last three years. The amount of loss retained by King County (the self-insured retention) under this policy, effective April 1, 2018, was $2.0 million.

The Fund's claims liability is estimated by an independent actuary. The claim liability represents the estimated ultimate amount to be paid for reported and incurred but not reported claims based on past experience and other actuarial techniques.

Changes in the Safety and Workers' Compensation Fund's claims liability in 2018 and 2019 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2018	$ 65,667	$ 15,855	$ (15,665)	$ 65,857
2019	65,857	14,296	(18,827)	61,326

Employee Benefits Program Fund

The Employee Benefits Program Fund, an internal service fund, accounts for employee medical, dental, vision, life, accidental death and dismemberment (AD&D) and long-term disability (LTD) benefit programs. Two medical plans, and the pharmacy, dental and vision plans are self-insured. The life, AD&D, and LTD benefit programs are fully insured. Interfund premiums are determined on a per employee, per month basis.

The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2019, is $19.5 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2018 and 2019 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2018	$ 18,085	$ 239,668	$ (236,358)	$ 21,395
2019	21,395	248,742	(250,636)	19,501

Component Unit - Harborview Medical Center (HMC)

HMC is exposed to risk of loss related to professional and general liability, property loss, and injuries to employees. HMC participates in risk pools managed by the University of Washington to mitigate risk of loss related to these exposures.

Professional and General Liability

The University's professional liability program currently includes self-insured and commercial reinsurance coverage components. HMC's annual funding to the professional liability program is determined by the University administration using information from an annual actuary study. Various participants in the program contribute to the self-insurance fund and share in the expenses of the program. HMC's contribution to the professional liability program was $4.1 million in 2019 and $4.1 million in 2018, recorded in supplies and other expense on the Statements of Revenues, Expenses and Changes in Net Position.

Employee Benefits Program

HMC personnel are employees of the University. Benefit costs are pooled centrally for all University employees. Annually the University reviews total employee benefit costs and prepares standard benefit load rates by employment classification. These benefit costs cover employee healthcare costs, workers' compensation, employment taxes and retirement plans.

Component Unit - Cultural Development Authority (CDA) of King County

Insurance Fund

Cultural Development Authority of King County (CDA) carries comprehensive general liability and auto liability coverage with a limit of $20.0 million per occurrence and no aggregate limit. Commercial property losses are covered up to the replacement cost on file with Enduris Washington. CDA also carries 1) Public Official Errors and Omissions Liability coverage with a limit of $20.0 million per occurrence and an aggregate limit of $20.0 million; 2) Terrorism Liability coverage with a limit of $500 thousand per occurrence and an aggregate limit of $1.0 million; 3) Employment Practices Liability coverage with an aggregate limit of $20.0 million per member; 4) Crime Blanket Coverage with Faithful Performance of Duty with an aggregate limit of $250 thousand per member; 5) Cyber coverage with a limit of $2.0

million per occurrence and 6) Identity Fraud expense reimbursement with a limit of $25 thousand per occurrence and an aggregate limit of $25 thousand.

Employee Benefits Program

The CDA provides its eligible employees with a comprehensive health benefits package through the Public Employees Benefits Board (PEBB), which includes medical, dental, basic life and long-term disability coverage. In addition, the PEBB offers the following optional products: long-term care, auto and home insurance. CDA also offers insurance with American Family Life Assurance Company (AFLAC) and MetLife. With the AFLAC and MetLife coverage, CDA employees can pick from a selection of insurance policies at their own expense. CDA benefits-eligible employees can enroll in FSA through Wageworks, Inc.

Note 12
Leases

Capital Leases

King County has entered into agreements to purchase buildings, machinery and equipment through capital lease and installment purchase agreements. Assets acquired and liabilities incurred through such agreements for governmental funds are accounted for under Governmental Activities. Such assets and liabilities related to proprietary funds are accounted for under Business-type Activities.

Capital assets and outstanding liabilities relating to capital lease agreement contracts as of December 31, 2019 (in thousands) is as follows:

	Capital Assets		Capital Leases Payable	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Buildings	$ 194,935	$ —	$ 8,156	$ —
Leasehold improvements	—	4,881	—	2,241
Less depreciation	(42,896)	(2,899)	—	—
Totals	$ 152,039	$ 1,982	$ 8,156	$ 2,241

Future minimum lease payments under capital lease agreements and the present value of the net minimum lease payments are shown below as of December 31, 2019 (in thousands):

	Governmental Activities	Business-type Activities
2020	$ 768	$ 255
2021	765	255
2022	767	255
2023	764	255
2024	764	255
2025-2029	3,821	1,275
2020-2034	3,821	404
2035-2036	1,533	—
Total minimum lease payments	13,003	$ 2,954
Less: Amount representing interest	(4,847)	(713)
Present value of net minimum lease payments	$ 8,156	$ 2,241

Operating Leases

The County has numerous operating lease commitments for office space, equipment, radio towers and railroad tracks. The Information and Telecommunications Services Fund leases computer hardware; these leases include maintenance agreements. Expenditures for the year ended December 31, 2019 for long-term operating expenses for office space, equipment and other operating leases amount to $14.7 million. The patterns of future lease payment requirements are systematic and rational.

Future minimum lease payments for these leases are shown in the table below (in thousands):

Year	Office Space	Other	Total
2020	$ 8,478	$ 5,484	$ 13,962
2021	8,002	4,718	12,720
2022	6,920	4,243	11,163
2023	6,255	4,126	10,381
2024	4,991	3,945	8,936
2025-2029	11,995	12,030	24,025
2030-2034	—	4,583	4,583
2035-2039	—	3,634	3,634
2040-2044	—	3,634	3,634
2045-2049	—	3,592	3,592

The County currently leases some of its property to various tenants under long-term, renewable and noncancelable contracts. Under business-type activities, the King County International Airport Enterprise leases out most of the buildings and grounds in the King County International Airport/Boeing Field complex to companies and government agencies in the aviation industry. The County's investment in property under long-term, noncancelable operating leases as of December 31, 2019 (in thousands):

	Governmental	Business-type Activities	
	Activities	Airport	Other
Land	$ 65	$ 14,212	$ 407
Buildings	317	24,691	424
Less: Depreciation	(317)	(14,892)	(146)
Total cost of property under lease	$ 65	$ 24,011	$ 685

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2019 (in thousands):

	Governmental	Business-type Activities		
Year	Activities	Airport	Other	Total
2020	$ 2,721	$ 19,193	$ 138	$ 22,052
2021	1,296	18,890	107	20,293
2022	810	18,866	58	19,734
2023	625	18,845	37	19,507
2024	578	18,650	17	19,245
2025-2029	2,677	92,556	62	95,295
2030-2034	593	36,287	24	36,904
2035-2039	18	25,380	24	25,422
2040-2044	18	25,323	8	25,349
2045-2049	18	17,650	—	17,668

Component Unit - NJB Properties

Capital Lease

NJB Properties' Project Lease Agreement with the County qualified as a capital lease under ASC 840 - Accounting for Leases. The composition of the net investment in capital lease as of December 31, 2019 is shown below, as well as the minimum lease rental payments expected to be received for the next five years and in the aggregate.

Year	Minimum Lease Payment
2020	$ 768
2021	765
2022	768
2023	764
2024	764
thereafter	9,174
	$ 13,003

Net Investment in Capital Lease

	2019
Minimum lease payments receivable	$ 13,003
Uncollected income	(4,847)
Net investment in capital lease	$ 8,156

Note 13
Landfill Closure and Post-Closure Care

King County is legally responsible for closure and post-closure care costs associated with the County's solid waste landfills. Estimated costs of closure and post-closure care are recognized as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in current dollars. Actual cost may be different due to inflation or deflation, changes in technology and changes in laws or regulations.

State and federal laws and regulations require King County to complete closure activities at its Cedar Hills Landfill site when the County stops accepting waste at this location. Certain maintenance and monitoring functions are also required at the sites for minimum of 30 years or until the closed landfill reaches functional stability under state law; the County estimates it will take 42 years following closure for the Cedar Hills Landfill to reach functional stability. Enumclaw, Hobart, Vashon and Cedar Falls landfills have been closed. Duvall, Puyallup, Houghton, Bow Lake and First Northeast are custodial landfills which were closed 30 or more years ago and are subject to less prescriptive laws and regulations.

Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period. The expense is based on landfill capacity used as of each year-end.

The $248.3 million reported as landfill closure and post-closure care liability as of December 31, 2019, represents the cumulative percentage reported based on the amount that each of the landfills has been filled to date as follows (dollars in thousands):

Landfill	Percent Filled	Estimated Liability	Estimated Remaining Liability	Estimated Year of Closure
Cedar Hills	83.44%	$ 168,192	$ 67,310	2040
Closed	100%	58,484	—	Closed
Custodial	100%	21,640	—	Closed

The County is required by state and federal laws and regulations to make annual contributions to a reserve fund to finance closure and post-closure care. The County is in compliance with these requirements. As of December 31, 2019, cash and cash equivalents of $4.5 million were held in the Landfill Post-closure Maintenance Fund. In addition, $41.7 million were held in the Landfill Reserve Fund designated for the management and development of the landfill.

The County expects that future cost increases resulting from inflation will be covered by the interest income earned on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined due to changes in technology or regulations, the County may need to increase future user fees or tax revenues.

Note 14
Pollution Remediation

Pollution remediation liabilities reported at the end of 2019 do not include potential costs of cleanup that may arise out of the legal issues described in Note 19 - “Legal Matters, Financial Guarantees and Other Commitments.” The likelihood of negative outcomes in these matters, the amount of liabilities that may arise and the resultant allocation among potentially responsible parties (PRP), cannot be reasonably estimated at this time.

The major sites where the County is conducting remediation activities are:

Elliott Bay and the Lower Duwamish Waterway - These ongoing projects include the sediment management of aquatic habitats along Elliott Bay and the cleanup of certain sites along the Lower Duwamish Waterway. The Sediment Management Project has been approved by the Metropolitan King County Council as a self-obligated pollution remediation program. The Lower Duwamish Waterway project became an obligation when King County entered into an Administrative Order on Consent (AOC) with the Washington State Department of Ecology (DOE) and the U.S. Environmental Protection Agency (EPA). This AOC also identified the Boeing Company, the City of Seattle and the Port of Seattle as parties to conduct the studies on which to base the cleanup decision. Each party has agreed in principle to pay one-fourth of the cleanup costs.

Both projects can result in additional cleanup efforts if future regulatory orders are declared. These potential cleanup liabilities, however, cannot be reasonably estimated at this time. Ongoing regulatory action may identify other PRPs for the Lower Duwamish Waterway cleanup.

There are no estimated recoveries at this time that will reduce the amount of these obligations. The total pollution remediation liability at December 31, 2019 stands at $44.5 million although the actual amount will vary due to changes resulting from price increases or reductions, changes in technology, or changes in applicable laws or regulations.

The method for estimating liabilities continues to be based on internal engineering analysis, program experience, and cost projections for the remediation activities scheduled in future years as programmed under Water Quality’s Regional Wastewater Services Plan. Certain costs were developed by consulting engineers. Costs were estimated using the expected cash flow method. For the Lower Duwamish Waterway Project a weighted-average method is used to calculate the liability. The Sediment Management Plan does not employ a weighted-average cost estimate because the remaining work is well-defined which negates the utility of multiple estimates. The cost estimates continue to be re-measured as succeeding benchmarks are reached or when cost assumptions are modified. All pollution remediation obligations under the Water Quality enterprise are being deferred as assets as permitted by regulatory accounting standards.

Lake Union Tank and Dearborn Groundwater Monitoring - The Public Transportation Enterprise reported a pollution remediation liability of $659 thousand at December 31, 2019. The pollution obligation is primarily related to monitoring soil and ground water contamination at the Lake Union Tank and Dearborn sites (under consent decrees from the DOE, dating back to the mid-1990’s) and groundwater monitoring at two bus operation bases on a voluntary basis. The liability was measured at the estimated amounts compiled by Public Transportation staff with knowledge of pollution issues at the sites, using the expected cash flow technique. Cost estimates are subject to changes when additional information becomes available regarding the level of contamination at specific sites, when existing agreements or remediation methods are modified, or when new applicable regulations emerge.

Gasworks Park - In 2005, the City of Seattle and Puget Sound Energy (PSE) entered an agreed order with the DOE for investigating and identifying cleanup options for Lake Union sediments surrounding Gasworks Park. The City and PSE named Metro Transit and Chevron Corporation as additional potentially liable parties (PLP) related to the Gasworks sediment site. Subsequently, the DOE notified Metro Transit and Chevron Corporation that they might be PLPs under the Model Toxics Control Act. The DOE has not issued a final decision regarding Metro Transit’s status as a PLP. No liability was recorded because outlays for the site cleanup were not reasonably estimable at December 31, 2019.

Maury Island Gravel Mine Site - King County acquired approximately 250 acres of property on Vashon Island in 2010. The property is within the footprint of the former ASARCO smelter plume, and contains elevated levels of lead and arsenic, a condition that was known at the time of acquisition. In February 2011, King County was named a “potentially liable party” for cleanup of the site by the DOE. An Agreed Order between DOE and King County was finalized in January 2013 requiring the County to conduct a remediation investigation, a feasibility study and a cleanup action plan. Because the remediation was a prerequisite to the purchase agreement and is a necessary activity to prepare a portion of the land for its intended use, the County intends to capitalize the cost of pollution as part of the land. The remediation will be completed in phases over a period of about five to 10 years. As of December 31, 2016, the County completed the first phase of an Interim Action Cleanup Plan with approval from the DOE, costing approximately $600 thousand. The cleanup included removing invasive vegetation and surface soil on three acres immediately south of SW 260th St, adding a compost cap, and replanting the area with native trees and shrubs. The cleanup costs incurred in 2016 were capitalized. The remaining cleanup requirements were proposed in a Draft Cleanup Action Plan that DOE issued for Public Comment in April 2018. King County responded to public comment and DOE approved the Cleanup Action Plan in early 2019. Implementation of the first phase of the cleanup-trail-capping was completed in March 2020. The next phase-capping of the former skeet range and removal of three more acres of invasive vegetation to then be covered with temporary weed fabric will occur in late 2020. Planting of those three acres and removal of an additional three acres of invasive vegetation will occur every two to three years until 16 acres of contaminated area has been restored.

Washington Air National Guard Site Investigation - The Washington Air National Guard (WANG) site is located at 6736 Ellis Avenue South in Seattle, Washington. The WANG site occupies approximately 7.5 acres, adjacent to the northwest boundary of the North Boeing Field Georgetown Steam Plant (NBF/GTSP). The WANG site was developed during World War II by the War Department, and served as an aircraft factory school between 1943 and 1948. During environmental investigations at the site, a dissolved Trichloroethene (TCE) plume was identified in shallow groundwater in the southern portion of the site. In May 2016, the Washington State Department of Ecology (DOE) recommended that King County conduct an investigation to determine if the source of recent increases in TCE concentrations in groundwater monitoring wells at the NBF/GTSP site is from the WANG site. The site investigation work will be conducted in three phases: soil and groundwater data collection, soil and groundwater sampling, and quarterly groundwater monitoring. The Airport reported a pollution remediation liability of $245 thousand at December 31, 2019.

East Perched Zone - The East Perched Zone (EPZ) is a 20-acre area of shallow groundwater located on the east side of the Cedar Hills Regional Landfill (CHRLF) in Maple Valley, Washington. Based on an incomplete draft Remedial Investigation (RI), shallow groundwater in the EPZ is impacted by vinyl chloride, arsenic, manganese, and iron. The County believes these contaminants were deposited through exposure of the water and surrounding soils to landfill gas. Regulations did not require liners between refuse and native soils when refuse was placed in this part of the landfill, which dated back to the mid-1960s. The Washington State Department of Ecology, on behalf of Public Health - Seattle and King County, requested that King County Solid Waste Division engage in a voluntary cleanup of the EPZ under the Model Toxics Control Act (MTCA). The Solid Waste Division reported a pollution remediation liability of $1.21 million at December 31, 2019 to complete the RI work and a feasibility study.

Note 15
Long-term Liabilities

Short-term Debt Instruments and Liquidity

At December 31, 2019, King County has no short-term debt outstanding.

Long-term Debt

King County has long-term debt reported for both governmental activities and business-type activities.

For governmental activities, long-term debt consists of general obligation bonds and general obligation capital leases. The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. These bonds consist of limited, unlimited general obligation bonds and capital leases. The general obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as serial bonds with principal maturing each year and maturities that range from five to 30 years.

For business-type activities, long-term debt consists of limited tax general obligation bonds are accounted for in the King County International Airport, Marine Division, Solid Waste, Public Transportation and Water Quality Enterprise Funds. Capital leases are accounted for in the Public Transportation Enterprise Fund. Sewer Revenue Bonds are accounted for in the Water Quality Enterprise Fund. State of Washington revolving loans-Direct Borrowings are accounted for in the Water Quality Enterprise Fund and Solid Waste Fund. Limited tax general obligation bonds-Direct Placements are accounted for in the Water Quality Enterprise Fund.

Sewer revenue bonds are accounted for in the Water Quality Enterprise Fund. These bonds are secured by the pledge of and lien on revenues of the sewer system subject to the payment of all operating and maintenance expenses of the sewer system. Payments from revenues of Water Quality are required to be made to the sewer revenue bond fund in the annual amounts sufficient to retire serial or term bonds on or before maturity. The amount required in the cash reserved and surety policies is based on the highest year of debt services over the life of all outstanding revenue bonds. The sewer revenue bonds are special limited obligations of the County, and neither its full faith and credit nor any taxing power is pledged to the payment of the sewer revenue bonds. These sewer revenue bonds have maturities that range from 20 to 40 years.

The following tables summarize long-term debt issuances and amounts outstanding:

SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 1 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
I. GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT					
IA. Limited Tax General Obligation Bonds (LTGO)					
2009C LTGO Refunding1993B Bonds	12/1/2009	1/1/2024	4.50%	$ 17,150	$ 3,095
2010A LTGO Refunding 2001 and 2002 Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	21,445	1,745
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2021	2.85-6.05%	17,355	3,930
2010C LTGO (RZEDBs) (Taxable) Bonds	12/1/2010	12/1/2030	4.58-6.05%	23,165	23,165
2010D LTGO (QECBs) (Taxable) Bonds	12/1/2010	12/1/2025	5.43%	2,825	2,825
2011 LTGO Refunding 2002, 2003A, and 2003B Bonds	8/1/2011	6/1/2023	2.00-5.00%	25,700	9,990
2011D LTGO (Maury Island/Open Space Acquisition) Bonds	12/21/2011	12/1/2031	2.00-3.50%	21,895	12,250
2012A LTGO (ABT Project) Bonds	3/29/2012	7/1/2022	3.00-5.00%	65,935	26,130
2012B LTGO (S. Park Bridge) Bonds	5/8/2012	9/1/2032	3.00-5.00%	28,065	20,900
2012C LTGO Refunding 2004B and 2005 Bonds	8/28/2012	1/1/2025	5.00%	54,260	30,475
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/2012	12/1/2031	2.00-5.00%	41,810	30,165
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	3,000	1,785
2012F LTGO (QECBS) (Taxable) KCCF HVAC Project (Partial)	12/19/2012	12/1/2022	2.20%	3,010	3,010
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/2013	12/1/2026	3.00-5.00%	42,820	27,835
2014A LTGO Refunding 2005 GHP Lease Bonds	2/26/2014	12/1/2032	5.00%	34,815	34,420
2014B LTGO (Tall Chief Acquisition/SWM) Bonds	6/24/2014	6/1/2034	2.00-5.00%	15,395	13,440
2015B LTGO (FED TAX-EXEMPT) Bonds	10/13/2015	12/1/2030	2.50-5.00%	27,355	17,295
2015C LTGO Refunding 2007C and 2007D Bonds	10/13/2015	1/1/2028	3.00-5.00%	25,970	24,010
2015E LTGO Refunding 2006A NJB and 2007 KSC Lease Bonds	12/17/2015	12/1/2036	4.00-5.00%	172,320	151,560
2016A LTGO Bond 4Culture Building	3/10/2016	12/1/2030	1.50-5.00%	22,450	21,450
2017B LTGO Bond Various Purpose (Partial)	8/10/2017	6/1/2037	3.00-5.00%	33,325	27,240
2018A LTGO Bond Various Purpose (Partial)	8/8/2018	6/1/2038	5.00%	5,845	5,385
2019HUD LTGO Refg06HUD Section108 Bonds	3/28/2019	8/1/2024	2.55-2.67%	1,437	1,227
2019A LTGO Refunding 2009B and 2013MM Bonds	3/15/2019	6/1/2029	5.00%	41,420	39,485
2019B LTGO Bond Various Purpose	9/12/2019	7/1/2039	5.00%	62,340	62,340
2019C LTGO Refunding 2009C Bonds	12/19/2019	1/1/2024	5.00%	13,020	13,020
Total Payable From Limited Tax GO Redemption Fund				824,127	608,172
Payable From Internal Service Funds					
2010B LTGO (BABs) (Taxable) Bonds	12/1/2010	12/1/2020	4.58-6.05%	7,125	1,050
Total Payable From Internal Service Funds				7,125	1,050
Total Limited Tax General Obligation Debt				831,252	609,222
IB. Limited Tax GO Capital Lease[(a)]					
2006 Project lease agreement - NJB Properties	11/14/2006	12/1/2036	5.00-5.51%	189,720	8,156
Total Limited Tax GO Capital leases				189,720	8,156
IC. Unlimited Tax General Obligation Bonds (UTGO)					
Payable From Unlimited Tax GO Redemption Fund					
2012 UTGO Refunding 2004 (HMC) and 2004B (HMC) Bonds	8/14/2012	12/1/2023	2.00-5.00%	94,610	49,825
Total Payable From Unlimited Tax GO Bond Redemption Fund				94,610	49,825
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,115,582	667,203

(a) Project lease agreements - NJB properties. Under the lease agreements, the County’s obligation to pay rent to NJB Properties is a limited tax general obligation.

SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
(PAGE 2 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
II. BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT					
IIA. Limited Tax General Obligation Bonds (LTGO) Payable from Enterprise Funds					
2008 LTGO (WQ) Refunding 1998B Bonds	2/12/2008	1/1/2023	3.25-5.25%	$ 236,950	$ 21,020
2010A LTGO Refunding 2001 (Airport) Bonds (Partial)	10/28/2010	6/1/2021	2.00-5.00%	5,110	1,135
2010B LTGO (BABs) (Transit) Taxable Bonds	12/1/2010	12/1/2030	2.85-6.05%	20,555	14,925
2010D LTGO (QECBs) (Transit) Taxable Bonds	12/1/2010	12/1/2020	4.33%	3,000	3,000
2012A LTGO (WQ) Refunding 2005A Bonds	4/18/2012	1/1/2025	2.00-5.00%	68,395	48,460
2012B LTGO (WQ) Refunding 2005A Bonds	8/2/2012	1/1/2029	5.00%	41,725	30,500
2012D LTGO (Transit) Refunding 2002 and 2004 Bonds	10/16/2012	6/1/2034	2.00-5.00%	71,670	33,115
2012F LTGO (WQ) (South Plant Pump) Bonds	12/19/2012	12/1/2022	2.20%	3,010	3,010
2013 LTGO (Solid Waste) Bonds	2/27/2013	12/1/2040	3.10-5.00%	77,100	64,250
2014C LTGO & Refunding 2007E (Solid Waste) Bonds	7/30/2014	12/1/2034	2.00-5.00%	25,515	22,305
2015A LTGO (WQ) Refunding 2009B2 Bonds	2/18/2015	7/1/2038	2.00-5.00%	247,825	247,395
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/2015	12/1/2025	5.00%	60	40
2015D LTGO & Refunding 2007E (Solid Waste) Bonds	11/5/2015	12/1/2040	3.00-5.00%	50,595	43,415
2017A LTGO (WQ) Refunding 2008 Bonds	10/25/2017	7/1/2033	4.00-5.00%	154,560	139,840
2017A LTGO (Solid Waste) Bonds	6/8/2017	6/1/2040	3.25-5.00%	31,230	29,690
2017B LTGO (Solid Waste) Bond Various Purpose	8/10/2017	6/1/2027	4.00-5.00%	135	125
2018A LTGO (Marine Construction) partial	8/8/2018	6/1/2038	4.00-5.00%	6,330	6,135
2019 LTGO (WQ) Capital Improvement Projects Bonds	10/24/2019	1/1/2038	5.00%	101,035	101,035
2019A Multi-Modal LTGO Refunding 2015AB Bonds	6/27/2019	1/1/2046	Variable [b]	100,000	100,000
2019B Multi-Modal LTGO Refunding 2017 Bonds	6/27/2019	1/1/2046	Variable [b]	48,095	48,095
Total Limited Tax GO Bonds Payable From Enterprise Funds				1,292,895	957,490
IIB. GO Bonds Payable - Direct Placements Payable from Enterprise Funds					
2017A Multi-Modal LTGO (WQ) Refunding 2010A Bonds	10/26/2017	1/1/2040	Variable [c]	50,000	50,000
2017B Multi-Modal LTGO (WQ) Refunding 2010B Bonds	10/26/2017	1/1/2040	Variable [c]	50,000	50,000
Total GO Bonds Payable -Direct Placements Payable From Enterprise Funds				100,000	100,000
Total LTGO Bonds and GO Bonds-Direct Placements Payable from Enterprise Funds				1,392,895	1,057,490
IIC. Revenue Bonds Payable from Enterprise Funds					
2001A WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable[d]	$ 50,000	$ 50,000
2001B WQ Revenue Junior Lien Variable Rate Demand Bonds	8/6/2001	1/1/2032	Variable[d]	50,000	50,000
2010 WQ Revenue & Refunding 2001 Bonds	7/19/2010	1/1/2036	2.00-5.00%	334,365	37,610
2011 WQ Revenue (Capital Improvement Projects) Bonds	1/25/2011	1/1/2021	5.00-5.125%	175,000	8,190
2011B WQ Revenue Refunding 2001, 2002A, 2002B, and 04A Bonds	10/5/2011	1/1/2026	1.00-5.00%	494,270	45,890
2011C WQ Revenue Refunding 2001, 2002A, and 2004A Bonds	11/1/2011	1/1/2022	3.00-5.00%	32,445	7,885
2011 WQ Revenue Junior Lien Variable Rate Demand Bonds	10/26/2011	1/1/2042	Variable[e]	100,000	100,000
2012 WQ Revenue and Refunding 2004A Bonds	4/18/2012	1/1/2052	5.00%	104,445	89,785
2012B WQ Revenue and Refunding 2004A Bonds	8/2/2012	1/1/2035	4.00-5.00%	64,260	64,260
2012C WQ Revenue and Refunding 2004A and 2006 Bonds	9/19/2012	1/1/2033	2.50-5.00%	65,415	37,520
2012 WQ Revenue Junior Lien Variable Rate Demand Bonds	12/27/2012	1/1/2043	Variable[f]	100,000	100,000
2013A WQ Revenue Refunding 2003, 2006, and 2005 WQ-LTGO Bonds	4/9/2013	1/1/2035	2.00-5.00%	122,895	103,515
2013B WQ Revenue and Refunding 2004B Bonds	10/29/2013	1/1/2044	2.00-5.00%	74,930	56,865
2014A WQ Revenue Refunding 2007 Bonds	7/8/2014	1/1/2047	5.00%	75,000	75,000
2014B WQ Revenue Refunding 2004B, 2006, 2006B, 2007 and 2008 Bonds	8/12/2014	7/1/2035	1.00-5.00%	192,460	181,490
2015A WQ Revenue Refunding 2007, 2008, and 2009 Bonds	2/18/2015	7/1/2047	3.00-5.00%	474,025	470,475
2015B WQ Revenue & Refunding 2006 Bonds	11/17/2015	1/1/2046	4.00-5.00%	93,345	75,985
2016A WQ Revenue & Refunding 2007, 2008, 2009, 2010 Bonds	2/17/2016	7/1/2041	4.00-5.00%	281,535	273,975
2016B WQ Revenue & Refunding 2006-2, 2010, 2011A, 2011B, 2011C Bonds	10/12/2016	7/1/2049	4.00-5.00%	499,655	492,005
2017A WQ Revenue Refunding 2009 LTGO, 2010, 2011A, 2011B, 2011C Bonds	12/19/2017	7/1/2049	5.00%	149,485	127,840
2018B WQ Revenue Refunding 2010, 2011B, 2012 Bonds	11/15/2018	7/1/2032	5.00%	124,455	124,455
Total Revenue Bonds Payable from Enterprise Funds				$ 3,657,985	$ 2,572,745

SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 3 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
IID. State Revolving Loans-Direct Borrowings Payable from Enterprise Funds					
2000-2019 WQ State of Washington Revolving Loans	Various	Various	0.50-3.10%	255,705	226,221
2019 Solid Waste State of Washington Revolving Loans	6/26/2019	6/1/2038	1.66%	1,322	1,322
Total State Revolving Loans-Direct Borrowings Payable from Enterprise Funds				257,027	227,543
IIE. Capital Leases Payable from Enterprise Funds					
2000 Public Transportation Park and Ride Capital Leases	3/30/2000	12/31/2031	5.00%	4,722	2,241
Total Capital Leases Payable From Enterprise Funds				4,722	2,241
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				5,312,629	3,860,019
TOTAL LONG-TERM DEBT				$ 6,428,211	$ 4,527,222

(b) The Multi-Modal 2019A Bonds initially will bear interest at Daily Interest Rate for Daily Interest Rate Periods and the Multi-Modal 2019B Bonds initially will bear interest at Weekly Interest Rates for Weekly Interest Rate Periods, subject to conversion to other Modes.

(c) The 2017AB Multi-Modal bonds initially issued in the Weekly Mode bear interest at Weekly Rates. The bonds in the Weekly Mode may be converted to Daily Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode.

(d) The 2001AB junior lien variable rate demand bonds initially issued in the Weekly Mode will bear interest at Weekly Rates. The Weekly Rate for each Interest Period is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

(e) On December 3, 2018 the junior lien variable rate demand bonds sewer revenue bonds, series 2011 was remarketed. The 2011 initially issued in the LIBOR Index Mode was converted to a Term Rate Mode and extending to November 30, 2020 (2011 Term Rate Period), subject to prior optional redemption on or after the 2011 Bonds Par Call Date and will bear interest at the 2011 Term Rate.

(f) On December 3, 2018 the junior lien variable rate demand bonds sewer revenue bonds, series 2012 was remarketed. The 2012 initially issued in the Index Rate Mode was converted to a Term Rate Mode and extending to November 30, 2021 (the 2012 Term Rate Period), subject to prior optional redemption on or after the 2012 Bonds Par Call Date and will bear interest at the 2012 Term Rate.

The following tables display the scheduled debt service payments for the next five years and in five-year increments thereafter:

DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

	GOVERNMENTAL ACTIVITIES					
	General Obligation Bonds		General Obligation Capital Leases		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 69,722	$ 29,135	$ 364	$ 403	$ 70,086	$ 29,538
2021	71,656	26,758	380	386	72,036	27,144
2022	77,485	23,325	400	368	77,885	23,693
2023	66,910	19,326	415	349	67,325	19,675
2024	52,509	16,373	435	329	52,944	16,702
2025-2029	197,020	50,956	2,408	1,413	199,428	52,369
2030-2034	95,515	16,006	2,586	1,234	98,101	17,240
2035-2039	28,230	2,321	1,168	365	29,398	2,686
TOTAL	$ 659,047	$ 184,200	$ 8,156	$ 4,847	$ 667,203	$ 189,047

	BUSINESS-TYPE ACTIVITIES					
	General Obligation Bonds		General Obligation Bonds-Direct Placements		Revenue Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 36,245	$ 38,014	$ —	$ 5,400	$ 62,675	$ 114,409
2021	26,685	43,559	—	5,400	60,910	111,492
2022	40,580	42,063	—	5,400	69,690	108,668
2023	48,650	40,122	—	5,400	68,750	105,555
2024	39,755	37,953	—	5,400	67,275	102,306
2025-2029	220,535	158,525	—	27,000	356,385	460,703
2030-2034	248,255	101,295	—	27,000	548,705	359,202
2035-2039	140,310	57,170	100,000	27,000	488,320	236,847
2040-2044	8,380	40,251	—	—	563,465	125,171
2045-2049	148,095	15,994	—	—	258,360	36,036
2050-2054	—	—	—	—	28,210	2,162
TOTAL	$ 957,490	$ 574,946	$ 100,000	$ 108,000	$ 2,572,745	$ 1,762,551

	BUSINESS-TYPE ACTIVITIES						DEBT SERVICE REQUIREMENTS TO MATURITY	
	Capital Leases		State Revolving Loans-Direct Borrowings		Total		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 147	$ 108	$ 17,417	$ 5,004	$ 116,484	$ 162,935	$ 186,570	$ 192,473
2021	154	101	17,317	4,674	105,066	165,226	177,102	192,370
2022	162	93	16,618	4,338	127,050	160,562	204,935	184,255
2023	171	85	15,950	4,007	133,521	155,169	200,846	174,844
2024	179	76	16,405	3,668	123,614	149,403	176,558	166,105
2025-2029	1,041	234	63,694	13,573	641,655	660,035	841,083	712,404
2030-2034	387	16	54,367	6,420	851,714	493,933	949,815	511,173
2035-2039	—	—	19,093	1,489	747,723	322,506	777,121	325,192
2040-2044	—	—	2,122	729	573,967	166,151	573,967	166,151
2045-2049	—	—	2,416	432	408,871	52,462	408,871	52,462
2050-2054	—	—	2,144	104	30,354	2,266	30,354	2,266
TOTAL	$ 2,241	$ 713	$ 227,543	$ 44,438	$ 3,860,019	$ 2,490,648	$ 4,527,222	$ 2,679,695

Long-term liability activity is reported by King County within governmental activities and business-type activities. The summary of changes in long-term liabilities for the year ended December 31, 2019 is as follows (in thousands):

	Balance 01/01/2019	Additions	Reductions	Balance 12/31/2019	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
General obligation (GO) bonds	$ 646,312	$ 118,217	$ (105,482)	$ 659,047	$ 69,722
GO bonds payable-Direct Borrowings	30,760	—	(30,760)	—	—
Unamortized bonds premium and discount	52,763	21,373	(12,148)	61,988	—
Total bonds payable	729,835	139,590	(148,390)	721,035	69,722
Other liabilities:					
General obligation capital leases	8,291	—	(135)	8,156	364
Compensated absences liability [(a)]	109,504	122,992	(119,539)	112,957	6,072
Net pension liability	308,153	270,294	(347,342)	231,105	—
Other postemployment benefits	96,758	5,017	(5,564)	96,211	—
Asset retirement obligation [(b)]	150	—	—	150	—
Estimated claims settlements and other liabilities	157,719	284,272	(282,260)	159,731	58,462
Total other liabilities	680,575	682,575	(754,840)	608,310	64,898
Total Governmental activities long-term liabilities	$ 1,410,410	$ 822,165	$ (903,230)	$ 1,329,345	$ 134,620
Business-type activities:					
Bonds payable:					
General Obligation (GO) bonds	$ 814,695	$ 249,130	$ (106,335)	$ 957,490	$ 36,245
GO bonds payable-Direct Placements	100,000	—	—	100,000	—
Revenue bonds	2,807,510	—	(234,765)	2,572,745	62,675
Unamortized bonds premium and discount	353,187	18,993	(33,555)	338,625	—
Total bonds payable	4,075,392	268,123	(374,655)	3,968,860	98,920
Other liabilities:					
Capital leases	2,381	—	(140)	2,241	147
State revolving loans-Direct Borrowings	229,474	15,319	(17,250)	227,543	17,418
Compensated absences liability	70,559	88,988	(89,326)	70,221	11,497
Net pension liability	250,378	215,945	(281,600)	184,723	—
Other postemployment benefits	14,654	1,398	(991)	15,061	—
Landfill closure and post-closure care liability	146,142	107,200	(5,026)	248,316	30,441
Pollution remediation	48,646	2,456	(4,480)	46,622	4,561
Asset retirement obligation [(b)]	5,680	—	—	5,680	—
Customer deposits and other liability	3,593	76,494	(1,885)	78,202	468
Total other liabilities	771,507	507,800	(400,698)	878,609	64,532
Total Business-type activities long-term liabilities	$ 4,846,899	$ 775,923	$ (775,353)	$ 4,847,469	$ 163,452

Governmental activities estimated claims settlements of $159.7 million are liquidated by internal service funds. Governmental activities compensated absences, net pension liability and other postemployment benefits are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably, General Fund, Public Health Fund and County Road Fund.

(a) In 2019, the beginning balance of compensated absences liability was restated from $106.6 million to $109.5 million to include governmental fund comp time liabilities.

(b) The beginning balance of asset retirement obligation was restated resulting from the County's implementation of GASB 83 in 2019.

General Obligation Bonds-Direct Placements

The County's outstanding notes from direct placements related to business-type activities in the combined amount of $100.0 million related to 2017A/B State Street Bank Multi-Modal LTGO Water Quality Refunding Bonds are secured by a subordinate lien on the net revenue of the Water Quality system as well as the full faith and credit of the County. This outstanding 2017A/B Multi-Modal LTGO from direct placements related to business-type activities of $100.0 million contain 1) provision that in the event of default under the continuing covenants agreements for the bonds that provide additional security includes non-payment of amounts due and ratings downgrades below certain thresholds and 2) a provision that if the County is unable to make payment, outstanding amounts are due immediately. The subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

State of Washington Revolving Loans-Direct Borrowings

Water Quality - Water Quality has received loans from the Washington State Department of Ecology under the Water Pollution Control State Revolving Fund Loan Program and the Washington Public Works Trust Fund administered by the Washington State Department of Commerce. State loans are secured by a subordinate lien on the net revenues of the system. Events of default under the loan agreements with the Department of Ecology include nonpayment of amounts due, failure to commence the project for which the loan was granted and unjustified failure to perform loan agreement obligations. Remedies include suspending any undisbursed loan proceeds and acceleration of the outstanding balance, provided that the loan is not subject to acceleration if any sewer revenue bonds are outstanding. Any state funds owed to the County may also be withheld. Events of default under the loan agreements with the Public Works Trust Fund include nonpayment of amounts due and failure to use loan proceeds for permitted activities. Remedies include withholding of any undisbursed loan proceeds, assessment of additional interest and notification to creditors.

Solid Waste - Solid Waste has received loans from the Washington State Department of Commerce under the Washington Public Works Board. State loans are secured by a subordinate lien on the net revenues of the system. Events of default under the loan agreements with the Department of Commerce include nonpayment of amounts due, failure to commence the project for which the loan was granted and unjustified failure to perform loan agreement obligations. Remedies include suspending any undisbursed loan proceeds and acceleration of the outstanding balance. Any state funds owed to the County may also be withheld.

Terms specified in debt agreement related to Events of Default with finance-related consequences and subjective acceleration clauses:

The County's outstanding bonds related to 2001A/B Water Quality Junior Lien Variable Rate Demand bonds related to business-type activities in the combined amount of $100 million are secured by a subordinate lien on the net revenue of the Water Quality system. This outstanding 2001A/B junior lien variable rate demand bonds contain 1) provision that in the event of default under the letter of credit agreements that provide additional security for the bonds includes non-payment of amounts due and rating downgrades below certain thresholds and 2) a provision that if the County is unable to make payment, outstanding amounts are due immediately.

The County's outstanding 2019A/B Multi-Modal LTGO Water Quality Refunding bonds related to business-type activities in the combined amount of $148.1 million are secured by a subordinate lien on the net revenue of the Water Quality system as well as the full faith and credit of the County. This outstanding 2019A/B Multi-Modal LTGO WQ Refunding bonds contain 1) provision that in the event of default under the standby bond purchase agreements that provide the liquidity support for the bonds includes non-payment of amounts due and ratings downgrades below certain thresholds and 2) a provision that if the County is unable to make payment, outstanding amounts are due immediately.

Authorized But Unissued

At yearend, the County had a total of $95 million in general obligation bonds authorized but unissued for the Solid Waste capital program. In addition, the County had authorized $140 million sewer revenue bonds that remained unissued.

Unused Lines of Credit

The County has no unused lines of credit at year-end.

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2.5 percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1.5 percent of assessed value of property within the County for general county purposes and 0.75 percent for metropolitan functions (Wastewater Treatment and Public Transportation), but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1.5 percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2.5 percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the $1.80 per $1,000 of assessed value operating levy.

The legal debt margin computation for the year ended December 31, 2019 (in thousands):

2019 ASSESSED VALUE (2020 TAX YEAR)	$ 642,490,492	
Debt limit of limited tax general obligations for metropolitan functions		
0.75 % of assessed value		$ 4,818,679
Less: Net limited tax general obligation indebtedness for metropolitan functions		(1,003,673)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 3,815,006
Debt limit of limited tax general obligations for general county purposes and metropolitan functions		
1.5 % of assessed value		$ 9,637,357
Less: Net limited tax general obligation indebtedness for general county purposes	$ (614,104)	
Net limited tax general obligation indebtedness for metropolitan functions	(1,003,673)	
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions		(1,617,777)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS		$ 8,019,580
Debt limit of total general obligations for metropolitan functions		
2.5% of assessed value		$ 16,062,262
Less: Net total general obligation indebtedness for metropolitan functions		(1,003,673)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 15,058,589
Debt limit of total general obligations for general county purposes		
2.5 % of assessed value		$ 16,062,262
Less: Net unlimited tax general obligation indebtedness for general county purposes	$ (47,345)	
Net limited tax general obligation indebtedness for general county purposes	(614,104)	
Total net general obligation indebtedness for general county purposes		(661,449)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES		$ 15,400,813

Refunding and Defeasing General Obligation Bond Issues - 2019

Limited Tax General Obligation Refunding Bonds, 2019 Series A - On March 15, 2019, the County issued $41.4 million in limited tax general obligation refunding bonds, 2019A with an effective interest cost of 1.95 percent to current refund $17.0 million of outstanding limited tax general obligation bonds 2009 Series B and $30.8 million of outstanding limited tax GO bonds 2013 Multi-Modal. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $331 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2029, using the outstanding principal balance method. This current refunding was undertaken to reduce total debt service payments by $4.2 million over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $3.8 million.

Limited Tax General Obligation Refunding Bonds, 2019 Series C - On December 19, 2019, the County issued $13.0 million in limited tax general obligation refunding bonds, 2019C with an effective interest cost of 1.1 percent to advance refund $13.9 million of outstanding limited tax general obligation bonds 2009 Series C.

The net proceeds were used to purchase U.S. government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $294 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2023, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by $913 thousand over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $895 million.

Housing and Urban Development (HUD) Section 108 Loan, 2019A - On March 28, 2019, the County refinanced $1.4 million in outstanding 2006 Section 108 loan from the Department of Housing and Urban Development (HUD) for the Greenbridge affordable housing project in White Center. The refinancing of the loan was to take advantage of a lower interest rate and reduce total interest payments by $130 thousand over its remaining five year term. As a result, the 2006 Section 108 loan are considered defeased and the liability for those loans has been removed from the governmental activities column of the statement of net position.

Refunding and Cash Defeasance Sewer Revenue Bond Issues - 2019

Multi-Modal Limited Tax General Obligation (GO) Refunding Bonds (Payable from Sewer Revenues) Bonds, 2019A and Series 2019B. - On June 27, 2019, the County issued $148.1 million in multi-modal limited tax GO refunding bonds (Payable from Sewer Revenues) series, 2019A ($100 million) and Series 2019B ($48.1) with variable interest rates to refund the County's outstanding Junior Lien Sewer Revenue Bonds Series, 2015 Series A and 2015 Series B and Junior Lien Sewer Revenue Bonds, Series 2017, with variable interest rates. As a result, the series 2015AB and Series 2017 bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position. Both series of 2019 bonds are variable rate obligations, with daily interest rate resets for 2019A and weekly resets for 2019B. This refunding was undertaken to reduce total debt service payments by $4.5 million over the 5-year life of the standby bond purchase agreement (SBPA).

2019 Cash Defeasance of LTGO Refunding Bonds (Payable from Sewer Revenues) 2012B, Sewer Revenue and Refunding Bonds, 2012C, and LTGO Refunding Bonds (Payable from Sewer Revenues), 2012C - On October 07, 2019, the County purchased Treasury securities at a cost of $24.9 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates $22.5 million of outstanding Sewer Revenue and Refunding Bonds, Series 2012C. Funding for the escrow came from operations and excess in bond reserves. Water Quality undertook the defeasance in order to reduce future debt service payments by $34.7 million through 2032. As a result, the series 2012C bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position.

On October 7, 2019, the County purchased Treasury securities at a cost of $71.4 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates $64.6 million of outstanding Limited Tax General Obligations Refunding Bonds, Series 2012B and Series 2012C. Funding for the escrow came from operations and excess in bond reserves. Water Quality undertook the defeasance in order to reduce future debt service payments by $103.4 million through 2034. Under the terms of the authorizing ordinances, these bonds have been defeased and are no longer secured by a pledge of the revenue of the sewer system. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the business-type activities column of the statement of net position.

Prior Year Refunded and Defeasance of Debt

As of December 31, 2019, King County has eleven refunded and defeased bond issues outstanding, consisting of five limited tax general obligation bonds ($85 million) and six sewer revenue bonds ($746 million). In prior years, the County defeased these bonds by placing the proceeds of the new bonds in an irrevocable trust accounts to provide for all future debt service payments on the old bonds. Accordingly, the payments of principal and interest on these old bond issues are the responsibility of the escrow agent, U.S. Bank National Association, and the liability for the defeased bonds has been removed from the County's financial statement.

Asset Retirement Obligations

In 2019, the County reported asset retirement obligations (ARO) in accordance with GASB Statement No. 83, *Certain Asset Retirement Obligations*. The liability is measured at its current value and based on professional judgment, experience, and historical cost data. The ARO at December 31, 2019 stands at $3.5 million for the Public Transportation Enterprise, $1.5 million for the Water Quality Enterprise, $500 thousand for the Solid Waste Enterprise, $200 thousand for the Radio Communication Services Fund, and $150 thousand for the County Road Operating Fund.

The County's ARO relates to the disposition of underground storage tanks (USTs) due to applicable regulations and requirements. The estimated remaining useful life of the USTs range from three to twenty-two years.

The liability could change over time as new information becomes available as a result of changes in technology, legal or regulatory requirements, and types of equipment, facilities or services that will be used to meet the obligation to dispose of the USTs.

Component Unit - NJB Properties

The following tables summarize the scheduled maturity dates of bond principal over the next five years and in the aggregate of the discretely presented component unit NJB Properties as reported in its separately issued financial statements:

(In Thousands)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding at 12/31/19
Lease Revenue Bonds, 2006 Series A	12/5/2006	12/1/2036	5.00-6.00%	$ 179,285	$ 5
Lease Revenue Bonds, 2006 Series B	12/5/2006	12/1/2036	5.00-6.00%	10,435	8,300
Total Bonds Payable				$ 189,720	$ 8,305

Year	Principal
2020	310
2021	325
2022	345
2023	360
2024	380
Thereafter	6,585
Total	8,305

Note 16
Interfund Balances and Transfers

Interfund Balances

Due from/to other funds and interfund short-term loans receivable and payable (in thousands):

Fund types with account balances of less than $500 thousand are aggregated into "All Others."

Receivable Fund	Payable Fund	Amount
General Fund	All Others	$ 278
Behavioral Health Fund	Nonmajor Governmental Funds	1,062
	All Others	16
Nonmajor Governmental Funds	General Fund	8,657
	Behavioral Health Fund	904
	Nonmajor Governmental Funds	25,735
	All Others	63
Public Transportation Enterprise	General Fund	1,587
	Nonmajor Governmental Funds	5,141
Water Quality Enterprise	General Fund	1,092
	Nonmajor Governmental Funds	1,914
Solid Waste Enterprise	Nonmajor Governmental Funds	2,659
	All Others	251
Nonmajor Enterprise Funds	All Others	344
Internal Service Funds	Nonmajor Governmental Funds	20,272
	All Others	647
Total interfund balances		$ 70,622

The interfund balances resulted from the time lag between the dates: (1) when interfund goods and services were provided or reimbursable expenditures incurred, and when interfund payments were made; and (2) when interfund short-term loans were made and when the loans were repaid.

Advances from/to other funds (in thousands)

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 3,000
Nonmajor Governmental Funds	General Fund	11,500
	Nonmajor Governmental Funds	4,000
Internal Service Funds	Nonmajor Governmental Funds	31,529
Total advances from/to other funds		$ 50,029

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2020.

Interfund Transfers (in thousands)

Fund types with account balances of less than $500 thousand are aggregated into “All Others.”

Transfers Out	Transfers In	Amount
General Fund	Behavioral Health Fund	$ 3,061
	Nonmajor Governmental Funds	83,782
	All Others	434
Behavioral Health Fund	General Fund	6,935
	Nonmajor Governmental Funds	5,622
	All Others	22
Nonmajor Governmental Funds	General Fund	11,546
	Behavioral Health Fund	5,208
	Nonmajor Governmental Funds	285,711
	Internal Service Funds	2,096
Public Transportation Enterprise	Nonmajor Governmental Funds	3,959
Water Quality Enterprise	Nonmajor Governmental Funds	960
Solid Waste Enterprise	Nonmajor Governmental Funds	990
	All Others	11
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	524
Internal Service Funds	Nonmajor Governmental Funds	20,696
Total interfund transfers		$ 431,557

Transfers are used to move resources from a fund collecting them to the fund using them, as required by statute or budget, and to account for ongoing operating subsidies between funds in accordance with budget authorizations.

Note 17
Related Party Transactions

Harborview Medical Center (HMC), a discretely presented component unit of King County, makes monthly occupancy fee and rental payments to the County for use of the Patricia Steel Memorial Building and the Ninth & Jefferson Building (NJB). The County became the legal owner of the Patricia Steel Memorial Building in December 2012 when it refinanced the original developer issued bonds. HMC will continue to use the building. Rent is also paid by HMC to the County for use of NJB, owned by a nonprofit corporation that is a discrete component unit of the County. The County is contractually obligated for the debt service on the lease revenue bonds issued by the nonprofit which funded construction of NJB. In both situations, HMC has agreed to include the annual rental payments in its operating budget for as long as it uses the buildings. In 2019, the primary government received $14.0 million in building lease and occupancy revenues from HMC. In addition, HMC made $5.0 million in payments to King County Department of Health for mission-related purposes.

The Cultural Development Authority (CDA), a discretely presented component unit of King County, annually receives funding from various County funds under the One Percent for Art program. Revenues are used to support activities related to the development and maintenance of County public art. In 2019, the King County primary government transferred $6.6 million to the CDA. The CDA spent net $985 thousand on art projects, for which the County recorded a corresponding decrease in receivables from the CDA and an increase in artwork. In addition, King County made a $3.0 million loan for the Building 4Equity program and $276 thousand in payments to the CDA for mission related purposes.

The Public Transportation Enterprise (Transit) entered into a ground lease agreement as lessor with King County Housing Authority (KCHA) for the development of affordable housing units and a parking garage in the City of Redmond. The land under the lease has a cost of $1.3 million. KCHA is a related organization of King County. The lease provides for a minimum set-aside of 150 parking stalls for park-and-ride commuters. The lease calls for an annual lease payment with a 3.0 percent increase each year, commencing with the year ended December 31, 2003. The lease payment is due within 90 days following the end of each calendar year. A portion of the annual lease payment is restricted for use on future Federal Transit Administration projects. The term of the lease is 50 years with one option to extend for 25 years. Transit reported lease revenue of $47 thousand in 2019.

Note 18

Components of Fund Balance, Restatements and Restrictions

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is classified into three components:

Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of bonds, notes and other debt attributed to the acquisition, construction, or improvement of those assets.

Restricted net position - Results when constraints are placed on net position use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position - Consists of net position that does not meet the definition of the two preceding categories.

Components of Fund Balance

King County's governmental fund balances are classified according to the relative constraints that control how amounts can be spent. Classifications include:

- *Nonspendable*. Balances that either are not in a spendable form or are legally or contractually required to remain intact.
- *Restricted*. Balances restricted for specific purposes by the constitution, enabling legislation or external resource providers such as creditors, grantors, or laws or regulations of other governments.
- *Committed*. Balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Metropolitan King County Council. A Council ordinance or motion is required to establish, modify or rescind a commitment of fund balance.
- *Assigned*. Balances that are constrained by management to be used for specific purposes, but are neither restricted nor committed. Assignments are authorized by chief officers of executive departments and administrative offices.
- *Unassigned*. Residual balances that are not contained in the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Rainy Day Reserve Ordinance 15961 created the Rainy Day Reserve for the purpose of accumulating revenues to be available for emergencies. The fund is fully invested for its own benefit. The ordinance states that the Rainy Day Reserve shall be used in the event of an emergency, as declared by a vote of the County Council, for the following purposes:

- Maintenance of essential county services in the event that current expense fund revenue collections in a given fiscal year are less than 97 percent of adopted estimates;
- Payment of current expense fund legal settlements or judgments in excess of the County's ability to pay from other sources;
- Catastrophic losses in excess of the County's other insurances against such losses; and
- Other emergencies as determined by the County Council.

The Rainy Day Reserve is reported as part of the General Fund. As of December 31, 2019, it had a committed fund balance of $26.1 million.

A summary of governmental fund balances at December 31, 2019, is as follows (in thousands):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Arts and Cultural Development	$ —	$ —	$ 14,650	$ 14,650
Emergency Medical Services	—	—	149	149
Long-Term Leases	—	—	1,529	1,529
Major Maintenance	—	—	11,500	11,500
Parks Capital Projects	—	—	6,708	6,708
Public Health	6	—	970	976
Total Nonspendable Fund Balance	6	—	35,506	35,512
Restricted for:				
Animal Services	—	—	2,291	2,291
Arts and Cultural Development	—	—	143	143
Automated Fingerprint Identification System	—	—	25,393	25,393
Behavioral Health	—	297	—	297
Best Starts For Kids Levy	—	—	70,479	70,479
Building Repair and Replacement	—	—	11,242	11,242
Community Services Operating	—	—	128	128
Conservation Futures	—	—	22,679	22,679
County Roads Operating	—	—	28,349	28,349
County Road Construction	—	—	43,444	43,444
Crime Victim Compensation Program	696	—	—	696
Department of Community and Human Services	—	—	515	515
Debt Service	—	—	2,270	2,270
Department of Local Services	—	—	333	333
Developmental Disabilities	—	—	7,476	7,476
Dispute Resolution	22	—	—	22
Drug Enforcement	1,064	—	—	1,064
Emergency Medical Services	—	—	42,862	42,862
Employment and Education Resources	—	—	330	330
Enhanced 911 Emergency Telephone System	—	—	33,803	33,803
Environmental Health	—	—	13,316	13,316
Farmland and Open Space Acquisitions	—	—	1,746	1,746
Flood Control District	—	—	94,710	94,710
Grants Fund	—	—	3,353	3,353
Historical Preservation	—	—	334	334
Housing and Community Development	—	—	76,101	76,101
Information and Telecommunication Capital	—	—	45,875	45,875
Intercounty River Improvement	—	—	17	17
Law Library	—	—	508	508
Local Hazardous Waste	—	—	15,203	15,203
Mental Illness and Drug Dependency	—	—	24,132	24,132
Noxious Weed Control	—	—	1,821	1,821
Open Space King County Bond Funded Subfund	—	—	388	388
Parks Capital Projects	—	—	79,418	79,418
Parks Operating Levy	—	—	18,032	18,032
Permit and Environmental Review	—	—	1,210	1,210
Public Health	—	—	29,642	29,642
Puget Sound Emergency Radio Network	—	—	28,405	28,405
Real Estate Excise Tax Capital	—	—	37,915	37,915
Real Property Title Assurance	25	—	—	25
Recorder's Operations and Maintenance	—	—	2,112	2,112
Road Improvement Districts	—	—	13	13
Surface Water Capital	—	—	18,415	18,415
Surface Water Management	—	—	15,024	15,024
Treasurer's Operations and Maintenance	—	—	460	460
Urban Reforestation and Habitat Restoration	—	—	350	350

A summary of governmental fund balances at December 31, 2019, continues (in thousands) (page 2 of 2):

	General Fund	Behavioral Health Fund	Nonmajor Governmental Funds	Total
Restricted for - continued:				
Veterans' Relief	—	—	783	783
Veterans, Seniors and Human Services	—	—	22,128	22,128
Youth Services Facilities	—	—	543	543
Youth Amateur Sports	—	—	8,022	8,022
Total Restricted Fund Balance	1,807	297	831,713	833,817
Committed for:				
Antiprofiteering Program	69	—	—	69
Rainy Day Reserve	26,114	—	—	26,114
School District Impact Fees	—	—	170	170
Wheelchair Access	855	—	—	855
Total Committed Fund Balance	27,038	—	170	27,208
Assigned for:				
Debt Service	—	—	8,948	8,948
Department of Natural Resources and Parks Administration	—	—	610	610
District Court	7,493	—	—	7,493
General Government	313	—	—	313
Housing and Community Development	—	—	1,400	1,400
Information and Telecommunication Capital	—	—	3,290	3,290
Inmate Welfare	3,566	—	—	3,566
Major Maintenance Reserve	—	—	12,801	12,801
Mental and Physical Health	150	—	—	150
Public Safety	1,913	—	—	1,913
Transfer of Development Credit Program	—	—	11,881	11,881
Urban Reforestation and Habitat Restoration	—	—	368	368
Youth Amateur Sports	—	—	2,620	2,620
Total Assigned Fund Balance	13,435	—	41,918	55,353
Unassigned for:				
Arts and Cultural Development	—	—	(11,389)	(11,389)
Building Repair and Replacement	—	—	(27,001)	(27,001)
General Fund	141,535	—	—	141,535
King County Flood Control	—	—	(171)	(171)
Long-Term Leases	—	—	(2,437)	(2,437)
Permit and Environmental Review	—	—	(1,522)	(1,522)
Risk Abatement	—	—	(6,331)	(6,331)
Total Unassigned Fund Balance	141,535	—	(48,851)	92,684
Total Fund Balance	$ 183,821	$ 297	$ 860,456	$ 1,044,574

Restatements of Beginning Balances

Detailed information regarding restatements of beginning balances (in thousands):

GOVERNMENTAL ACTIVITIES

Changes in Net Position or Fund Balance	Governmental Activities	Total Governmental Funds	Nonmajor Governmental Funds	Internal Service Funds
Net position/fund balance - January 1, 2019	$ 3,223,443	$ 982,776	$ 784,569	$ 201,011
Expensed too much depreciation in prior year	6,828	—	—	—
Unreversed prior year capitalization accrual	(7,403)	—	—	—
Updated Flood Control District balances after publication	6,188	—	—	—
Reclassified nondepreciable assets to depreciable assets	(2,354)	—	—	—
Net position/fund balance - January 1, 2019 (Restated)	$ 3,226,702	$ 982,776	$ 784,569	$ 201,011

BUSINESS-TYPE ACTIVITIES

Changes in Net Position	Business-type Activities	Total Enterprise Funds	Major Funds: Public Transportation	Major Funds: Solid Waste	Major Funds: Water Quality	Nonmajor Enterprise Funds
Net position - January 1, 2019	$ 3,580,095	$ 3,473,022	$ 2,441,546	$ —	$ 745,734	$ 285,742
Solid Waste Enterprise reclassified as major fund	—	—	—	97,318	—	(97,318)
Net position - January 1, 2019 (Restated)	$ 3,580,095	$ 3,473,022	$ 2,441,546	$ 97,318	$ 745,734	$ 188,424

COMPONENT UNITS

Changes in Net Position	Component Units	Harborview Medical Center	Cultural Development Authority	NJB Properties
Net position - January 1, 2019	$ 703,735	$ 672,672	$ 30,258	$ 805
Implementation of GASB Statement No. 75	(1,240)	—	(1,240)	—
Net position - January 1, 2019 (Restated)	$ 702,495	$ 672,672	$ 29,018	$ 805

Governmental Activities

The County expensed too much depreciation in the prior year $6.8 million.

The County did not reverse $7.4 million in 2017 capital asset accruals in the following year.

The Flood Control District, a blended component unit of King County, published changes to 2018 balances after the County released its 2018 financial statements, resulting in a $6.2 million increase in net position.

The County reported depreciable assets as nondepreciable assets, resulting in missed depreciation totaling $2.4 million.

The Building Repair and Replacement fund prior year fund balance increased by $4 thousand due to a transfer of taxes receivable due to a closure of the Regional Justice Center Projects fund.

Business-type Activities

The Solid Waste Enterprise was reclassified from a nonmajor fund to a major fund for 2019 reporting.

Fiduciary Funds

The County adopted GASB Statement No. 84, Fiduciary Activities, resulting in the restatement of prior period net position totaling $314.0 million.

Component Units

In the prior year Cultural Development Authority adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB) and implemented after the County released its 2018 financial statements resulting in a $1.2 million restatement of net position.

Restricted Net Position

Component Unit - Harborview Medical Center (HMC)

Restricted expendable net position - $7.5 million of expendable net position is restricted for either capital purposes use or through donor restrictions. Restrictions are imposed by King County on the use of resources for designated capital projects. Other restrictions are placed by donors or external parties, such as creditors, through purpose or time restrictions on the use of the assets.

Restricted nonexpendable net position - The $2.9 million consists of permanent endowments provided by donors with restrictions requiring HMC to maintain the assets in perpetuity.

Component Unit - Cultural Development Authority of King County (CDA)

Restricted expendable net position - $16.0 million is restricted by RCW 67.28.180.3 and King County ordinance to be used for the arts and heritage cultural program awards fund and special account, for which the amount is derived according to a specified formula, and one percent for public arts program.

Note 19
Legal Matters, Financial Guarantees and Other Commitments

Pending Litigation and Other Claims

King County and its agencies are parties to routine legal proceedings that normally occur in governmental operations. At any given point, there may be numerous lawsuits that could significantly impact expenditures and future budgets. The County's threshold for disclosure of loss contingencies is $1.0 million.

The following litigation or potential litigation may involve claims for material damages that may be asserted against King County. However, the County can provide no opinion as to the ultimate outcome, or estimate the amount of damages that may be found, except as described below:

Denny Way CSO Model Toxic Control Act Cleanup - A potential requirement for additional cleanup in the area contaminated when the Denny Way combined sewer outflow was replaced in 2005. The King County Wastewater Treatment Division (WTD) has already performed interim cleanup costing $3.6 million to comply with an agreed order issued by the Washington State Department of Ecology (DOE). WTD had recent discussions with DOE and stakeholders regarding site conditions and next steps toward final cleanup. It is unclear what final remedy DOE may select. Therefore, we are unable to determine an amount, if any, for which WTD may be responsible.

East Waterway Operable Unit of the Harbor Island Superfund Site - The Port of Seattle has completed a significant removal action in the East Waterway. The City of Seattle, Port of Seattle and King County intend to negotiate the amount, if any, that the City and the County will contribute to defray the Port of Seattle's past cleanup costs at the site. This is an extremely complex negotiation and we are unable to determine an amount that WTD may be responsible for, if any.

Former King County Maple Valley Maintenance Shop Site Cleanup - The County owned and/or operated a road maintenance facility on the Maple Valley property from approximately the 1940s to the 1980s. The current property owner has investigated the nature and extent of the environmental contamination and plans to move forward with site remediation. Estimated costs for site investigation and cleanup range from $581 thousand to $1.4 million, and the property owner has indicated he will look to the County to share in the costs based on the County's status as a potentially liable party.

North Creek Interceptor Sewer Improvement Project - A claim submitted by a contractor against WTD over the project to repair and replace two miles of pipeline serving the rapidly developing area in the vicinity of Canyon Park and address untreated overflows into buildings and a wetland. Pursuant to an agreement with DOE, WTD had to install a bypass system because this capital project was not completed by the onset of the 2016 wet season. The contractor submitted a request for change order for approximately $1.5 million asserting that the contract dewatering and open-faced shield tunneling specifications are defective. The contractor also asserted that he was constructively suspended and stopped tunneling. King County found the contractor in default, terminated the contract and made demand upon the performance bond surety. King County Executive declared an emergency and WTD procured a $20.0 million completion contract pursuant to the waiver of statutory procurement requirements. The completion contract and work required to repair damage or defective work by the former contractor increased these costs to approximately $28.0 million. In December 2016, King County initiated suit in King County Superior Court against the contractor to recover the additional costs to complete the project. The contractor has counter claimed for approximately $10.0 million asserting its change order claims and wrongful termination. The trial date is set for March 2021.

Lower Duwamish Waterway - EPA issued an administrative order that required King County, City of Seattle, Boeing and Port of Seattle to conduct studies to determine the nature and extent of contamination in the Lower Duwamish Waterway. The County and the other three parties have agreed with EPA to amend the administrative order to conduct additional studies pursuant to the amendment. The Feasibility Study, which discusses the remediation alternatives, has been issued in final form by EPA. EPA issued a Record of Decision (ROD) in the latter part of 2014. The ROD contains EPA's final plan for cleanup of the Lower Duwamish Waterway. King County and a number of other parties are participating in an alternative dispute resolution process, called an allocation, to determine shares of liability for the costs of the cleanup. If parties that participate in the allocation accept their allotted shares, they expect to enter into a settlement agreement and to negotiate a consent decree with EPA to implement the cleanup. Due to the fact that the parties do not know their respective shares of cleanup costs and no consent decree has been negotiated, we are unable to determine the schedule or cost of any required remediation. In addition, we are unable to determine the extent to which King County and WTD will be responsible for the cost of such remediation.

Lower Duwamish Waterway - Possible Natural Resource Damages - King County has participated in discussions with National Oceanic and Atmospheric Administration (NOAA) regarding alleged natural resource damages (NRD) in the Lower Duwamish Waterway and around Harbor Island. These discussions have included NOAA's determination that the County may be a potentially liable party that has contributed to the release of hazardous substances that have injured natural resources. NOAA notified the County in February 2016 that the Natural Resources Trustees will proceed with a NRD assessment and invited the County to participate in the development of the assessment. The County notified NOAA in March 2016 that the County desires to conduct settlement discussions regarding the NRD liability that NOAA attributes to the County. The County's intent in past discussions with NOAA has been to minimize the County's alleged liability relative to the other liable parties. The County will maintain that intent as discussions have restarted with NOAA in early 2020.

North Lake Union Site Model Toxics Control Act Cleanup - In the 1970s King County acquired a bulk fueling terminal on the north shore of Lake Union in the vicinity of Gasworks Park and used it as a maintenance base and fuel storage facility. In the early 1990s the upland portion of the site was identified by the DOE as a potential source of environmental contamination under the Model Toxics Control Act. In 1999 the former owner and King County entered into an interim cost-sharing agreement, and also entered into a Consent Decree with DOE for final cleanup actions and over a period of years, performed shallow soil remediation and groundwater remediation required under the Consent Decree. in 2009 King County sold a portion of the site to a developer after the developer entered into a separate Prospective Purchaser Consent Decree (PPCD) for its portion of the site in 2007. During 2014 through 2015 the developer performed the deep soil excavation required under its PPCD and in 2016 DOE declared the developer's cleanup complete and closed out the PPCD. However, under the 1999 Consent Decree, the former owner and King County remain obligated to monitor groundwater on the site and DOE has reserved the right to require additional or different remedial actions at the site if new or different information comes to light. Therefore, we are presently unable to determine an amount, if any, for which King County and Metro Transit may be responsible.

South Park Landfill Model Toxics Control Act Cleanup - In the 1920s, King County acquired property in the South Park area through tax-lien foreclosure and subsequently leased it to the City of Seattle, which used it and other adjoining property as a landfill, until it was closed in the 1960s. In 2006, the County sold its portion of the closed landfill property to a developer. The terms of the transaction required the developer to insulate the County from most but not all cleanup costs associated with the landfill site. In 2007, the landfill site was identified by the DOE as a potential source of environmental contamination under the Model Toxics Control Act. Over a period of years, the developer and the City of Seattle had entered into multiple Agreed Orders with DOE for interim cleanup actions and subsequently performed those actions. The City, the developer, and King County are presently negotiating with DOE and other parties regarding a final cleanup action plan and Consent Decree that would establish the final cleanup and monitoring obligations related to the site. Negotiations are ongoing and DOE typically reserves the right to require additional or different remedial actions at the site if new or different information comes to light. Therefore, we are presently unable to determine an amount, if any, for which King County and the Facilities Management Division may be responsible.

Financial Guarantees

King County has extended nonexchange financial guarantees in the form of contingent loan agreements with the King County Housing Authority (KCHA), a related organization to the County, and other owners/developers of affordable housing. The County will provide credit support, such as assumption of monthly payments, for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The County’s credit enhancement program, managed by the Department of Community and Human Services, allows up to $400.0 million in total commitment. At the end of 2019, there are 17 contingent loan agreements outstanding totaling $312.0 million. These agreements have maturity dates ranging from 10 to 30 years. All projects are currently self-supporting and the County has not made any payments pursuant to these agreements. It is unlikely that the County will make any payments in relation to these guarantees based on available information at the end of December 31, 2019 and the standards prescribed under GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

Fuel Farm - The existing fuel farm is located at the North end of the King County International Airport inside the security fence at 1495 S. Hardy Street. The site occupies approximately 1.98 acres and includes 11 underground tanks (eight operational tanks dispensing aviation fuel and three closed tanks). The fuel farm tenant and subtenant are responsible for the cleanup of the fuel farm site. Under the Model Toxics Control Act (MTCA), the DOE can pursue all cleanup costs from a single owner or operator. In such a scenario, the County (as owner) would need to identify a responsible third party, such as a former tenant or tenants, who are responsible for all the existing contamination. But if the County is responsible for any of the contamination, the Department could order the County to clean the site. The County would then pursue other potentially liable parties for statutory contribution. At December 31, 2019, the tenant and subtenant had begun cleanup studies, and the County believes the scenario wherein it performs the clean-up activities itself to be unlikely.

Other Commitments

The Solid Waste Enterprise paid the County General Fund $3.1 million for rent on the Cedar Hills landfill site in 2019. The Enterprise is committed to paying rent to the General Fund as long as the Cedar Hills site continues to accept waste.

Component Unit - Harborview Medical Center

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including significant repayments of patient services previously billed. HMC believes that it complies with the fraud and abuse regulations, as well as other laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract, the University of Washington agrees to defend, indemnify, and save and hold harmless King County's elected and appointed officials, employees, and agents, from and against any damage, cost, claim or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.

Note 20
Subsequent Events

Debt Issuances in 2020

In July 2020, the County issued $200.6 million of Junior Lien Sewer Revenue Refunding Bonds. The proceeds from these bonds were used to refund $200 million of Junior Lien Sewer Revenue Bonds, in series 2001 and 2011.

Novel Coronavirus / State of Emergency

On February 29, 2020 the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus, SARS-CoV-2. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered statewide including closing schools, colleges and universities, canceling public events, prohibiting public and private gatherings, and requiring people to stay home unless they were leaving for an essential function.

Like the State, the County took immediate and aggressive steps to protect residents including declaring a public health emergency on March 1, 2020 to slow the spread of the virus and its corresponding disease COVID-19. Impacts to the County are anticipated to include both revenues and expenses. The Metropolitan King County Council has appropriated over $202 million for pandemic response-related costs to protect residents including establishing temporary hospitals, purchasing and outfitting isolation and quarantine facilities for residents without a suitable way to self-isolate, and preparing businesses to reopen. They have also redirected $2.2 million of existing appropriation to provide childcare to first responders. Some of these costs will be borne by other governments through various programs including the CARES Act and Federal Emergency Management Agency (FEMA) grants, but the amount of Federal and State participation in these costs is not known. With respect to revenue impacts, the County estimates a year-over-year reduction in taxable sales of 30% or more from 2019 to 2020 as a result of the virus and efforts to control its spread. There may be stimulus funds or revenues from other sources to replace sales and use tax lost, but the amount and extent of such backfill revenues are also not known.

As a result of the uncertainties discussed above, the County cannot identify the full extent of the financial impact at this time. The length of time and specific nature of measures needed to slow the spread of the virus are also unknown at this time.

Required Supplementary Information

I. Budget to Actual - Major Fund

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

	2019-2020 BUDGETED AMOUNTS (BIENNIAL)			
	ORIGINAL	**FINAL**	**ACTUAL**	**VARIANCE**
REVENUES				
Taxes:				
Property taxes	$ 740,306	$ 742,944	$ 367,064	$ (375,880)
Retail sales and use taxes	297,516	309,742	153,118	(156,624)
Business and other taxes	8,900	28,900	4,128	(24,772)
Licenses and permits	15,055	15,055	7,582	(7,473)
Intergovernmental revenues	45,393	70,528	27,495	(43,033)
Charges for services	579,740	576,862	288,970	(287,892)
Fines and forfeits	49,625	48,869	26,774	(22,095)
Interest earnings	24,481	26,581	18,844	(7,737)
Miscellaneous revenues	41,844	42,286	20,644	(21,642)
Sale of capital assets	—	—	944	944
Transfers in	25,994	47,892	32,481	(15,411)
TOTAL REVENUES	1,828,854	1,909,659	948,044	(961,615)
EXPENDITURES				
Current:				
General government	329,375	335,783	156,734	179,049
Law, safety and justice	1,263,285	1,293,102	623,955	669,147
Economic environment	1,085	1,085	73	1,012
Health and human services	93,475	95,301	49,223	46,078
Debt service:				
Principal	68	68	—	68
Interest and other debt service costs	207	225	158	67
Capital outlay	3,777	5,092	2,081	3,011
Transfers out	165,339	232,767	92,777	139,990
TOTAL EXPENDITURES	1,856,611	1,963,423	925,001	1,038,422
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ (27,757)	$ (53,764)	23,043	$ 76,807
Adjustment from budgetary basis to GAAP basis[a]			(3,303)	
Net change in fund balance			19,740	
Fund balance - Beginning balance			164,081	
Fund balance - Ending balance			$ 183,821	

[a]Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues:	
Recognition of unrealized loss on investments	$ 4,895
Adjustments to expenditures	2,990
Non-budgeted revenues	(11,188)
Adjustment from budgetary basis to GAAP basis	$ (3,303)

BEHAVIORAL HEALTH FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(IN THOUSANDS)

2019-2020 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property taxes	$ 6,988	$ 6,988	$ 3,466	$ (3,522)
Business and other taxes	—	—	17	17
Intergovernmental revenues	28,200	28,200	13,303	(14,897)
Charges for services	601,950	601,950	229,636	(372,314)
Interest earnings	469	469	559	90
Miscellaneous revenues	3,369	3,369	2,430	(939)
Transfers in	15,658	15,658	8,291	(7,367)
TOTAL REVENUES	656,634	656,634	257,702	(398,932)
EXPENDITURES				
Current:				
Health and human services	683,898	687,528	279,170	408,358
Transfers out	—	—	12,579	(12,579)
TOTAL EXPENDITURES	683,898	687,528	291,749	395,779
Excess (deficiency) of revenues over (under) expenditures (budgetary basis)	$ (27,264)	$ (30,894)	(34,047)	$ (3,153)
Adjustment from budgetary basis to GAAP basis[a]			218	
Net change in fund balance			(33,829)	
Fund balance - Beginning balance			34,126	
Fund balance - Ending balance			$ 297	

[a] Elements of adjustment from budgetary basis to GAAP basis:

Adjustments to revenues:	
Recognition of unrealized gains on investments	$ 219
Adjustments to expenditures:	
Non-budgeted revenue	(1)
Adjustment from budgetary basis to GAAP basis	$ 218

II. Pension Funding

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*
(dollars in thousands)

	2019	2018	2017	2016	2015	
County's proportion of the net pension liability	8.25%	8.56%	8.45%	8.90%	8.76%	
County's proportionate share of the net pension liability	$ 317,333	$ 382,129	$ 400,803	$ 477,872	$ 458,477	
County's covered payroll**	$ 1,196,465	$ 1,124,434	$ 1,046,436	$ 1,007,624	$ 1,002,651	***
County's proportionate share of the net pension liability as a percentage of covered payroll	26.52%	33.98%	38.30%	47.43%	45.73%	
Plan fiduciary net position as a percentage of the total pension liability	67.12%	63.22%	61.24%	57.03%	59.10%	

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*
(dollars in thousands)

	2019	2018	2017	2016	2015	
County's proportion of the net pension liability	10.06%	10.29%	10.14%	10.52%	10.36%	
County's proportionate share of the net pension liability	$ 97,735	$ 175,728	$ 352,361	$ 529,855	$ 370,294	
County's covered payroll**	$ 1,144,724	$ 1,072,968	$ 995,800	$ 953,254	$ 949,860	***
County's proportionate share of the net pension liability as a percentage of covered payroll	8.54%	16.38%	35.38%	55.58%	38.98%	
Plan fiduciary net position as a percentage of the total pension liability	97.77%	95.77%	90.97%	85.82%	89.20%	

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Restated

Schedule of the County's Proportionate Share of the Net Pension Liability
Public Safety Employees' Retirement System (PSERS) Plan 2
Measurement Date of June 30*
(dollars in thousands)

	2019	2018	2017	2016	2015	
County's proportion of the net pension liability	8.67 %	9.69%	9.92%	11.33%	9.88%	
County's proportionate share of the net pension liability	$ (1,127)	$ 120	$ 1,944	$ 4,817	$ 1,803	
County's covered payroll**	$ 41,656	$ 38,120	$ 35,210	$ 35,577	$ 29,911	***
County's proportionate share of the net pension liability as a percentage of covered payroll	(2.71)%	0.31%	5.52%	13.54%	6.03%	
Plan fiduciary net position as a percentage of the total pension liability	101.85 %	99.79%	96.26%	90.41%	95.08%	

Schedule of the County's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1
Measurement Date of June 30*
(dollars in thousands)

	2019	2018	2017	2016	2015	
County's proportion of the net pension (asset)	0.60%	0.60%	0.60%	0.60%	0.60%	
County's proportionate share of the net pension (asset)	$ (11,826)	$ (10,894)	$ (9,046)	$ (6,180)	$ (7,275)	
County's covered payroll**	$ 117	$ 161	$ 194	$ 213	$ 290	***
County's proportionate share of the net pension (asset) as a percentage of covered payroll	-10,107.69%	-6,766.18%	-4,662.96%	-2,901.36%	-2,508.65%	
Plan fiduciary net position as a percentage of the total pension liability	148.78%	144.42%	135.96%	123.74%	127.36%	

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Restated

Schedule of the County's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30*
(dollars in thousands)

	2019	2018	2017	2016	2015	
County's proportion of the net pension (asset)	2.63%	2.88%	2.91%	3.02%	2.90%	
County's proportionate share of the net pension (asset)	$ (60,885)	$ (58,520)	$ (40,429)	$ (17,543)	$ (29,819)	
State's proportionate share of the net pension (asset) associated with King County	(39,872)	(37,891)	(26,225)	(11,437)	(19,716)	
Total	$ (100,757)	$ (96,411)	$ (66,654)	$ (28,980)	$ (49,535)	
County's covered payroll**	$ 97,381	$ 95,210	$ 91,137	$ 87,895	$ 84,358	***
County's proportionate share of the net pension (asset) as a percentage of covered payroll	-62.52%	-61.46%	-44.36%	-19.96%	-35.35%	
Plan fiduciary net position as a percentage of the total pension liability	119.43%	118.50%	113.36%	106.04%	111.67%	

Schedule of the County's Proportionate Share of the Net Pension Liability
Seattle City Employees' Retirement System (SCERS)
Measurement Date of December 31*
(dollars in thousands)

	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.05%	0.05%	0.07%	0.09%	0.11%
County's proportionate share of the net pension liability	$ 760	$ 554	$ 914	$ 1,169	$ 1,219
County's covered payroll**	$ 1,807	$ 2,022	$ 2,429	$ 3,010	$ 3,305
County's proportionate share of the net pension liability as a percentage of covered payroll	42.04%	27.38%	37.61%	38.84%	36.88%
Plan fiduciary net position as a percentage of the total pension liability	64.14%	72.04%	65.60%	64.03%	67.70%

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.
***Restated

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended December 31*
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 62,259	$ 59,366	$ 54,111	$ 50,154	$ 25,295
Contributions in relation to the contractually required contribution	62,259	59,366	54,111	50,154	25,295
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,245,598	$ 1,154,804	$ 1,082,715	$ 1,028,598	$ 507,206
Contributions as a percentage of covered payroll	5.00%	5.14%	5.00%	4.88%	4.99%

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended December 31*
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 93,935	$ 84,792	$ 72,763	$ 62,650	$ 72,853
Contributions in relation to the contractually required contribution	93,935	84,792	72,763	62,650	72,853
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,188,641	$ 1,103,984	$ 1,031,418	$ 977,342	$ 933,304
Contributions as a percentage of covered payroll	7.90%	7.68%	7.05%	6.41%	7.81%

Schedule of Contributions
Public Safety Employees' Retirement System (PSERS) Plan 2
Fiscal Year Ended December 31*
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,518	$ 2,777	$ 2,514	$ 2,319	$ 2,781
Contributions in relation to the contractually required contribution	3,518	2,777	2,514	2,319	2,781
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 48,039	$ 39,458	$ 36,728	$ 34,253	$ 33,102
Contributions as a percentage of covered payroll	7.32%	7.04%	6.84%	6.77%	8.40%

Schedule of Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended December 31*
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 5,329	$ 5,219	$ 4,956	$ 4,735	$ 4,505
Contributions in relation to the contractually required contribution	5,329	5,219	4,956	4,735	4,505
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	—
Covered payroll**	$ 99,067	$ 96,106	$ 92,952	$ 90,526	$ 86,131
Contributions as a percentage of covered payroll	5.38%	5.43%	5.33%	5.23%	5.23%

Schedule of Contributions
Seattle City Employees' Retirement System (SCERS)
Fiscal Year Ended December 31*
(dollars in thousands)

	2019	2018	2017	2016	2015
Contractually required contribution	$ 275	$ 309	$ 371	$ 458	$ 520
Contributions in relation to the contractually required contribution	275	309	371	458	520
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,807	$ 2,022	$ 2,429	$ 3,010	$ 3,305
Contributions as a percentage of covered payroll	15.23%	15.29%	15.27%	15.22%	15.73%

Notes:

*These schedules will be built prospectively until they contain ten years of data.
**Covered payroll is the payroll on which contributions to a pension plan are based.

Contributions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 and PSERS 2 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions.

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1 currently has one active member. Starting on July 1, 2000, employers and employees contribute zero percent as long as the Plan remains fully funded. The Plan had no required contributions for the fiscal years 2015, 2016, 2017, 2018, and 2019; thus, no schedule is required.

Adopted contribution rates could be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2017 and ending June 30, 2019, the contribution rates the Pension Funding Council adopted, which the Legislature did not change, reflect a phasing-in of the increase to contribution rates that resulted from a change to the mortality assumption. This is the third of three biennial over which this increase is expected to be phased in for PERS 1, PERS 2/3 and other pension plans.

III. Defined Benefit Other Postemployment Benefit (OPEB) Plan

King County

Schedule of Changes in Total OPEB Liability and Related Ratios

King County Retiree Health Plan

For the year ended December 31, 2019

Last 10 Fiscal Years*

(in thousands)

	2018	2019
Total OPEB liability - beginning	$ 118,120	$ 111,412
Service cost	2,092	2,155
Interest	4,146	4,138
Changes in benefit terms	—	—
Differences between expected and actual experience	3,332	—
Changes of assumptions	(9,651)	—
Benefit payments	(5,244)	(4,954)
Other changes	(1,383)	(1,479)
Total OPEB liability - ending	$ 111,412	$ 111,272
Covered-employee payroll	$ 1,217,867	$ 1,219,237
Total OPEB liability as a % of covered payroll	9.15%	9.13%

*Until a full 10-year trend is compiled, only information for those years available is presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

IV. Condition Assessments and Preservation of Infrastructure Eligible for Modified Approach

Roads

The County performs condition assessments on its network of roads through the King County Pavement Management System. This system generates a Pavement Condition Index (PCI) for each segment of arterial and local access road in the network. The PCI is a numerical index from zero to one hundred (0-100) that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Condition assessments are undertaken every three years for local streets and every two years for arterials.

The condition assessments of the County's roads are shown below for the last three completed cycles.

	2019-2017		2016-2014		2013-2011	
Condition ratings	**(miles)**	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
Excellent to good	293.7	64.4	294.3	65.0	297.7	64.9
Fair	44.1	9.7	61.4	13.5	32.0	7.0
Poor to substandard	118.3	25.9	97.5	21.5	129.0	28.1
Total	456.1	100.0	453.2	100.0	458.7	100.0
Local access roads						
Excellent to good	618.8	60.3	689.2	67.7	742.0	70.7
Fair	148.8	14.5	134.7	13.2	91.4	8.7
Poor to substandard	257.9	25.2	194.2	19.1	216.5	20.6
Total	1,025.5	100.0	1,018.1	100.0	1,049.9	100.0

The following table (derived from the table of condition ratings) shows the number and percentage of miles of roads that meet the 40 PCI level.

PCI score interval	2019-2017		2016-2014		2013-2011	
	(miles)	**%**	**(miles)**	**%**	**(miles)**	**%**
Arterial roads						
PCI 40 - 100	312.8	68.6	323.3	71.3	315.7	68.8
PCI 0 - 39	143.3	31.4	129.9	28.7	143.0	31.2
Total	456.1	100.0	453.2	100.0	458.7	100.0
Local access roads						
PCI 40 - 100	697.6	68.0	759.4	74.6	786.5	74.9
PCI 0 - 39	327.9	32.0	258.7	25.4	263.4	25.1
Total	1,025.5	100.0	1,018.1	100.0	1,049.9	100.0

In the most recent condition assessments, 68.6 percent of the arterial roads in the County and 68.0 percent of the local access roads in the County had a PCI rating of 40 and above.

The roads condition assessments have increased slightly over the last maintenance cycle. The accelerated condition deterioration observed in the 2016-2014 cycle and continuing in the 2019-2017 cycle, was primarily the result of weather and system age. Many of the arterial roadways are beyond their cost-effective life cycles, resulting in roadway deterioration. Because of the uncertainty in future funding for roads, the County formally lowered its established condition level to 50 percent of the roads at a PCI of 40 or better. The 2019 budgeted amounts on the next page already account for the change in the established condition level.

Below is information on planned (budgeted) and actual expenditures incurred to maintain and preserve the road network from 2015 to 2019. The budgeted amount is equivalent to the anticipated amount needed to maintain roads at the 50/40 required condition level for the modified approach (in thousands).

	2019	**2018**	**2017**	**2016**	**2015**
Budgeted	$ 75,333	$ 80,615	$ 72,969	$ 70,969	$ 56,599
Expended	57,632	57,406	59,864	43,820	37,003

The amount budgeted in 2019 for road preservation and maintenance was $75.3 million. The amount actually expended was $57.6 million. The 2019 underspending was due to scheduling of contracted work and work to be performed in 2020. Adjusting for these items, the remaining gap is consistent with historical experience.

Bridges

King County currently maintains 182 bridges including co-owned and pedestrian bridges. Physical inspections to determine the condition of bridges and the degree of wear and deterioration are carried out at least every two years. Inspections reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion and cracked concrete. These are documented in an inspection report along with recommended repairs. Four bridges that do not carry vehicular traffic are included in the list of bridges being maintained by the County. These are also subject to condition assessments, but are subject to different standards than the more heavily used 178 vehicular bridges.

Each year the County conducts a bridge prioritization process to determine potential candidates for replacement or rehabilitation. A weighted 10-point priority scale (sufficiency rating, seismic rating, geometrics, hydraulics, load limits, traffic safety, serviceability, importance, useful life, and structural concern) ranks the bridges in order; the results are considered in the planning and programming of major bridge studies and construction projects in the Roads Capital Improvement Program.

A key element in the priority score is the sufficiency rating, the measure considered by state and federal governments as the basis for establishing eligibility and priority for bridge replacement or rehabilitation funding. The sufficiency rating is a numerical rating of a bridge based on its structural adequacy and safety, essentially for public use, and its serviceability and functional obsolescence. The three most recent bridge sufficiency ratings are as follows:

Bridge	**Number of Bridges**		
Sufficiency Rating	**2019**	**2018**	**2017**
0 - 20	9	9	8
21 - 30	4	5	4
31 - 49	20	17	22
50 - 100	145	147	144
Totals	178	178	178

Amounts budgeted and spent to maintain and preserve bridges over the past five years are below (in thousands):

	2019	**2018**	**2017**	**2016**	**2015**
Budgeted	$ 12,203	$ 10,109	$ 6,605	$ 4,343	$ 5,607
Expended	6,082	7,906	6,221	3,448	3,184

The budgeted amount is equivalent to the anticipated amount needed to maintain and preserve the bridges up to the required condition level.

Notes:

* Pavement Condition Index (PCI) condition measurement and road condition rating scale:
  1. PCI < 30 is defined to be in “poor to substandard” with heavy pavement cracking and potholes
  2. PCI 30 ≥ 50 is defined to be in “fair condition” with noticeable cracks and utility cuts
  3. PCI 50 ≥ 100 is defined to be in “excellent condition” with relatively smooth roadway
* King County’s Road Services Division policy is to maintain at least 50 percent of the road system at a PCI level of 40 or better.
* Bridges adhere to the Federal Highway Administration condition measurement.
* Bridges sufficiency rating scale:
  1. 49 ≤ 0 indicates replacement or rehabilitation funding, < 30 are selected for rehabilitation funding
  2. 50 ≥ 100 indicates a good deal of service life remaining, a bridge capable of carrying traffic
* King County’s Road Services Division policy is to maintain bridges in such manner that no more than 12 will have a sufficiency rating of 20 or less. A rating of 20 or less is usually indicative of a bridge with structural deficiency. The most common remedy is full replacement, rehabilitation or closure of the bridge.

APPENDIX E

SUMMARY OF KING COUNTY'S INVESTMENT POLICY

This page left blank intentionally.

SUMMARY OF KING COUNTY'S INVESTMENT POLICY

Additional discussion of recent developments pertaining to the King County Investment Pool can be found under "King County—King County Investment Pool" in the body of this Official Statement.

The Treasury Operations Section of the King County Finance and Business Operations Division administers the County's investments. Under Section 4.10 of the County Code, the Executive Finance Committee (the "Committee") oversees the County's investment practices. The Committee consists of the Chair of the County Council or his or her designee, the County Executive or his or her designee, the Chief Budget Officer, and the County Director of the Finance and Business Operations Division.

The County's own funds are invested in the County's Residual Investment Pool (the "Investment Pool"). All investments of County funds are subject to written policies and procedures adopted by the Committee. The Committee reviews the performance of the Investment Pool on a monthly basis.

In addition to investing the County's own funds, the Treasury Operations Section also invests the funds of approximately 110 special purpose districts within the County for which the Treasury Operations Section serves as treasurer, including all school districts, fire protection districts, water districts, sewer districts, and hospital districts. Each district has the option either to invest in the Investment Pool or to direct the term and amount of each of its investments. To participate in the Investment Pool, a district must sign an inter-local agreement that governs their participation in the Investment Pool, and, to exit the Investment Pool, a district must provide the required notice prior to their anniversary date. The Treasury Operations Section selects the particular investment instruments.

The Investment Pool must maintain an effective duration of 1.5 years or less and 40% of its total value must be held in securities that mature within one year. As of March 31, 2021, the Investment Pool had a balance of $7.5 billion and an effective duration of 1.19 years, and 48.1% of the portfolio had a maturity of one year or less.

Under State law and the County's current investment policy, subject to certain minimum credit and maximum maturity limitations as described therein, the County may invest in the following instruments:

(i) up to 100% of the portfolio in U.S. Treasury or U.S. Agency securities;

(ii) up to 25% of the portfolio in certificates of deposit ("CDs") with institutions that are public depositaries in the State of Washington with a maximum of 5% per issuer across investment types;

(iii) up to 25% of the portfolio in bankers' acceptances with a maximum of 5% per issuer across investment types;

(iv) up to 100% of the portfolio in repurchase agreements, with a maximum of 25% exposure to any one repo counterparty, provided that the underlying security must be a U.S. Treasury or U.S. Agency and all underlying securities are held by a third party;

(v) up to 25% in commercial paper and corporate notes with a maximum of 5% per issuer across investment types;

(vi) up to 20% in general obligation municipal bonds with a maximum of 5% per issuer;

(vii) up to 25% in mortgage-backed securities issued by agencies of the U.S. Government which pass the Federal Financial Institutions Examination Council ("FFIEC") suitability test that banks use to determine lowest risk securities; and

(viii) up to 25% in the State's Local Government Investment Pool.

The combined total of repurchase agreements greater than overnight, bankers' acceptances, CDs, commercial paper, and corporate notes must not exceed 50% of Investment Pool assets. The County currently does not purchase structured notes or inverse floating rate notes, and has no intention of doing so in the near future.

The County's entire investment policy is located on the County's website at the following link:

https://kingcounty.gov/depts/finance-business-operations/treasury/investment-pool.aspx

The investment policy also includes a policy adopted by the Committee to address the circumstances under which County agencies or districts can invest funds beyond the maximum maturity limits established for the Investment Pool. This policy provides the "Pool-Plus" investment option which allows a participant in the Investment Pool to request the County to combine a portfolio of individual long-term securities in the same fund that is invested in the Investment Pool. Under the Pool-Plus option, the Investment Pool will be used for the liquidity portion of the portfolio, while the following investment types may be used for the longer term investments: U.S. Treasuries or securities with the full faith and credit of the U.S. Government backing them and senior debt obligations issued by U.S. agencies, instrumentalities or government-sponsored enterprises such as the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, and the Federal Home Loan Mortgage Corporation.

APPENDIX F

CONTINUING DISCLOSURE UNDERTAKING

This page left blank intentionally.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with paragraph (b)(5) of Securities and Exchange Commission Rule 15c2–12 under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the County will enter into the following written undertakings for the benefit of the owners and Beneficial Owners of the Bonds.

Sewer Revenue Bonds

Annual Disclosure Report. The County will agree in a Continuing Disclosure Certificate to be executed at the time of issuance of the Sewer Revenue Bonds to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (collectively, the "Annual Financial Information"), commencing in 2022 for the fiscal year ended December 31, 2021:

(i) annual financial statements of the County's Water Quality Enterprise Fund prepared in accordance with the Budget Accounting and Reporting System ("BARS") prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes) and generally of the type attached to the Official Statement as Appendix C, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the County, they will be provided;

(ii) the amount of outstanding Parity Bonds; and

(iii) information regarding Customers, Revenue of the System, Operating and Maintenance Expenses, and debt service coverage, generally as set forth in Table 12—"Historical Financial Statements."

Items (ii) and (iii) are required only to the extent that such information is not included in the annual financial statements.

The Annual Financial Information will be provided on or before the end of seven months after the end of the County's fiscal year. The County's fiscal year currently ends on December 31. The County may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such Annual Financial Information, the County may make specific cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the Annual Financial Information discussed above, the County will provide to the MSRB the County's audited financial statements prepared in accordance with BARS when and if available.

The County agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Financial Information on or prior to the date set forth above.

Specified Events. The County agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following specified events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership, or similar event of the County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

For the purposes of notices (xv) and (xvi), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12 ("Rule 15c2-12").

Solely for purposes of disclosure and not intending to modify the undertaking, the County advises with reference to items (iii), (x), and (xiv) that no debt service reserves secure payment of the Bonds, no property secures repayment of the Bonds, and there is no trustee for the Bonds.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with Securities and Exchange

Commission Rule 15c2-12 ("Rule 15c2-12") are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at *www.emma.msrb.org*. All notices, financial information, and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

Termination/Modification of Undertaking. The County's obligations to provide Annual Financial Information and notices of specified events will terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. The undertaking, or any provision thereof, will be null and void if the County (i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of Rule 15c2-12 which require the undertaking, or any such provision, are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the cancellation of the undertaking.

The County may amend the undertaking, and any provision of the undertaking may be waived, in accordance with Rule 15c2-12, which, as currently interpreted by the SEC, requires that (i) the amendment or waiver be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted; (ii) the undertaking, as amended or waived, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the County (such as Bond Counsel) or by the approving vote of holders of the Bonds pursuant to the terms of the Ordinance.

In the event of any amendment or waiver of a provision of the undertaking, the County will describe such amendment or waiver in the next Annual Financial Information, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a specified event under the caption "Specified Events" above, and (ii) the annual financial statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Remedies Under the Undertaking. The right of any Bond owner or beneficial owner of Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the County's obligations thereunder, and any failure by the County to comply with the provisions of the undertaking will not be an event of default with respect to the Bonds. For purposes of the undertaking, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

LTGO (Sewer) Bonds

Annual Disclosure Report. The County will agree in a Continuing Disclosure Certificate to be executed at the time of issuance of the LTGO (Sewer) Bonds to provide or cause to be provided to the Municipal Securities Rulemaking Board ("MSRB") the following annual financial information and operating data for the prior fiscal year (collectively, the "Annual Financial Information"), commencing in 2021 for the fiscal year ended December 31, 2020:

(i) annual financial statements prepared in accordance with the Budget Accounting and Reporting System ("BARS") prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statutes) and generally of the type attached as Appendix D, which statements will not be audited, except that if and when audited financial statements are otherwise prepared and available to the County they will be provided;

(ii) a summary of the assessed value of taxable property in the County;

(iii) a summary of budgeted General Fund revenues and appropriations;

(iv) a summary of *ad valorem* property tax levy rates per $1,000 of assessed value and delinquency rates;

(v) a summary of outstanding tax-supported indebtedness of the County; and

(vi) a schedule of the aggregate annual debt service on tax-supported indebtedness of the County.

Items (ii) through (vi) are required only to the extent that such information is not included in the annual financial statements.

The Annual Financial Information will be provided on or before the end of seven months after the end of the County's fiscal year. The County's fiscal year currently ends on December 31. The County may adjust such fiscal year by providing written notice of the change of fiscal year to the MSRB. In lieu of providing such Annual Financial Information, the County may make specific cross-reference to other documents available to the public on the MSRB's internet website or filed with the SEC.

If not provided as part of the Annual Financial Information discussed above, the County will provide to the MSRB the County's audited financial statements prepared in accordance with BARS when and if available.

The County agrees to provide or cause to be provided to the MSRB, in a timely manner, notice of its failure to provide the Annual Financial Information on or prior to the date set forth above.

Specified Events. The County agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following specified events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership, or similar event of the County;

(xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflect financial difficulties.

For the purposes of notices (xv) and (xvi), "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with SEC Rule 15c2-12 ("Rule 15c2-12").

Solely for purposes of disclosure and not intending to modify the undertaking, the County advises with reference to items (iii), (x), and (xiv) that no debt service reserves secure payment of the Bonds, no property secures repayment of the Bonds, and there is no trustee for the Bonds.

EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the SEC, any information or notices submitted to the MSRB in compliance with Rule 15c2-12 are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at *www.emma.msrb.org*. All notices, financial information, and operating data required by the undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to the undertaking must be accompanied by identifying information as prescribed by the MSRB.

Termination/Modification of Undertaking. The County's obligations to provide Annual Financial Information and notices of specified events will terminate upon the legal defeasance, prior redemption, or payment in full of all of the Bonds. The undertaking, or any provision thereof, will be null and void if the County (i) obtains an opinion of nationally recognized bond counsel to the effect that those portions of Rule 15c2-12 which require the undertaking, or any such provision, are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds; and (ii) notifies the MSRB of such opinion and the cancellation of the undertaking.

The County may amend the undertaking, and any provision of the undertaking may be waived, in accordance with Rule 15c2-12, which, as currently interpreted by the Securities and Exchange Commission, requires that (i) the amendment or waiver be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted; (ii) the undertaking, as amended or waived, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the County (such as Bond Counsel) or by the approving vote of holders of the Bonds pursuant to the terms of the Ordinance.

In the event of any amendment or waiver of a provision of the undertaking, the County will describe such amendment or waiver in the next Annual Financial Information, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a specified event under the caption "Specified Events" above, and (ii) the annual financial statements for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Remedies Under the Undertaking. The right of any Bond owner or beneficial owner of Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the County's obligations thereunder, and any failure by the County to comply with the provisions of the undertaking will not be an event of default with respect to the Bonds. For purposes of the undertaking, "beneficial owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds, including persons holding Bonds through nominees or depositories.

APPENDIX G

DEMOGRAPHIC AND ECONOMIC INFORMATION

This page left blank intentionally.

DEMOGRAPHIC AND ECONOMIC INFORMATION

King County is the largest county in Washington in terms of population, number of cities, and employment, and the twelfth most populated county in the United States. Of Washington's population, nearly 30% reside in King County, and of the County's population, 34% live in the City of Seattle. Seattle is the largest city in the Pacific Northwest and, as the County seat, is the center of the County's economic activity. Bellevue is the State's fifth largest city and the second largest in the County, and is the center of the County's eastside business and residential area.

See "Other Considerations—Public Health" in this Official Statement.

Population

Historical and current population figures for the State of Washington, the County, the two largest cities in the County, and the unincorporated areas of the County are given below.

POPULATION

Year	Washington	King County	Seattle	Bellevue	Unincorporated King County
1980 (1)	4,130,163	1,269,749	493,846	73,903	503,100
1990 (1)	4,866,692	1,507,319	516,259	86,874	NA
2000 (1)	5,894,121	1,737,034	563,374	109,827	349,773
2010 (1)	6,724,540	1,931,249	608,660	122,363	325,000
2011 (2)	6,767,900	1,942,600	612,100	123,400	285,265
2012 (2)	6,817,770	1,957,000	616,500	124,600	255,720
2013 (2)	6,882,400	1,981,900	626,600	132,100	253,100
2014 (2)	6,968,170	2,017,250	640,500	134,400	252,050
2015 (2)	7,061,410	2,052,800	662,400	135,000	253,280
2016 (2)	7,183,700	2,105,000	686,800	139,400	245,920
2017 (2)	7,310,300	2,153,700	713,700	140,700	247,060
2018 (2)	7,427,570	2,190,200	730,400	142,400	247,240
2019 (2)	7,546,410	2,226,300	747,300	145,300	248,275
2020 (2)	7,656,200	2,260,800	761,100	148,100	249,100

(1) Source: U.S. Department of Commerce, Bureau of Census
(2) Source: State of Washington, Office of Financial Management

Per Capita Income

The following table presents per capita personal income for the Seattle Metropolitan Division, the County, the State, and the United States.

PER CAPITA INCOME

	2015	2016	2017	2018	2019
Seattle MD	$ 68,792	$ 71,903	$ 75,973	$ 81,201	$ 85,284
King County	76,122	79,742	84,542	90,438	94,974
State of Washington	53,840	55,884	58,550	62,026	64,578
United States	48,978	49,870	51,885	54,446	56,490

Source: *U.S. Bureau of Economic Analysis, U.S. Department of Commerce*

Construction

The table below lists the value of housing construction for which building permits have been issued by entities within King County. The value of public construction is not included in this table.

KING COUNTY
RESIDENTIAL BUILDING PERMIT VALUES

	New Single Family Units		New Multi-Family Units		
Year	**Number**	**Value($)**	**Number**	**Value($)**	**Total Value($)**
2015	4,010	1,539,049,136	14,527	2,227,509,189	3,766,558,325
2016	4,254	1,616,722,532	13,445	1,759,255,696	3,375,978,228
2017	4,356	1,735,074,421	14,285	2,174,576,693	3,909,651,114
2018	4,442	1,747,483,826	14,018	1,642,109,582	3,389,593,408
2019	3,777	1,494,505,945	14,142	2,071,136,054	3,565,641,999
2020	3,688	1,448,194,320	8,649	1,059,067,656	2.507,261,976
2020(1)	983	396,058,440	2,928	409,146,474	805,204,914
2021(1)	1,179	477,583,578	4,879	784,481,928	1,262,065,686

(1) Estimates with imputations through April.

Source: *U.S. Bureau of the Census*

Retail Activity

The following table presents taxable retail sales in King County and Seattle.

THE CITY OF SEATTLE AND KING COUNTY
TAXABLE RETAIL SALES

Year	King County	City of Seattle
2015	$54,890,159,770	$22,407,443,037
2016	59,530,882,870	24,287,539,378
2017	62,910,608,935	26,005,147,210
2018	69,018,354,390	28,292,069,881
2019	72,785,180,223	29,953,200,188
2019(1)	53,511,071,448	21,962,409,065
2020(1)	48,349,134,083	18,863,518,272

(1) Through third quarter.

Source: Quarterly Business Review , Washington State Department of Revenue

Employment

The following table presents approximate total employment in the State as of December 31, 2019 (unless otherwise noted), for certain major employers in the Puget Sound area.

PUGET SOUND
MAJOR EMPLOYERS

Employer	Employees
The Boeing Company	71,800(1)
Amazon.com Inc.	60,000(2)
Microsoft Corp.	55,100
Joint Base Lewis-McChord	54,000(3)
University of Washington Seattle	46,800
Providence Health & Services	43,000(4)
Safeway Inc. & Albertsons LLC	21,300(4)
Wal-Mart Stores, Inc.	19,400
Costco Wholesale Corp.	18,000
MultiCare Health System	17,200
Fred Meyer Stores	16,200
King County Government	15,900
City of Seattle	15,800
Starbucks Corp.	14,000
CHI Franciscan Health	12,500
Seattle Public Schools	11,900
Kaiser Permanente	10,000
Alaska Air Group Inc.	9,600
Nordstrom, Inc.	9,200
Virginia Mason Health System	9,100

(1) Since the date of this table, Boeing has faced financial stress and has significantly reduced its companywide workforce through a combination of buyouts and layoffs and the shift of 787 production out of the State. The State's economic and revenue forecast released in March 2021 expected that aerospace employment in the State (including Boeing and other employers) will be 29,800 lower in December 2021 than January 2020. The State estimates that about 19,000 of these job losses occurred prior to February 2021 and an additional 10,700 jobs will be lost during the remainder of 2021.

(2) Amazon reports more than 60,000 employees but does not provide an exact count. As a result of the layoffs described in footnote (1), it is expected that Amazon is currently the largest employer in the region.

(3) 40,000 are service members and 14,000 are civilian employees.

(4) Did not respond to latest survey. Employee count is as of May 2019

Source: Puget Sound Business Journal, Publication Date June 19, 2020

KING COUNTY
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT
AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT(1)

	Annual Average				
	2016	**2017**	**2018**	**2019**	**2020**
Civilian Labor Force	1,184,240	1,213,744	1,238,090	1,264,754	1,290,480
Total Employment	1,134,979	1,167,122	1,194,955	1,224,648	1,254,638
Total Unemployment	49,261	46,622	43,135	40,106	35,842
Percent of Labor Force	4.2%	3.8%	3.5%	3.2%	2.8%

NAICS INDUSTRY	**2016**	**2017**	**2018**	**2019**	**2020**
Total Nonfarm	1,356,900	1,397,408	1,431,933	1,467,817	1,385,242
Total Private	1,178,800	1,216,542	1,254,317	1,292,433	1,213,908
Goods Producing	177,250	177,733	181,550	186,058	172,317
Mining and Logging	525	533	500	500	467
Construction	71,217	74,342	78,108	79,533	76,675
Manufacturing	105,525	102,867	102,925	106,000	95,133
Service Providing	1,179,650	1,219,675	1,250,383	1,281,758	1,212,925
Trade, Transportation, and Utilities	254,142	268,325	274,642	280,933	276,200
Information	96,200	102,883	111,017	121,633	128,017
Financial Activities	70,642	71,450	73,708	75,267	72,567
Professional and Business Services	222,750	227,792	233,092	238,875	234,883
Educational and Health Services	174,042	179,142	185,842	189,592	180,558
Leisure and Hospitality	135,683	140,775	145,050	146,833	101,442
Other Services	48,092	48,442	49,417	53,242	47,925
Government	178,100	180,867	177,617	175,383	171,333
Workers in Labor/Management Disputes	0	0	0	0	0

	Apr. 2021
Civilian Labor Force	1,308,394
Total Employment	1,240,527
Total Unemployment	67,867
Percent of Labor Force	5.2%

(1) Columns may not add to totals due to rounding.
Source: Washington State Employment Security Department.

This page left blank intentionally.

APPENDIX H

BOOK-ENTRY SYSTEM

This page left blank intentionally.

BOOK-ENTRY SYSTEM

The following information has been provided by the Depository Trust Company, New York, New York ("DTC"). The County makes no representation regarding the accuracy or completeness thereof, or for the absence of material changes in such information subsequent to the date hereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at *www.dtcc.com*.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners

are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and

customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

This page left blank intentionally.