**OFFICIAL STATEMENT**

**RATINGS**
**Moody's: Aaa**
**Fitch: AAA**
**S&P: AAA**

**New Issue, Book-Entry Only** **(See "Other Bond Information—Ratings.")**

*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 Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds may affect the federal alternative minimum tax applicable to certain corporations. See "Legal and Tax Information—Tax Matters."*

# KING COUNTY, WASHINGTON

# $75,000,000

# LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2023, SERIES A

**DATED: Date of Initial Delivery** **DUE: December 1, as shown on page i**

King County, Washington (the "County"), is issuing its Limited Tax General Obligation and Refunding Bonds, 2023, Series A (the "Bonds"), as fully registered obligations. When issued, the Bonds will be registered in the name of Cede & Co., as Bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the Bonds. The Bonds will be issued initially in book-entry form only in denominations of $5,000 or any integral multiple thereof within a maturity of the Bonds. Purchasers will not receive certificates representing their interest in the Bonds purchased. The Bonds will bear interest payable semiannually on June 1 and December 1, beginning December 1, 2023, to their maturities or prior redemption, as applicable. The principal of and interest on the Bonds are payable by the fiscal agent of the State of Washington (currently U.S. Bank Trust Company, National Association) (the "Registrar"). For so long as the Bonds remain in a "book-entry only" transfer system, the Registrar is required to make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to registered owners of the Bonds as described in Appendix E—Provisions for Book-Entry Only System.

The Bonds are being issued to provide financing for various capital projects, to refund certain outstanding obligations of the County, and to pay the costs of issuing the Bonds and administering the refunding. See "Use of Proceeds—Sources and Uses of Funds."

The Bonds are subject to redemption prior to maturity. See "The Bonds—Redemption of the Bonds."

The Bonds are general obligations of the County. The County irrevocably covenants and agrees that, for as long as any of the 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 Bonds 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 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 will be irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the 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 Bonds as the same will become due.

The Bonds are offered when, as, and if issued, subject to approval of legality by Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, and certain other conditions. The form of Bond Counsel's opinion is attached hereto as Appendix A. Pacifica Law Group LLP also is serving as Disclosure Counsel to the County. 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 April 20, 2023.

*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.*

Dated: April 4, 2023

*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 E—Provisions for Book-Entry Only System, which has been obtained from DTC's website.*

*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 page i of this Official Statement may be changed from time to time by the initial purchaser of the Bonds (the "Purchaser"). The Purchaser may offer and sell the Bonds to certain dealers, unit investment trusts, or money market funds at prices lower than the public offering prices set forth on page i of this Official Statement.*

*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, DTC, the Municipal Securities Rulemaking Board, or any other entity 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 website identified herein is not incorporated by reference in this Official Statement.*

*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.*

## MATURITY SCHEDULE

**$75,000,000**
**KING COUNTY, WASHINGTON**
**LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2023, SERIES A**

### SERIAL BONDS

| Due (December 1) | Amounts | Interest Rates | Yields | Prices | CUSIP Numbers |
|---|---|---|---|---|---|
| 2023 | $ 4,980,000 | 5.00% | 2.55% | 101.480 | 49474F M80 |
| 2024 | 5,790,000 | 5.00% | 2.45% | 104.008 | 49474F M98 |
| 2025 | 3,605,000 | 5.00% | 2.35% | 106.677 | 49474F N22 |
| 2026 | 960,000 | 5.00% | 2.25% | 109.491 | 49474F N30 |
| 2027 | 1,005,000 | 5.00% | 2.20% | 112.218 | 49474F N48 |
| 2028 | 2,515,000 | 5.00% | 2.18% | 114.822 | 49474F N55 |
| 2029 | 3,345,000 | 5.00% | 2.19% | 117.211 | 49474F N63 |
| 2030 | 3,510,000 | 5.00% | 2.19% | 119.605 | 49474F N71 |
| 2031 | 3,160,000 | 5.00% | 2.21% | 121.772 | 49474F N89 |
| 2032 | 3,070,000 | 5.00% | 2.25% | 123.652 | 49474F N97 |
| 2033 | 3,225,000 | 5.00% | 2.30% (1) | 124.237 | 49474F P20 |
| 2034 | 2,945,000 | 5.00% | 2.40% (1) | 123.222 | 49474F P38 |
| 2035 | 4,230,000 | 5.00% | 2.55% (1) | 121.717 | 49474F P46 |
| 2036 | 4,435,000 | 5.00% | 2.73% (1) | 119.940 | 49474F P53 |
| 2037 | 4,665,000 | 5.00% | 2.83% (1) | 118.966 | 49474F P61 |
| 2038 | 4,895,000 | 5.00% | 2.95% (1) | 117.810 | 49474F P79 |
| 2039 | 5,140,000 | 5.00% | 3.03% (1) | 117.047 | 49474F P87 |
| 2040 | 5,400,000 | 5.00% | 3.13% (1) | 116.101 | 49474F P95 |
| 2041 | 510,000 | 5.00% | 3.17% (1) | 115.725 | 49474F Q29 |
| 2042 | 535,000 | 5.00% | 3.20% (1) | 115.444 | 49474F Q37 |
| 2043 | 560,000 | 5.00% | 3.25% (1) | 114.978 | 49474F Q45 |
| 2044 | 520,000 | 5.00% | 3.28% (1) | 114.699 | 49474F Q52 |
| 2045 | 545,000 | 5.00% | 3.30% (1) | 114.514 | 49474F Q60 |
| 2046 | 570,000 | 5.00% | 3.34% (1) | 114.144 | 49474F Q78 |
| 2047 | 600,000 | 5.00% | 3.37% (1) | 113.868 | 49474F Q86 |
| 2048 | 630,000 | 5.00% | 3.40% (1) | 113.592 | 49474F Q94 |

### TERM BONDS

| Due (December 1) | Amount | Interest Rate | Yield | Price | CUSIP Number |
|---|---|---|---|---|---|
| 2053 | $ 3,655,000 | 5.00% | 3.45% (1) | 113.135 | 49474F R69 |

(1) Calculated to the June 1, 2033, par call date.

**KING COUNTY, WASHINGTON**
**500 FOURTH AVENUE**
**SEATTLE, WASHINGTON 98104**

**KING COUNTY EXECUTIVE**

Dow Constantine

**METROPOLITAN KING COUNTY COUNCIL**

| | |
|---|---|
| Dave Upthegrove | Chair |
| Reagan Dunn | Vice Chair |
| Jeanne Kohl-Welles(1) | Vice Chair |
| Claudia Balducci | Councilmember |
| Rod Dembowski | Councilmember |
| Joe McDermott(1) | Councilmember |
| Sarah Perry | Councilmember |
| Pete von Reichbauer | Councilmember |
| Girmay Zahilay | Councilmember |

**OTHER ELECTED OFFICIALS**

| | |
|---|---|
| Leesa Manion | Prosecuting Attorney |
| John Wilson | Assessor |
| 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

**MUNICIPAL ADVISOR TO THE COUNTY**

Piper Sandler & Co.

**REGISTRAR**

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

(1) Councilmember Kohl-Welles and Councilmember McDermott have announced that they will not seek re-election and will retire from the Council effective December 31, 2023.

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## TABLE OF CONTENTS

## OFFICIAL STATEMENT

## KING COUNTY, WASHINGTON
## $75,000,000
## LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2023, SERIES A

### 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, 2023, Series A (the "Bonds").

The Bonds are issued under and in accordance with the provisions of chapters 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 Ordinance 19530, which was adopted on November 15, 2022 (the "Ordinance"), and the certificate of award for the Bonds (the "Certificate of Award"), which is expected to be executed by the Finance Director on April 4, 2023, following the receipt of bids for the Bonds.

Quotations, summaries, and explanations of constitutional provisions, statutes, resolutions, ordinances, 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, 201 South Jackson Street, Seattle, Washington 98104. Capitalized terms that are not defined herein have the same meanings as set forth in the Ordinance.

### THE BONDS

#### Description

The Bonds will be dated and bear interest from the date of their initial delivery, will be fully registered as to both principal and interest, and will be in the denomination of $5,000 or any integral multiple thereof within a maturity of the Bonds. The Bonds will initially be registered in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). See "—Book-Entry Only System."

The Bonds will bear interest at the rates set forth on page i of this Official Statement, payable semiannually on each June 1 and December 1, beginning December 1, 2023, to their maturities or prior redemption. Interest will be computed on the basis of a 360-day year and of twelve 30-day months. The Bonds will mature in the years and amounts set forth on page i of this Official Statement.

DTC and any successor or substitute securities depository for the Bonds are referred to in the Ordinance as the "Securities Depository"; DTC will act as the initial Securities Depository. 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 deemed to be the registered owner of the Bonds, as nominee of DTC, references herein to the registered owners or Bond 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 (currently U.S. Bank Trust Company, National Association) (the "Registrar"). For so long as any outstanding Bonds are registered in the name of Cede & Co., or its registered assigns, as nominee of DTC, payments of principal of and interest on such Bonds will be made in immediately available funds on the date such payment is due and payable at the place and in the manner provided in the operational arrangements of DTC referenced in the Letter of Representations. See "—Book-Entry Only System" and Appendix F—Provisions for Book-Entry Only System.

In the event that the Bonds are no longer held in fully immobilized form by DTC or its successor (or substitute depository or its successor), interest on the Bonds will be paid by electronic transfer on the interest payment date, or by check or draft mailed to the registered owners of the Bonds at the addresses for such registered owners appearing on the Bond Register on the Record Date (defined below). The County is not required to make electronic transfers except to a registered owner of Bonds pursuant to a request in writing received on or prior to the Record Date for that interest payment date, and any such electronic transfer will be at the sole expense of that registered owner. Principal of the Bonds will be payable at maturity or on such dates as may be fixed for prior redemption upon presentation and surrender of the Bonds by the owners to the Registrar. "Record Date" is defined in the Ordinance as, for an interest or principal payment date or for a maturity date, the 15th day of the calendar month next preceding that date.

**Redemption of the Bonds**

*Optional Redemption.* The Bonds maturing on or after December 1, 2033, are subject to redemption prior to their stated maturity at the option of the County, in whole or in part, at any time on or after June 1, 2033, 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 Bonds maturing on December 1, 2053 (the "Term Bonds"), if not redeemed as described above or purchased under the provisions described below, randomly (or in such manner as the Registrar determines), at the price of par plus accrued interest, on December 1 in the years and amounts as follows:

**TERM BONDS**

| Years | Amounts |
|---|---|
| 2049 | $660,000 |
| 2050 | 695,000 |
| 2051 | 730,000 |
| 2052 | 765,000 |
| 2053(1) | 805,000 |

(1) Maturity.

If the County redeems Term Bonds under the optional redemption provisions described above or purchases or defeases a portion of the Term Bonds, the Term Bonds so redeemed, purchased, or defeased (irrespective of their redemption or purchase prices) will be credited at the par amount thereof against one or more scheduled mandatory redemption amounts for the Term Bonds. The County will determine the manner in which the credit is to be allocated. If no such determination is made, credit will be allocated on a pro rata basis.

*Notice of Redemption.* While the Bonds are held by DTC in book-entry only form, any notice of redemption must be given at the time, to the entity, and in the manner required by DTC in accordance with the Letter of Representations, and the Registrar is not required to give any other notice of redemption. See "—Book-Entry Only System" and Appendix F. If the Bonds cease to be in book-entry only form, unless waived by any registered owner of the Bonds to be redeemed, the County will cause notice of any intended redemption of the Bonds to 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 of any Bond to be redeemed at the address appearing on the registration books for the Bonds maintained by the Registrar at the time the Registrar prepares the notice. The notice requirements of the Ordinance will be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond.

*Rescission 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 related redemption by giving a notice of rescission to the affected registered owners at any time on or prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded will be of no effect, and the Bonds 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, except in the case of a rescinded optional redemption as described above, or unless the Bond or Bonds called are not redeemed when presented pursuant to the call.

**Book-Entry Only System**

*Book-Entry Bonds.* The Bonds initially will be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository will 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 will 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 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 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 will be deemed to be the Registered Owner for all purposes hereunder, and all references to Registered Owners will mean the Securities Depository and will not mean the Beneficial Owners. Registered ownership of any Bond registered in the name of the Securities Depository 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. See Appendix F for additional information.

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

*Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or upon a termination of the services of the Securities Depository by the County, the County may appoint a substitute depository. Any such substitute depository will be qualified under any applicable laws to provide the services proposed to be provided by it.

*Termination of Book-Entry Only System.* 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 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 the laws of the State or use money available from any other lawful source to pay when due the principal of, premium, if any, and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem, retire, refund, and/or defease all or a portion of the then outstanding Bonds (the "Defeased Bonds"), and to pay the costs of the refunding or defeasance.

If money and/or noncallable Government Obligations (defined below) maturing at such time or times and bearing interest to be earned thereon in amounts sufficient (together with such money, if necessary) to redeem and retire, refund, or defease the Defeased Bonds in accordance with their terms are set aside in a special trust or escrow fund or account irrevocably pledged to that redemption, retirement, or defeasance of Defeased Bonds (the "Trust Account"), then the Defeased Bonds will be deemed not to be outstanding under the Ordinance, no further payments need be made into the applicable redemption account for the payment of the principal of and interest on the Defeased Bonds, and the owners of the Defeased Bonds will cease to be entitled to any covenant, pledge, benefit, or security of the Ordinance. The owners of Defeased Bonds will have the right to receive payment of the principal of, premium, if any, and interest on the Defeased Bonds from the Trust Account.

The term "Government Obligations" means "government obligations," as defined in chapter 39.53 RCW, as such chapter may be amended or restated.

As currently defined in chapter 39.53 RCW, "Government Obligations" means (i) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations; (ii) bonds, debentures, notes, participation certificates or other obligations issued by the Banks for Cooperatives, the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Export-Import Bank of the United States, federal land banks, or the Federal National Mortgage Association; (iii) public housing bonds and project notes fully secured by contracts with the United States; and (iv) obligations of financial institutions insured by the Federal Deposit Insurance Corporation or the federal savings and loan insurance corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

## USE OF PROCEEDS

### Purpose

The Bonds are being issued (i) to provide financing for various capital projects of the County, (ii) to refund certain maturities of the County's Limited Tax General Obligation Refunding Bonds, 2012, Series D (Federally Tax-Exempt Qualified 501(c)(3) Bonds), and Limited Tax General Obligation Bonds, 2013 (together, the "Refunded Bonds"), and (iii) to pay the costs of issuing the Bonds and administering the refunding. See "—Refunding Plan." The capital projects that will be funded with proceeds of the Bonds include projects primarily comprised of various land acquisitions and Solid Waste Division capital improvements, as further described in the Ordinance.

## Sources and Uses of Funds

The proceeds from the sale of the Bonds are expected to be applied as follows:

**TABLE 1**
**SOURCES AND USES OF FUNDS**

| | |
|---|---|
| **SOURCES OF FUNDS** | |
| Par Amount of Bonds | $75,000,000 |
| Reoffering Premium | 11,713,617 |
| Total Sources of Funds | $86,713,617 |
| **USES OF FUNDS** | |
| Deposit to Project Subfunds | $73,297,000 |
| Deposit to Escrow | 12,957,073 |
| Payment of Costs of Issuance(1) | 459,544 |
| Total Uses of Funds | $86,713,617 |

(1) Includes rating agency fees, Municipal Advisor fees, underwriter's discount, legal fees, printing costs, other costs of issuing the Bonds and administering the refunding, and additional proceeds/contingency.

## Refunding Plan

A portion of the proceeds from the sale of the Bonds will be used to refund the Refunded Bonds described below, for the purpose of realizing debt service savings.

**TABLE 2**
**REFUNDED BONDS**

| Bond Component | Maturity Date | Interest Rate (%) | Par Amount | Redemption Date | Redemption Price (%) | CUSIP Number |
|---|---|---|---|---|---|---|
| *Limited Tax General Obligation Refunding Bonds, 2012, Series D, Dated 11/29/2012* | | | | | | |
| Serial | 12/1/2023 | 5.000 | $ 2,310,000 | 4/20/2023 | 100 | 49474 FDP2 |
| | 12/1/2024 | 4.500 | 2,425,000 | 4/20/2023 | 100 | 49474 FDQ0 |
| Subtotal | | | $ 4,735,000 | | | |
| *Limited Tax General Obligation Bonds, 2013, Dated 2/27/2013* | | | | | | |
| Serial | 12/1/2023 | 5.000 | $ 2,530,000 | 6/1/2023 | 100 | 49474 FFA3 |
| | 12/1/2024 | 5.000 | 2,660,000 | 6/1/2023 | 100 | 49474 FFB1 |
| | 12/1/2025 | 5.000 | 2,790,000 | 6/1/2023 | 100 | 49474 FFC9 |
| Subtotal | | | $ 7,980,000 | | | |
| Total Refunded Bonds | | | $ 12,715,000 | | | |

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

*Verification of Calculations.* The mathematical accuracy of the computations of the adequacy of the maturing principal amounts of and interest on the Acquired Obligations and cash on deposit to be held by the Escrow Agent to pay principal of and interest on the Refunded Bonds as described above will be verified by Causey Demgen & Moore, P.C., independent certified public accountants (the "Verification Agent"). The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in the schedules provided to it and that it has no obligation to update its report because of events occurring, or data or information coming to its attention, subsequent to the date of its report.

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are general obligations of the County. The County irrevocably covenants and agrees that, for as long as any of the 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 Bonds 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 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 will be irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the 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 Bonds as the same will become due.

The County may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds. See "King County—Major Governmental Fund Revenue Sources."

No debt service reserves or property secures the payment of principal of or interest on the Bonds. Bond owners do not have a perfected security interest in or express statutory lien on particular revenues or assets of the County. The 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 Washington 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 Bonds. The rights and remedies of anyone seeking enforcement of the 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."

## 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 E—Demographic and Economic Information.

### COVID-19 Recovery

The County continues to address the impacts of the COVID-19 pandemic, from both a public health and economic recovery perspective. According to the State Department of Health, as of January 30, 2023, 93.0% of County residents have received at least one dose of vaccine, 83.9% are fully vaccinated, 67.4% of eligible County residents have received a booster, and 36.3% of this group have received a bivalent booster. The County and its public health department continue to monitor and respond to emerging variants, with an ongoing emphasis on ensuring high levels of vaccination, improving indoor air quality, making sure high-quality masks are available and that County residents know when they should be used, and increasing the availability of tests and antiviral treatment.

The County's economy is recovering quickly from the COVID recession, although home prices in the County were down 8.0% in the fourth quarter of 2022 compared to the third quarter of 2022. In 2022, the annual average unemployment rate in the County was 2.8%, compared to national unemployment for the same period of 3.6%, and second quarter 2022 taxable sales increased by 10.0% compared to the second quarter of 2021.

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 charging utilities rent for the use of the right-of-way on County-owned land (as upheld by the State Supreme Court in 2020), reducing growth in employee compensation, utilizing higher than projected 2020 year-end balances, and using reserves. The 2021-2022 Adopted Budget lowered the projected year-end 2022 unreserved General Fund balance from 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. Since that time, federal stimulus funding has allowed the County to increase its reserves from $100 million in the 2021-2022 Adopted Budget to a projected $130 million at the end of 2022.

Upon the President's emergency declaration in response to COVID-19, the County became eligible to access the Federal Emergency Management Agency ("FEMA") Public Assistance program to support certain extraordinary operating costs incurred. The County received a direct allocation of $261.6 million in Coronavirus Relief Funds (through the Coronavirus Aid, Relief, and Economic Stabilization Act (the "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 through the American Rescue Plan Act of 2021 (the "American Rescue Plan Act"). The County also received a direct allocation of $94.8 million in Emergency Rental Assistance Program funding through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA") and the American Rescue Plan Act. The County received sufficient funding from the CARES Act, CRRSAA, the American Rescue Plan Act, FEMA support, and other federal and State funds to cover the County's direct costs for its COVID-19 pandemic response.

A portion of the County's federal COVID-19 relief funds received from the U.S. Treasury has been applied to implement the County's Eviction Prevention Rental Assistance Program ("EPRAP"). The County's Department of Community and Health Service ("DCHS") partnered with various Community Based Organizations ("CBOs") and an outside consulting firm to implement the program. As of February 23, 2023, the County has distributed approximately $368 million in EPRAP funds. The County has identified a number of cases of waste, abuse, and misuse of funds in the EPRAP program, which regularly relied on self-attestations, including by landlords and tenants, based on U.S. Treasury guidance. As of February 23, 2023, the County has identified approximately 182 suspected cases, representing approximately $8.3 million in payments (including one payment of over $500,000 by the contractor that appears to have been made in error). Suspected cases have been reported (or are in the process of being reported) to State or local law enforcement and the Washington State Auditor's Office, and the cases in excess of $100,000 also have been reported to the U.S. Treasury Office of Inspector General ("OIG"). The County has contracted with Clark Nuber P.S. to investigate the $500,000 payment and other waste, abuse, and misuse in the program. The County expects that additional cases will be identified, and that it will continue to report such cases to law enforcement, the State Auditor and, as applicable, OIG.

**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"), and the Director of Elections 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, or Director of Elections.

*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.

*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.

**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. 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, 2021, and is incorporated into the County's Annual Comprehensive Financial Report (the "Annual Report") for 2021.

The County's 2021 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/acfr.aspx*

See Appendix B—Excerpts from King County's 2021 Annual Comprehensive 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 95% of the County's taxes and 96% of the County's intergovernmental revenues in 2021. Taxes and intergovernmental revenues provided approximately 64% of the total revenue in the governmental funds of the County in 2021. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

*Taxes.* Table 3 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. A description of each type of tax follows the table.

**TABLE 3**
**TAXES COLLECTED**
**AS OF DECEMBER 31 ($000)**

| Source | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Real and Personal Property Tax(1) | $ 778,591 | $ 840,323 | $ 865,830 | $ 942,669 | $ 973,172 |
| Retail Sales and Use Tax(2) | 200,434 | 217,625 | 230,779 | 222,264 | 321,988 |
| Penalty and Interest on Property Taxes | 19,849 | 20,857 | 21,293 | 20,380 | 28,056 |
| Hotel/Motel Tax(3) | - | - | - | - | 18,928 |
| Real Estate Excise tax | 15,887 | 15,994 | 15,536 | 17,920 | 24,633 |
| E-911 Excise Tax | 22,270 | 22,264 | 22,468 | 23,357 | 23,727 |
| Other Taxes(4) | 20,903 | 10,206 | 10,192 | 7,065 | 9,336 |
| Total | $ 1,057,934 | $ 1,127,269 | $ 1,166,098 | $ 1,233,655 | $ 1,399,840 |

(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. Does not include revenue generated by the affordable housing sales tax (RCW 82.14.540) described below, which was adopted on July 29, 2020.

(3) Amounts retained by the State in the years 2017 through 2020. See "—Hotel/Motel Tax" below.

(4) Excludes revenue reported as taxes prior to 2018, now reported as charges for services.

*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, the sales and use tax rate charged on all gross retail sales in the County, as of March 1, 2023, is between 10.1% and 10.3% within the boundaries of the Central Puget Sound Regional Transit Authority ("Sound Transit") and between 8.7% and 9.0% 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, 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, and 0.1% is allocated to cities and the County for affordable housing services.

In the 2019 Regular Session, the State Legislature approved and the Governor signed Substitute House Bill 1406 (codified at RCW 82.14.540), 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 RCW 82.14.540 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 the statute 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%. County Ordinance No. 18973 (codified at K.C.C. 4A.501), adopted in 2019, imposed the sales and use tax under RCW 82.14.540 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 County intends to use a portion of the revenue derived from this sales and use tax to make debt service payments on County bonds to be issued for purposes permitted under RCW 82.14.540, but such revenue has not been pledged for such purpose.

Beginning in January 2021, the County imposed an additional 0.1% sales and use tax to fund housing and related services under RCW 82.14.530. Sixty percent of the revenues collected were required to be used for constructing affordable housing or facilities providing housing-related services or mental or behavioral health services, or to fund the operations and maintenance costs of such housing and facilities. In its 2021 Regular Session, the State Legislature adopted Senate Bill 1070 expanding the use of these revenues to include the acquisition of affordable housing, facilities providing housing-related services or behavioral health-related services, or land for such purposes. The County uses a portion of the revenue received from this sales and use tax to make debt service payments on County bonds issued in 2021 for purposes permitted under RCW 82.14.530, but such revenue has not been pledged for such purposes.

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.

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 State's Marketplace Fairness Act requires remote sellers and marketplace facilitators with more than $100,000 in combined receipts sourced or attributed to the State to collect and remit sales and use tax.

PENALTY AND INTEREST ON PROPERTY TAXES. Historically, interest of 12% per annum was charged on all delinquent real and personal property taxes until the taxes were paid. There was an 11% penalty in addition to the 12% interest rate on delinquent taxes: 3% assessed on the amount of tax delinquent on June 1 of the year in which the tax is due and 8% 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.

In 2021, the State Legislature enacted Engrossed Substitute House Bill 1410, which eliminates the 11% tax penalty for delinquent property taxes in 2022, unless such penalty was assessed prior to January 1, 2022. Effective January 1, 2023, the law also reduces the interest rate on delinquent taxes for residential properties with four or fewer units to 9% per annum and eliminates late penalties for such properties.

HOTEL/MOTEL TAX. Under the authority of State legislation, the County levies a 2% excise tax on all transient lodging within the County except 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. Per RCW 67.28.180, from January 1, 2016, through December 31, 2020, the State retained the revenue generated by this tax to make debt service payments on a portion of its bonds. Beginning on 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, including the payment of debt service on County bonds to be issued for such purposes. The County intends to use a portion of the revenue received from this lodging tax to make debt service payments on the County bonds to be issued for the above purposes, but such revenue has not been pledged for such debt service payments.

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, which has a graduated rate from 1.10% to 3.00% based on the value of the property sold. A portion of the County's 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 4 lists various intergovernmental revenues. A description of each type of intergovernmental revenue follows the table.

**TABLE 4**
**VARIOUS INTERGOVERNMENTAL REVENUES**
**AS OF DECEMBER 31 ($000)**

| Source | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Grants(1) | $ 149,166 | $ 145,791 | $ 145,700 | $ 227,936 | $ 493,860 |
| Coronavirus Relief Fund | - | - | - | 243,688 | 47,143 |
| Revenue Sharing | 14,200 | 14,566 | 15,040 | 14,248 | 14,260 |
| Gas Tax | 13,422 | 13,228 | 12,857 | 10,996 | 11,699 |
| Liquor Tax and Profits | 1,459 | 1,478 | 1,510 | 1,606 | 1,685 |
| Intergovernmental Payments(2) | 83,506 | 22,050 | 16,128 | 22,593 | 23,581 |
| Other Intergovernmental Revenues | 12,125 | 19,241 | 16,256 | 17,735 | 34,168 |
| Total | $ 273,878 | $ 216,354 | $ 207,491 | $ 538,802 | $ 626,396 |

(1) The large increases in 2020 and 2021 are 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 reported in 2017 as intergovernmental payments are reported in later years as charges for services.

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

GRANTS. In 2021, 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 $423 million in federal grant revenue to the County. This comprised 85.6% of total 2021 grant revenue received by the County. The remaining $71 million in 2021 grant revenue was from the State.

Table 5 lists by source and function the various grants received by the County for the years ended December 31, 2020 and 2021. Grant revenues received in 2020 and 2021 were substantially larger than in previous years due to the receipt of State and federal relief funds related to COVID-19 assistance.

**TABLE 5**
**2020 AND 2021 GRANT REVENUE BY SOURCE AND FUNCTION**
**(YEARS ENDED DECEMBER 31) ($000)**

| | 2020 | | 2021 | |
|---|---|---|---|---|
| | Actual | Item as a Percent of Total Actual | Actual | Item as a Percent of Total Actual |
| Federal | | | | |
| General Government Services | $ 9,014 | 4.0% | $ 8,592 | 1.7% |
| Law, Safety and Justice | 19,255 | 8.4% | 17,659 | 3.6% |
| Physical Environment | 2,138 | 0.9% | 1,994 | 0.4% |
| Transportation | 2,234 | 1.0% | 4,242 | 0.9% |
| Economic Environment | 78,162 | 34.3% | 245,222 | 49.7% |
| Mental and Physical Health | 58,934 | 25.9% | 144,813 | 29.3% |
| Culture and Recreation | 242 | 0.1% | 100 | 0.0% |
| Total Federal | $ 169,979 | 74.6% | $ 422,622 | 85.6% |
| State: | | | | |
| General Government Services | $ 1,016 | 0.4% | $ 491 | 0.1% |
| Law, Safety and Justice | 9,457 | 4.1% | 7,837 | 1.6% |
| Physical Environment | 1,731 | 0.8% | 3,555 | 0.7% |
| Transportation | 868 | 0.4% | 516 | 0.1% |
| Economic Environment | 23,206 | 10.2% | 44,212 | 9.0% |
| Mental and Physical Health | 21,003 | 9.2% | 12,585 | 2.5% |
| Culture and Recreation | 676 | 0.3% | 2,042 | 0.4% |
| Total State | $ 57,957 | 25.4% | $ 71,238 | 14.4% |
| Total Grants | $ 227,936 | 100.0% | $ 493,860 | 100.0% |

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

CORONAVIRUS RELIEF FUND. On March 27, 2020, the President of the United States signed the CARES Act into law to help mitigate the effect of the global SARS-CoV-2 pandemic. The CARES Act created a new Federal revenue sharing program for state and local governments, including the County, called the Coronavirus Relief Fund, to backstop state and local government efforts to respond to the public health emergency. These revenues have characteristics of both Grants and Shared Revenues; for this reason, the County reported them discretely in its financial statements.

REVENUE SHARING. The State Legislature allocates State General Fund revenues to local health jurisdictions in support of their responsibilities under the Health Reform Act of 1993. In 2021, 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 per gallon of the State motor vehicle fuel tax collected by the State (RCW 82.38.030), 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 according to a formula based on population, needs, and financial resources. The County received 7.7510% of the tax distributed to counties in 2022.

In addition, the County Road Administration Board 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 per gallon State motor vehicle fuel tax (RCW 46.68.090(2)(i)). The County received 3.618473% of these funds in 2022, 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. 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 2021, these payments included amounts related to the County's provision of public health and services to improve educational outcomes.

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, and economic development.

**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 (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.

As of February 28, 2023, the total amount authorized for interfund loans is $697.3 million and of this amount, the total outstanding balance is $131.2 million.

**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).

**TABLE 6**
**GENERAL FUND**
**COMPARATIVE BALANCE SHEET**
**(YEARS ENDED DECEMBER 31) ($000)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | $ 85,179 | $ 109,419 | $ 142,666 | $ 173,293 | $ 165,759 |
| Taxes receivable - delinquent | 8,086 | 8,465 | 8,760 | 11,515 | 12,308 |
| Accounts receivable net | 17,237 | 15,390 | 8,998 | 14,759 | 9,376 |
| Interest receivable | 14,323 | 16,594 | 19,857 | 20,517 | 20,917 |
| Due from other funds | 1,489 | 3,836 | 278 | 53 | 6,163 |
| Due from other governments, net | 64,207 | 60,265 | 82,987 | 63,829 | 110,722 |
| Due from component unit | - | - | - | - | 20 |
| Prepayments | - | - | 6 | 44 | 43 |
| Advances to other funds | - | - | 3,000 | 7,150 | - |
| Notes receivable | - | - | - | 911 | 12,232 |
| TOTAL ASSETS | $ 190,521 | $ 213,969 | $ 266,552 | $ 292,071 | $ 337,540 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | | | | | |
| Liabilities | | | | | |
| Accounts payable | $ 4,561 | $ 6,485 | $ 5,588 | $ 29,252 | $ 9,031 |
| Due to other funds | 4,944 | 4,266 | 12,180 | 2,570 | 6,513 |
| Due to other governments | 2,025 | 542 | 1,312 | 500 | 176 |
| Wages payable | 19,720 | 24,852 | 31,882 | 35,883 | 36,592 |
| Taxes payable | 147 | 122 | 125 | 94 | 237 |
| Unearned revenues | - | - | 3 | 3,396 | 58 |
| Deposits | 1,589 | 939 | 7,340 | 2,306 | 896 |
| Advances from other funds | - | - | 11,500 | - | - |
| Total liabilities | $ 32,986 | $ 37,206 | $ 69,930 | $ 74,001 | $ 53,503 |
| Deferred inflows of resources | | | | | |
| Unavailable revenue | $ 12,765 | $ 12,682 | $ 12,801 | $ 17,280 | $ 22,677 |
| Fund balance | | | | | |
| Nonspendable | $ - | $ - | $ 6 | $ 44 | $ 43 |
| Restricted | 2,016 | 1,348 | 1,807 | 1,559 | 2,497 |
| Committed | 25,161 | 26,310 | 27,038 | 28,942 | 24,617 |
| Assigned | 19,181 | 28,578 | 13,435 | 37,147 | 11,948 |
| Unassigned | 98,412 | 107,845 | 141,535 | 133,098 | 222,255 |
| Total fund balance | $ 144,770 | $ 164,081 | $ 183,821 | $ 200,790 | $ 261,360 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE | $ 190,521 | $ 213,969 | $ 266,552 | $ 292,071 | $ 337,540 |

Audited. Totals may not foot due to rounding.

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

**TABLE 7**
**GENERAL FUND**
**COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**(YEARS ENDED DECEMBER 31) ($000)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Taxes: | | | | | |
| Property taxes | $ 344,847 | $ 357,771 | $ 366,911 | $ 377,248 | $ 387,161 |
| Retail sales and use taxes | 134,140 | 144,422 | 153,118 | 146,286 | 172,082 |
| Business and other taxes | 4,295 | 4,034 | 4,128 | 3,319 | 3,811 |
| Licenses and permits | 7,783 | 8,075 | 7,582 | 5,017 | 5,514 |
| Intergovernmental revenues | 21,304 | 28,218 | 27,350 | 130,245 (1) | 84,243 (1) |
| Charges for services | 257,517 | 260,059 | 287,376 | 273,960 | 287,177 |
| Fines and forfeits | 25,754 | 26,888 | 26,774 | 22,968 | 31,339 |
| Interest earnings | 8,114 | 15,562 | 23,640 | 14,094 | 406 |
| Miscellaneous revenues | 18,191 | 18,002 | 19,113 | 18,410 | 30,885 |
| TOTAL REVENUES | $ 821,945 | $ 863,031 | $ 915,992 | $ 991,547 | $ 1,002,618 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | $ 218,379 | $ 142,418 | $ 156,562 | $ 176,763 | $ 165,881 |
| Law, safety and justice | 471,092 | 581,513 | 620,476 | 677,151 | 649,467 |
| Economic environment | 503 | 435 | 73 | 9,369 | 1,052 |
| Health and human services | 38,560 | 43,091 | 49,199 | 49,232 | 52,642 |
| Debt service: | | | | | |
| Interest and other debt service costs | 75 | 5 | 58 | 107 | 11 |
| Capital outlay | 1,138 | 2,635 | 2,032 | 2,907 | 614 |
| TOTAL EXPENDITURES | $ 729,747 | $ 770,097 | $ 828,400 | $ 915,529 | $ 869,667 |
| Excess of revenues over expenditures | $ 92,198 | $ 92,934 | $ 87,592 | $ 76,018 | $ 132,951 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | $ 13,255 | $ 11,797 | $ 18,481 | $ 20,785 | $ 25,169 |
| Transfers out | (84,358) | (85,421) | (87,277) | (79,978) | (97,924) |
| Sale of capital assets | 168 | 1 | 944 | 144 | 206 |
| TOTAL OTHER FINANCING SOURCES (USES) | $ (70,935) | $ (73,623) | $ (67,852) | $ (59,049) | $ (72,549) |
| Net change in fund balances | $ 21,263 | $ 19,311 | $ 19,740 | $ 16,969 | $ 60,402 |
| Fund balances - beginning | 125,479 | 144,770 | 164,081 | 183,821 | 200,790 |
| Prior period adjustment | (1,972) | - | - | - | 168 |
| Fund balances - ending(2) | 144,770 | 164,081 | 183,821 | 200,790 | 261,360 |

Audited. Totals may not foot due to rounding.

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

(2) Includes the Rainy Day Reserve Fund.

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

**TABLE 8**
**GOVERNMENTAL FUNDS**
**COMBINED COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**
**(YEARS ENDED DECEMBER 31) ($000)**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Taxes | $ 1,031,306 | $ 1,111,237 | $ 1,141,563 | $ 1,206,479 | $ 1,356,709 |
| Licenses and permits | 28,002 | 29,254 | 28,999 | 25,379 | 25,377 |
| Intergovernmental revenues | 224,316 | 207,307 | 200,903 | 487,178 (1) | 601,631 (1) |
| Charges for services | 757,105 | 781,445 | 791,258 | 815,738 | 988,470 |
| Fines and forfeits | 26,368 | 27,662 | 27,793 | 23,213 | 32,146 |
| Interest earnings | 12,545 | 25,828 | 47,212 | 32,341 | 4,407 |
| Miscellaneous revenues | 45,668 | 45,043 | 52,034 | 52,302 | 63,993 |
| TOTAL REVENUES | $ 2,125,310 | $ 2,227,776 | $ 2,289,762 | $ 2,642,630 | $ 3,072,733 |
| EXPENDITURES | | | | | |
| General government | $ 248,639 | $ 173,021 | $ 188,620 | $ 241,350 | $ 225,371 |
| Law, safety and justice | 604,713 | 719,701 | 758,684 | 833,394 | 815,172 |
| Physical environment | 24,470 | 21,278 | 24,920 | 23,072 | 20,844 |
| Transportation | 73,062 | 69,455 | 82,077 | 81,900 | 82,237 |
| Economic environment | 179,724 | 198,999 | 194,192 | 256,788 | 203,003 |
| Health and human services | 646,839 | 715,975 | 762,885 | 941,191 | 1,182,725 |
| Culture and recreation | 54,601 | 58,895 | 65,320 | 63,183 | 68,112 |
| Debt service: | | | | | |
| Principal | 63,702 | 64,093 | 67,990 | 68,672 | 73,416 |
| Interest and other debt service costs | 33,363 | 33,231 | 30,742 | 29,165 | 32,605 |
| Capital outlay | 37,647 | 32,300 | 18,740 | 38,454 | 243,900 |
| TOTAL EXPENDITURES | $ 1,966,760 | $ 2,086,948 | $ 2,194,170 | $ 2,577,169 | $ 2,947,385 |
| Excess of revenues over expenditures | $ 158,550 | $ 140,828 | $ 95,592 | $ 65,461 | $ 125,348 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | $ 225,949 | $ 206,772 | $ 276,047 | $ 259,163 | $ 314,809 |
| Transfers out | (298,651) | (295,399) | (350,875) | (347,031) | (412,103) |
| General government debt issued | 6,050 | 5,845 | - | - | 498,565 |
| Premium on general government bonds issued | 880 | 863 | - | - | 7,771 |
| Refunding bonds issued | - | - | 55,877 | 54,065 | 30,410 |
| Premium on refunding bonds issued | - | - | 8,248 | - | 3,134 |
| Insurance recoveries | - | - | - | - | 1,840 |
| Sale of capital assets | 2,912 | 5,226 | 982 | 1,167 | 2,572 |
| Payment to refunded bonds escrow agent | - | (2,329) | (63,652) | (54,520) | (33,462) |
| TOTAL OTHER FINANCING SOURCES (USES) | $ (62,860) | $ (79,022) | $ (73,373) | $ (87,156) | $ 413,536 |
| Net change in fund balances | $ 95,690 | $ 61,806 | $ 22,219 | $ (21,695) | $ 538,884 |
| Fund balance - January 1, restated | 606,535 | 702,645 | 763,694 | 785,909 | 764,324 |
| Prior period adjustments | 420 | (757) | (4) | 110 | 244,372 |
| Fund balance - December 31 | 702,645 | 763,694 | 785,909 | 764,324 | 1,547,580 |

Unaudited; excludes capital project funds and internal service funds. Totals may not foot due to rounding.

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

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

**Management Discussion of Financial Results**

*Revenues and Economic Conditions.* As of December 2022, the unemployment rate was 2.8% 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 "—2022 Preliminary Results."

*Tax Limitation Legislation.* Future property tax revenue growth will remain low due to existing State law generally 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. The State Legislature has considered bills to increase the 1% limitation. The current 1% limitation does not allow for annual property tax revenue growth at a level that keeps pace with inflation, and may continue to require budget reductions, other offsetting revenues, and/or voter approval to exceed the limitation. 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.

House Bill 1425, currently pending before the State Legislature, would amend existing law to incentivize further annexation by cities of unincorporated areas. The bill would remove the requirement that a city have commenced annexation prior to 2015 to be eligible for the State sales tax credit, and remove the requirement that an annexation area must have a population of 10,000 (and in some circumstances 4,000) to impose the tax. In addition, the bill would change the maximum levy amount that a city may impose to 0.1% for annexed areas with populations between 2,000 and 10,000 and 0.2% for annexed areas with a population over 10,000. A city imposing the sales tax would be required to enter into an interlocal agreement with the county that (i) balances the annexations of commercial, industrial, and residential properties so that tax revenue gains and losses are fairly distributed, (ii) addresses the development, ownership, and maintenance of infrastructure, and (iii) addresses potential revenue sharing. Under the bill, a city could not begin to impose the authorized tax until after July 1, 2028. House Bill 1425 has passed the State House and is under consideration in the State Senate, where it is subject to potential amendment or modification. The County cannot predict whether the legislation will be enacted, and, if enacted, the ultimate scope and substance of the legislation's provisions.

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 2026, 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 at 8%, which is the high end of the policy, since 2016. The County's 2021-2022 financial performance maintained this level, but the County Executive proposed and the County Council agreed to lower this amount to 7% at the end of 2024 as part of the 2023-2024 Adopted Budget in response to the economic pressures resulting from the recovery from 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's adoption in early 2021, the County used $5.6 million from the Rainy Day Reserve Fund to bridge the cost of certain COVID-19 response programs.

*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.

**2021 Results**

The financial results of the General Fund for the 2021 fiscal year showed continued economic recovery from the COVID-19 pandemic as compared to budget. In the end, 2021 financial performance ended up more positive than mid-year forecasts due to continued recovery of sales taxes and federal stimulus package revenues that were not contemplated in the 2021-2022 Adopted Budget.

The General Fund ended 2021 with a fund balance of $245 million, which was an increase of about $70 million over the 2020 ending fund balance. About $78 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 $22 million, the total General Fund balance at fiscal year-end was $267 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 continue to meet the 8% undesignated fund balance target at the end of 2021.

**2022 Preliminary Results**

Current estimates of the General Fund for the 2022 fiscal year indicate continued recovery from the COVID-19 pandemic as compared to the 2021-2022 Adopted Budget.

The General Fund is projected to end 2022 with a fund balance of $226 million, a reduction of $19 million due to increased spending on one-time COVID-19 response programs supported by federal stimulus funding. Combined with the additional $22 million in the Rainy Day Reserve Fund, the total General Fund balance for fiscal year 2022 is estimated to be $248 million. About $49 million of this fund balance is reserved for COVID-19 response spending backed by federal stimulus revenues. The General Fund is estimated to continue to meet the 8% undesignated fund balance target in fiscal year 2022.

**2021-2022 Adopted Budget**

The 2021-2022 Adopted Budget totaled $12.6 billion, including $1.9 billion for the General Fund. Many County programs were 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.

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 also utilized new revenue to balance the General Fund, including revenue from charging utilities rent for the use of the right-of-way on County-owned land. In addition, the County closed 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.

In 2020 and 2021, the County provided 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 "—COVID-19 Recovery."

The 2021-2022 Budget included an additional 0.1% sales tax referred to as "Health Through Housing," as authorized by RCW 82.14.530. This revenue is used to support behavioral health programs, affordable housing, and permanent supportive housing programs.

**2023-2024 Adopted Budget**

The County Council adopted the 2023-2024 budget in November 2022. The budget totals approximately $15.8 billion and reflects growth in several functions, including wastewater treatment, solid waste, parks, and behavioral health. The budget recognizes new labor agreements with most of the County's unions, including Sheriff deputies, corrections officers, and the coalition of County unions that includes the majority of represented employees. These labor agreements extend through the end of 2024.

The County Executive and County Council's priorities are reflected in the adopted budget. There are many substantial investments in environmental initiatives, including further funding to remove culverts and improve salmon habitat. Funding is included to ensure complete electrification of Metro Transit's bus fleet by 2035 and to accelerate progress in electrifying the County's light-duty vehicle fleet. Housing and homelessness are addressed through additional investments in transit-oriented development and the Health Through Housing program for permanent supported housing. The anti-racist and pro-equity agenda is advanced through an additional $10 million of capital projects to be identified through a participatory budgeting process and expansion of the regional effort to reduce gun violence. Efforts to reform the justice system include funding for body-worn cameras for the Sheriff's Office.

The County's General Fund budget is approximately $2.3 billion for the biennium. Strong economic growth, the availability of federal COVID-19 funding to cover some costs, and 2022 savings from large numbers of vacancies allowed the 2023-2024 General Fund budget to be balanced without reductions and with modest additions for priority programs. As noted previously, the County Executive proposed and the County Council approved setting the undesignated General Fund balance at 7% by the end of 2024.

The 2023-2024 Adopted Budget also reappropriated approximately $218 million of unspent federal COVID response funding, mostly for public health, human services, and economic recovery programs. Approximately $22 million was reappropriated to continue the effort to draw down the backlog of cases in the criminal legal system that accumulated during the pandemic. The County also has submitted approximately $200 million of requests for reimbursement to the FEMA and expects to receive funding by the end of 2023.

The budget for Metro Transit, the County's single largest agency, continues to be healthy, with the largest reserves in history due to strong sales tax growth and federal pandemic funding. However, ridership remains well below pre-pandemic levels, especially during traditional commuting hours, so Metro is beginning the process to potentially change the structure of its service to support new ridership patterns.

**Future General Obligation Financing Plans**

As a part of the budget process, the County Council has approved the issuance of $664 million of additional new limited tax general obligation ("LTGO") bonds, including the Bonds, during the current 2023-2024 biennium. The County Council will be considering an amendment to the current authorization to include an additional $23 million of bonds. Authorized bonds will primarily provide funding for various land purchases, the capital program of the Solid Waste Division, tenant improvements and equipment at the County's Harborview Medical Center ("Harborview"), and the acquisition and development of affordable housing. After issuing the Bonds, the County expects to issue the remainder of the authorized bonds during the fourth quarter of 2023 and 2024.

Beyond these authorized bonds, the County's Wastewater Treatment and Solid Waste Divisions anticipate undertaking substantial capital improvement programs over the balance of the decade, some portions or all of which will be financed through the issuance of LTGO bonds. Such anticipated capital expenditures beyond the current biennium will be subject to County Council approval of future capital budgets.

On November 3, 2020, voters in the County authorized the issuance of $1.7 billion of unlimited tax general obligation ("UTGO") bonds to finance a substantial capital improvement program for the expansion and renovation of Harborview. The first series of such bonds, in the amount of $19 million, was sold in 2021, and the remainder is expected to be issued in installments over the course of the current decade and into the 2030s.

The County Council considers other potential debt-financed projects from time to time; the issuance of debt beyond what is described above will require subsequent authorization by the County Council. Beyond such new money issuances, when and if market conditions permit, the County will undertake refundings that achieve targeted debt service savings.

**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 $8.3 billion during 2021. As of December 31, 2022, the Investment Pool had a balance of $8.8 billion and an effective duration of 0.99 years, and 57.2% of the portfolio had a maturity of 12 months or less, based on unaudited figures. Assets of County agencies in 2022 averaged approximately 49% 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 C.

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 December 31, 2022, 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 9**
**COUNTY EMPLOYEES**

| Year | Full-time | Part-time |
|---|---|---|
| 2017 | 13,160 | 2,067 |
| 2018 | 13,505 | 2,048 |
| 2019 | 14,360 | 1,864 |
| 2020 | 14,458 | 1,627 |
| 2021 | 14,474 | 1,463 |
| 2022 | 14,487 | 1,493 |

*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.

During 2022, the County reached agreement with several labor groups. This included finalizing the agreement with a coalition of unions representing approximately 6,500 employees, or roughly 40% of the County's workforce. The agreement with the coalition provided a retroactive pay increase of 1.5% in 2021, an increase of 3.0% in 2022, and a 4.0% increase each year in 2023 and 2024. The agreement also included a one-time sliding scale bonus of up to $4,000 for the lowest-paid coalition members. The contract was ratified by the member unions and approved by the County Council.

The County also finalized collective bargaining agreements with the King County Police Officers Guild and the King County Corrections Guild, both of which had prior contracts that had expired at the end of 2021. The agreement with the King County Police Officers Guild, covering about 700 employees, provides for pay increases of 6%, 10%, and 4%, respectively, for the years 2022 through 2024. The King County Corrections Guild contract also covers calendar years 2022 through 2024, providing general wage increases of 5% in 2022, 6% in 2023, and 4% in 2024. 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, was party to a contract with the County that specified general wage increases of 3% in 2020, 3% in 2021, 2% in the first half of 2022, and an additional 2% in the second half of 2022. This contract expired November 1, 2022, and the parties are currently negotiating a successor agreement.

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 10**
**RETIREMENT SYSTEMS**

| Number of Employees As of December 31, 2022 | Retirement System |
|---|---|
| 13,760 | State of Washington—Public Employees Retirement System ("PERS") |
| 757 | State of Washington—Law Enforcement Officers and Fire Fighters Retirement System ("LEOFF") |
| 425 | 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 11**
**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.

GASB Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), addresses financial reporting for state and local government pension plans. GASB Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), 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.

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 investment return of the Commingled Trust Fund for the ten-year period from July 1, 2012, to June 30, 2022, was 10.4%. The actuarial assumptions used in the most recent rate calculations are summarized in Table 12:

**TABLE 12**
**ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS**

| | |
|---|---|
| Investment return | 7.00% |
| General salary increases | 3.25 |
| Inflation | 2.75 |

*Source: Washington State 2021 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, 2022, and the current 2023 fiscal year are shown in Table 13:

**TABLE 13**
**COUNTY CONTRIBUTION RATES AND AMOUNTS**

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 | LEOFF Plan 1 | LEOFF Plan 2 | PSERS Plan 2 |
|---|---|---|---|---|---|---|
| **2022 Contribution Rates and Amounts** | | | | | | |
| Average Employer Contribution Rate (%) | 10.29 (1) | 10.29 (1) | 10.29 (1) | 0.18 (1) | 5.30 (1) | 10.46 (1) |
| Average Employee Contribution Rate (%) | 6.00 (2) | 6.66 (2) | Varies (2)(3) | 0.00 | 8.53 | 6.55 |
| Employer Contribution Amount ($000) | 322 | 112,466 | 25,076 | - | 5,771 | 5,242 |
| Employee Contribution Amount ($000) | 188 | 69,881 | 17,123 | - | 9,276 | 3,273 |
| Total 2022 Contribution Amount ($000) | 510 | 182,347 | 42,199 | - | 15,047 | 8,515 |
| **Current 2023 Contribution Rates** | | | | | | |
| Employer Contribution Rate (%) | 10.25 (1) | 10.25 (1) | 10.25 (1) | 0.18 (1) | 5.30 (1) | 10.39 (1) |
| Employee Contribution Rate (%) | 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.

*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. 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 method is provided in the State of Washington 2021 Actuarial Valuation Report (published August 2022), 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, 2021) is shown in Table 14:

**TABLE 14**
**RETIREMENT SYSTEM FUNDED STATUS[(1)]**
**($000,000)**

| | Plan Status | 2021 Actuarial Accrued Liability[(2)] (a) | 2021 Actuarial Valuation of Assets[(3)] (b) | 2021 UAAL[(4)] (a-b) | 2021 Funded Ratio % (b/a) | 2020 Funded Ratio % (b/a) | 2019 Funded Ratio % (b/a) |
|---|---|---|---|---|---|---|---|
| PERS - Plan 1 | Closed in 1977 | $ 11,368 | $ 8,064 | 3,304 | 71 % | 69 % | 65 % |
| PERS - Plan 2/3 | Open | 52,039 | 49,451 | 2,588 | 95 | 98 | 96 |
| PSERS - Plan 2 | Open | 1,039 | 1,013 | 26 | 98 | 101 | 101 |
| LEOFF - Plan 1 | Closed in 1977 | 4,209 | 6,143 | (1,934) | 146 | 148 | 141 |
| LEOFF - Plan 2 | Open | 15,819 | 16,495 | (676) | 104 | 113 | 111 |

(1) As of June 30, 2021, 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 7.0%.

(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: State of Washington 2021 Actuarial Valuation from the Office of the State Actuary*

As shown in Table 14, 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 15 shows historical investment returns for retirement funds held in the WSDRS-administered plans.

**TABLE 15**
**HISTORICAL ONE-YEAR INVESTMENT RETURNS ON RETIREMENT FUNDS**

| Year | Investment Return[(1)] |
|---|---|
| 2013 | 12.4% |
| 2014 | 17.1 |
| 2015 | 4.9 |
| 2016 | 2.7 |
| 2017 | 13.4 |
| 2018 | 10.2 |
| 2019 | 8.4 |
| 2020 | 3.7 |
| 2021 | 28.7 |
| 2022 | 5.4 |

(1) As of June 30.

*Source: Washington State Investment Board*

In accordance with GASB 68, the County's collective net pension liability for all WSDRS pension plans was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability was based was as of June 30, 2020, 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, 2021, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2020, 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 16 represents the aggregate pension amounts for all pension plans subject to the requirements of GASB 68.

**TABLE 16**
**AGGREGATE PENSION AMOUNTS—ALL PLANS, 2021**
**($000)**

| | |
|---|---|
| Net pension liabilities | $105,494 |
| Net pension assets | 1,256,757 |
| Deferred outflows of resources | 138,871 |
| Deferred inflows of resources | 1,197,773 |
| Pension expense/expenditures | (290,854) |

*Source: 2021 Annual Report—Note 9*

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2021 Annual Comprehensive 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, 2021, the County contributed an actuarially estimated $3.9 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, 2021, the County's net OPEB liability was $106.5 million.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2021 Annual Comprehensive 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 professional liability, 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 $70.0 million in limits above the SIR for Metro Transit claims and $71.0 million in limits above the SIR for non-Metro Transit operations. The County maintains $63.5 million in limits for public official errors and omissions and professional liability claims and $48.5 million in limits for medical malpractice claims.

As of December 31, 2022, insurance policies in force covering major exposure areas are as follows:

**TABLE 17**
**INSURANCE POLICIES**

| Coverage | Limits |
|---|---|
| Excess Liability Insurance | $70 million above SIR |
| 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) | $253 million |
| Aviation (Police Helicopter) Program | $50 million |
| Fiduciary Liability | $20 million |
| Fiduciary Liability–Investment Pool | $10 million |
| Crime Insurance/Employee Dishonesty | $2.5 million |
| Excess Workers' Compensation | Statutory above $2 million deductible per occurrence |
| Marine Liability | $150 million |
| Cyber Liability | $30 million |
| Cedar Hill Pollution Legal Liability | $50 million |

*Source: King County Risk Management Office*

The balance of current assets in the Insurance Fund was $64.5 million as of December 31, 2021. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2021, was $101.0 million.

For additional information, see Appendix B—Excerpts from King County's 2021 Annual Comprehensive 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.

## 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 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 Service Summary and Debt Capacity**

Table 18 summarizes the total general obligation debt service requirements of the County. Table 19 shows a computation of the County's debt capacity for voted (UTGO) and non-voted (LTGO) debt for County purposes and for metropolitan functions.

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 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 18**
**AGGREGATE DEBT SERVICE REQUIREMENTS FOR ALL GENERAL OBLIGATION DEBT OF THE COUNTY**
**(FISCAL YEARS ENDING DECEMBER 31)**

| | | LTGO Bonds | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | The Bonds | | | Water Quality | Lease Revenue | Total LTGO |
| Year | UTGO Bonds | Outstanding[(1)] | Principal | Interest | Subtotal[(2)] | Enterprise[(3)] | Bonds | Debt Service |
| 2023 | $ 17,321,025 | $ 123,821,568 | $ 4,980,000 | $ 2,302,083 | $ 131,103,651 | $ 85,186,877 | $ 763,457 | $ 217,053,985 |
| 2024 | 2,854,325 | 118,252,637 | 5,790,000 | 3,501,000 | 127,543,637 | 74,393,894 | 763,621 | 202,701,151 |
| 2025 | 2,870,075 | 115,046,283 | 3,605,000 | 3,211,500 | 121,862,783 | 81,980,289 | 762,683 | 204,605,755 |
| 2026 | 2,867,200 | 105,631,615 | 960,000 | 3,031,250 | 109,622,865 | 79,368,087 | 765,643 | 189,756,595 |
| 2027 | 2,851,325 | 102,241,249 | 1,005,000 | 2,983,250 | 106,229,499 | 75,230,323 | 762,226 | 182,222,048 |
| 2028 | 2,866,825 | 96,963,390 | 2,515,000 | 2,933,000 | 102,411,390 | 70,306,985 | 762,706 | 173,481,081 |
| 2029 | 2,877,825 | 94,027,961 | 3,345,000 | 2,807,250 | 100,180,211 | 91,584,482 | 766,809 | 192,531,502 |
| 2030 | 2,884,325 | 84,084,021 | 3,510,000 | 2,640,000 | 90,234,021 | 82,431,586 | 764,259 | 173,429,866 |
| 2031 | 2,866,825 | 75,940,334 | 3,160,000 | 2,464,500 | 81,564,834 | 72,147,552 | 765,332 | 154,477,717 |
| 2032 | 2,845,700 | 71,669,067 | 3,070,000 | 2,306,500 | 77,045,567 | 64,037,972 | 764,751 | 141,848,290 |
| 2033 | 2,860,450 | 63,027,993 | 3,225,000 | 2,153,000 | 68,405,993 | 56,020,655 | 762,518 | 125,189,166 |
| 2034 | 2,860,900 | 60,188,542 | 2,945,000 | 1,991,750 | 65,125,292 | 34,682,910 | 763,631 | 100,571,833 |
| 2035 | 2,862,150 | 58,003,383 | 4,230,000 | 1,844,500 | 64,077,883 | 42,421,811 | 762,816 | 107,262,509 |
| 2036 | 2,859,100 | 57,983,701 | 4,435,000 | 1,633,000 | 64,051,701 | 40,340,151 | 770,073 | 105,161,925 |
| 2037 | 2,885,900 | 47,148,701 | 4,665,000 | 1,411,250 | 53,224,951 | 39,949,275 | - | 93,174,226 |
| 2038 | 2,882,325 | 46,702,842 | 4,895,000 | 1,178,000 | 52,775,842 | 29,159,925 | - | 81,935,767 |
| 2039 | 2,849,500 | 46,232,753 | 5,140,000 | 933,250 | 52,306,003 | 9,162,825 | - | 61,468,828 |
| 2040 | 2,861,925 | 44,722,078 | 5,400,000 | 676,250 | 50,798,328 | 9,162,825 | - | 59,961,153 |
| 2041 | 2,873,350 | 33,168,082 | 510,000 | 406,250 | 34,084,332 | 9,162,825 | - | 43,247,157 |
| 2042 | - | 2,884,550 | 535,000 | 380,750 | 3,800,300 | 50,762,825 | - | 54,563,125 |
| 2043 | - | 2,051,950 | 560,000 | 354,000 | 2,965,950 | 7,706,825 | - | 10,672,775 |
| 2044 | - | 2,048,650 | 520,000 | 326,000 | 2,894,650 | 7,706,825 | - | 10,601,475 |
| 2045 | - | 2,052,600 | 545,000 | 300,000 | 2,897,600 | 155,801,825 | - | 158,699,425 |
| 2046 | - | 2,053,400 | 570,000 | 272,750 | 2,896,150 | 2,523,500 | - | 5,419,650 |
| 2047 | - | 2,056,050 | 600,000 | 244,250 | 2,900,300 | 2,523,500 | - | 5,423,800 |
| 2048 | - | 2,045,250 | 630,000 | 214,250 | 2,889,500 | 2,523,500 | - | 5,413,000 |
| 2049 | - | 2,051,500 | 660,000 | 182,750 | 2,894,250 | 2,523,500 | - | 5,417,750 |
| 2050 | - | 2,053,900 | 695,000 | 149,750 | 2,898,650 | 74,623,500 | - | 77,522,150 |
| 2051 | - | 1,032,400 | 730,000 | 115,000 | 1,877,400 | - | - | 1,877,400 |
| 2052 | - | 208,000 | 765,000 | 78,500 | 1,051,500 | - | - | 1,051,500 |
| 2053 | - | - | 805,000 | 40,250 | 845,250 | - | - | 845,250 |
| Total | $ 68,901,050 | $ 1,465,394,446 | $ 75,000,000 | $ 43,065,833 | $ 1,583,460,280 | $ 1,353,427,050 | $ 10,700,523 | $ 2,947,587,852 |

Notes to Table 18 are on the following page.

**NOTES TO TABLE 18:**

(1) Excludes the Refunded Bonds. 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. Includes LTGO bonds issued on behalf of the County's Metro Transit Division, which are included as bonds issued for Metropolitan Functions in Table 19.

(2) Total for all County stand-alone LTGO bonds.

(3) These LTGO bonds are secured by an additional pledge of net revenues of the County's Water Quality Enterprise, and are included as bonds issued for Metropolitan Functions in Table 19. Includes debt service on 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, and the Wastewater Treatment Division's Commercial Paper Program. Interest rates on these obligations are assumed to be 3.50%.

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

**TABLE 19**

**COMPUTATION OF STATUTORY DEBT CAPACITY**

**(AS OF DECEMBER 31, 2022, ADJUSTED FOR SUBSEQUENT TRANSACTIONS)**

| | |
|---|---|
| 2022 Assessed Value (for 2023 Tax Year) | $ 879,895,419,279 |
| Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions | |
| 1.5% of Assessed Value | $ 13,198,431,289 |
| ***County Purposes*** | |
| Outstanding LTGO Bonds for County Purposes[1] | $ 1,165,087,759 |
| The Bonds | 75,000,000 |
| Outstanding LTGO Notes for County Purposes | 2,000,000 |
| General Obligation Lease Revenue Bonds for County Purposes[2] | 7,325,000 |
| County Credit Enhancement Program for Housing[3] | 281,215,000 |
| General Obligation Long-Term Liabilities for County Purposes | 133,807,591 |
| Less: Amount Legally Available for Payment of All LTGO Indebtedness for County Purposes | (5,276,622) |
| Net LTGO Debt for County Purposes | $ 1,659,158,728 |
| ***Metropolitan Functions*** | |
| Outstanding LTGO Bonds for Metropolitan Functions | $ 61,485,000 |
| Outstanding LTGO Bonds and Notes (Payable from Sewer Revenues)[4] | 936,442,136 |
| General Obligation Long-Term Liabilities for Metropolitan Functions | 76,212,000 |
| Less: Amount Legally Available for Payment of all LTGO Indebtedness for Metropolitan Functions | (45,321,050) |
| Net LTGO Debt for Metropolitan Functions | $ 1,028,818,086 |
| Total Net LTGO Debt for County Purposes and Metropolitan Functions | $ 2,687,976,814 |
| Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions | $ 10,510,454,475 |
| Total General Obligation Debt Capacity for County Purposes | |
| 2.5% of Assessed Value | $ 21,997,385,482 |
| Outstanding UTGO Debt for County Purposes[5] | 32,415,000 |
| Less: Amount Legally Available for Payment of all UTGO Indebtedness for County Purposes | (1,476,358) |
| Net UTGO Debt for County Purposes | $ 30,938,642 |
| Net LTGO Debt for County Purposes (from above) | 1,659,158,728 |
| Total Net General Obligation Debt for County Purposes | $ 1,690,097,370 |
| Remaining Capacity: General Obligation Debt for County Purposes | $ 20,307,288,112 |
| Total General Obligation Debt Capacity for Metropolitan Functions | |
| 2.5% of Assessed Value | $ 21,997,385,482 |
| Outstanding UTGO Debt for Metropolitan Functions | - |
| Less: Amount Legally Available for Payment of all UTGO Indebtedness for Metropolitan Functions | - |
| Net UTGO Debt for Metropolitan Functions | $ - |
| Net LTGO Debt for Metropolitan Functions (from above) | 1,028,818,086 |
| Total Net General Obligation Debt for Metropolitan Functions | $ 1,028,818,086 |
| Remaining Capacity: General Obligation Debt for Metropolitan Functions | $ 20,968,567,396 |

Notes to Table 19 are on the following page.

**NOTES TO TABLE 19:**

(1) Excludes the Refunded Bonds.

(2) Beginning in 2017, NJB Properties, a Washington nonprofit corporation treated as 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.

(3) Reflects the outstanding principal amount plus accrued interest as of December 31, 2022, under contingent loan agreements authorized by the County Credit Enhancement Programs. See "—Contingent Loan Agreements" below.

(4) Includes $133.380 million, representing the outstanding balance as of December 31, 2022, under the Wastewater Treatment Division's Commercial Paper program, which authorizes the issuance of commercial paper notes from time to time up to a maximum amount of $250,000,000.

(5) A proposition that authorizes the County to issue up to $1.740 billion in general obligation bonds for improvements to Harborview was approved by a supermajority of voters on November 3, 2020. The County's Unlimited Tax General Obligation Bonds, 2021, which were issued on November 3, 2021, represented the first issuance under this authorization, leaving $1.717 billion remaining under the authorization

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

### Net Direct and Overlapping Debt Outstanding

Table 20 lists the net outstanding direct debt of the County and Table 21 shows the overlapping debt payable from taxes on property within the County.

**TABLE 20**
**NET DIRECT DEBT**
**(AS OF DECEMBER 31, 2022, ADJUSTED FOR SUBSEQUENT COUNTY TRANSACTIONS)**

| | |
|---|---|
| Total Net General Obligation Debt for County Purposes[(1)] | $ 1,690,097,370 |
| Total Net General Obligation Debt for Metropolitan Functions[(2)] | 1,028,818,086 |
| Total Net General Obligation Debt | $ 2,718,915,456 |
| General Obligation Debt Serviced by Proprietary-Type Funds[(2)(3)] | (219,715,839) |
| General Obligation Debt Issued for Affordable Housing and Transit-Oriented Development Financed from Hotel-Motel Tax and Housing-Related Service[(2)] | (461,013,117) |
| General Obligation Debt Issued for Component Units[(2)] | (145,456,883) |
| General Obligation Debt Issued for Metropolitan Functions[(2)] | (1,028,818,086) |
| County Credit Enhancement Program[(4)] | (281,215,000) |
| Net Direct Debt | $ 582,696,532 |

(1) Excludes the Refunded Bonds; includes the Bonds.
(2) The debt service on these bonds is payable first from other revenues of the County.
(3) Includes a portion of the Bonds.
(4) Reflects the outstanding principal amount plus accrued interest as of December 31, 2022, under contingent loan agreements authorized by the County Credit Enhancement Program. See "—Contingent Loan Agreements."

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

**TABLE 21**
**NET DIRECT AND OVERLAPPING DEBT AND DEBT RATIOS**
**(AS OF DECEMBER 31, 2022, ADJUSTED FOR SUBSEQUENT COUNTY TRANSACTIONS)**

| | |
|---|---|
| 2022 Assessed Value (for 2023 Tax Year) | $ 879,895,419,279 |
| Net Direct Debt[(1)] | $ 582,696,532 |
| Estimated Overlapping Debt | |
| School Districts | $ 4,930,585,000 |
| City of Seattle | 950,477,000 |
| Other Cities and Towns | 899,244,000 |
| Port of Seattle | 336,890,000 |
| Hospital Districts | 24,962,000 |
| Fire Districts | 64,914,000 |
| Sewer Districts | - |
| Park Districts | 17,444,000 |
| King County Library System | 28,290,000 |
| Library Capital Facilities | - |
| Parks and Recreation Service District | - |
| Total Estimated Overlapping Debt | $ 7,252,806,000 |
| Total Net Direct and Estimated Overlapping Debt | $ 7,835,502,532 |
| County Debt Ratios | |
| Net Direct Debt to Assessed Value | 0.07% |
| Net Direct and Overlapping Debt to Assessed Value | 0.89% |
| 2022 Population (estimated) | 2,317,700 |
| Per Capita Net Direct Debt | $251 |
| Per Capita Net Direct and Overlapping Debt | $3,381 |
| Per Capita Assessed Value | $379,642 |

(1) Excludes the Refunded Bonds; includes the Bonds.

## 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 $281,215,000 as of December 31, 2022.

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 19—"Computation of Statutory Debt Capacity" and Table 20—"Net Direct Debt."

## Bank Agreements

The County from time to time enters into 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 the current facility is shown in Table 22.

**TABLE 22**
**SUMMARY OF BANK AGREEMENTS**

| Series | Amount Outstanding as of 12/31/2022 | Type of Facility | Provider | Expiration | Term-Out Provision(1) | Maturity |
|---|---|---|---|---|---|---|
| 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 agreement.

The County currently intends to keep these bonds outstanding until their stated maturity date. The County intends to replace or extend the credit facility for the Multi-Modal Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), Series 2019A and B, prior to expiration of the credit facility. However, if the County is unable to extend or replace the credit facility or refund the associated bonds, the County would be obligated to repay during a "term-out" period all principal of the related bonds before the stated maturity date. The credit facility 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 any downgrade below certain thresholds of ratings. Remedies include available legal and equitable remedies, including the right of mandamus against the County and its officials.

In addition, if fees for extensions or replacements of the credit facility increase substantially or such extensions or replacements otherwise cease to benefit the County, the County may seek to refund or convert the bonds secured by the credit facility into another interest rate mode, which may increase debt service associated with those bonds above that currently projected by the County. Bonds in the index floating mode are subject to a scheduled mandatory purchase date, and the County may seek to refund or convert these bonds prior to the scheduled mandatory purchase date. See Table 18—"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 LTGO 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 is levying at a rate of $0.96323 per $1,000 of assessed value for the 2023 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 is levying at a rate of $1.24031 per $1,000 of assessed value for the 2023 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 fourth-year rate is $0.20922 per $1,000 of assessed value for 2023. The County's levy rate for conservation futures in 2023 is $0.0625 per $1,000 of assessed value, and its levy rate for transportation-related purposes is $0.03721 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.

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, codified at RCW 84.36.381), 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 23—"Allocation of 2022 and 2023 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 in 2018 for a six-year term by a majority of voters in the County. The 2023 tax rate is $0.02681 per $1,000 of assessed value.

(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 2023 tax year rate is the fourth year of this levy, at a rate of $0.17143 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% each year. This lid lift is exempt for taxpayers in the Senior Exemption Program. The 2023 tax rate is $0.07879 per $1,000 of assessed value. This is the final year of this levy under the current voter approval. The County expects to put a proposal before the voters later this year for a renewal of this levy.

(iv) 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 2023 is $0.04131 per $1,000 of assessed value.

(v) The Best Starts for Kids levy was approved by voters at the 2015 general election and was renewed by voters at the 2021 primary election for an additional six years at a rate of $0.19 per $1,000 of assessed value in 2022, to be increased by no more than 3.0% in each of the remaining five years. The rate for 2023 is $0.16297 per $1,000 of assessed value. This lid lift is exempt for taxpayers in the Senior Exemption Program.

In addition, the County Council voted in January 2023 to propose a behavioral health levy for voter consideration on the April 25, 2023, special election ballot. If passed, this property tax levy would extend for nine years, beginning in 2024 at a rate of $0.145 per $1,000 of assessed value, and would provide approximately $1.25 billion in funding for behavioral health services and capital facilities, including a County-wide crisis care centers network, increased residential treatment, mobile crisis care, post-discharge stabilization, and workforce supports. Eligible seniors, veterans, and disabled persons would be exempt under RCW 84.36.381.

*Tax Increment Financing.* In 2021, 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). As of March 1, 2023, the County has received notice of the intent to form a tax increment area from the City of Kirkland.

*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 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 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 $0.06717 and $0.00778 per $1,000 of assessed value, respectively, for the 2023 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 23 sets forth the allocation of the County-wide, EMS, and unincorporated County (road district) levies.

**TABLE 23**
**ALLOCATION OF 2022 AND 2023 TAX LEVIES**

| County-Wide Levy Assessed Value[(1)] $879,895,419,279 | 2022 Original Taxes Levied ($000) | 2022 Levy Rate ($ per $1,000) | 2023 Original Taxes Levied ($000) | 2023 Levy Rate ($ per $1,000) |
|---|---|---|---|---|
| Items Within Operating Levy[(2)] | | | | |
| General Fund | $ 401,632 | 0.55836 | $ 411,213 | 0.46916 |
| Veteran's Relief | 3,368 | 0.00468 | 3,452 | 0.00393 |
| Human Services | 7,559 | 0.0105 | 7,748 | 0.00883 |
| Intercounty River Improvement | - | 0.00000 | - | 0.00000 |
| Automated Fingerprint Identification System[(3)] | 22,931 | 0.03187 | 23,504 | 0.02681 |
| Parks[(3)] | 133,027 | 0.18584 | 149,483 | 0.17143 |
| Veterans, Seniors, and Human Services[(3)] | 65,562 | 0.09159 | 68,709 | 0.07879 |
| Puget Sound Emergency Radio Network[(3)] | 35,326 | 0.04911 | 36,209 | 0.04131 |
| Best Starts for Kids[(3)] | 135,973 | 0.19000 | 142,102 | 0.16297 |
| Total Operating Levy | $ 805,377 | 1.12195 | $ 842,420 | 0.96323 |
| Conservation Futures Levy[(4)] | $ 22,427 | 0.03117 | $ 23,013 | 0.02625 |
| Conservation Futures Lid Lift | - | 0.00000 | 31,608 | 0.03625 |
| Unlimited Tax G.O. Bonds | | | | |
| (Voter-approved Excess Levy) | 15,670 | 0.02189 | 17,020 | 0.01951 |
| Transportation[(5)] | 31,792 | 0.04419 | 32,620 | 0.03721 |
| Marine Operating (Ferry) | 6,526 | 0.00907 | 6,820 | 0.00778 |
| Flood Control Zone | 58,596 | 0.08146 | 58,880 | 0.06717 |
| Total County-wide Levy | $ 940,387 | 1.30973 | 1,012,381 | 1.15740 |
| EMS Assessed Value[(1)] | | | | |
| $568,476,616,758 | | | | |
| EMS Levy[(6)] | $ 113,289 | 0.24841 | $ 118,896 | 0.20922 |
| Unincorporated County Levy Assessed Value[(1)] | | | | |
| $79,580,887,593 | | | | |
| Unincorporated County Levy (Road District)[(7)] | 96,531 | 1.60120 | 98,706 | 1.24031 |
| Total County Tax Levies | $ 1,150,208 | | $ 1,229,983 | |

(1) 2022 assessed value for taxes payable in 2023.
(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) In November 2019, County voters approved an EMS levy of up to $0.265 per $1,000 of assessed value (of the $0.50 per $1,000 of assessed value that is statutorily permitted). 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 24**
**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 25 presents the assessed value of the taxable property within the County for the current year and the last five years.

**TABLE 25**
**KING COUNTY**
**ASSESSED VALUE**

| Tax Year | Amount | Percentage Change From Previous Year |
|---|---|---|
| 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% |
| 2022 | 722,527,903,972 | 9.55% |
| 2023 | 879,895,419,279 | 21.78% |

*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 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—COVID-19 Recovery."

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 26 shows the County's property tax collection record as of December 31, 2022

**TABLE 26**
**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 | Total Collected as of 12/31/2022 ($000) | Percent of Total Levy Collected as of 12/31/2022 |
|---|---|---|---|---|---|
| 2017 | $ 866,842 | $ 846,388 | 97.64% | $ 856,938 | 98.86% |
| 2018 | 929,813 | 915,950 | 98.51% | 927,531 | 99.75% |
| 2019 | 964,779 | 950,103 | 98.48% | 960,544 | 99.56% |
| 2020 | 1,045,440 | 1,026,741 | 98.21% | 1,040,302 | 99.51% |
| 2021 | 1,075,480 | 1,056,321 | 98.22% | 1,067,341 | 99.24% |
| 2022 | 1,150,208 | 1,128,890 | 98.15% | 1,128,890 | 98.15% |

(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 27 lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2023 tax collection year.

**TABLE 27**
**TEN LARGEST TAXPAYERS IN THE COUNTY**
**2023 TAX COLLECTION YEAR**

| Taxpayer | Assessed Value | AV as Percentage of County's Total AV |
|---|---|---|
| Microsoft | $ 5,113,880,359 | 0.58% |
| Amazon.Com | 4,041,933,852 | 0.46% |
| Boeing | 2,372,016,105 | 0.27% |
| Essex Property Trust | 2,238,609,564 | 0.25% |
| C/O Prologis - RE Tax | 1,280,433,575 | 0.15% |
| Smith Kendra | 1,180,386,300 | 0.13% |
| Union Square LLC | 1,123,040,966 | 0.13% |
| Kilroy Realty | 992,869,236 | 0.11% |
| Onni Properties | 980,190,400 | 0.11% |
| Kemper Development | 958,840,971 | 0.11% |
| Total Assessed Value of Top Ten Taxpayers | $ 20,282,201,328 | 2.31% |
| Total Assessed Value of All Other Taxpayers | 859,613,217,951 | 97.69% |
| 2022 Assessed Value (for 2023 Tax Year) | $ 879,895,419,279 | 100.00% |

*Source: King County Department of Assessments*

## OTHER COUNTY CONSIDERATIONS

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

### 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 received federal COVID-19 relief funding, including a direct allocation of $261.6 million in funding through the CARES Act and in 2021, the County received $437.0 million in funding through the American Rescue Plan Act, for a total of $698.6 million from these two sources. The County also received another $94.8 million through the Department of Treasury's Emergency Rental Assistance Program. These relief programs, and other federal grant funding, are subject to regulations and guidance regarding allowable uses of funds, expenditure reporting, audits, and other compliance requirements. Among other things, these regulations require the County to monitor contractors and subrecipients to which the County awards federal funds to ensure their compliance with applicable federal requirements and to detect and prevent fraud.

The County has implemented, and continues to develop, internal compliance and training programs designed to satisfy federal conditions upon the funds the County has received. The County's failure to satisfy the regulations and guidance governing these funding programs may result in recoupment of funds.

Future federal legislative and executive actions, including updated guidance, may modify or otherwise impact existing requirements and may apply retroactively. See "King County—COVID-19 Recovery."

In general, the County expects that it would have the flexibility to respond to any direct reductions or eliminations of federal funding and to any new or additional restrictions on use. Although the County cannot predict at this time whether reductions in or additional restrictions on federal funding may occur or what form such reductions or restrictions 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. 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 Strategic Climate Action Plan ("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 greenhouse gas ("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 2020 SCAP was proposed by the Executive Committee in August 2020 and unanimously adopted by the County Council in May 2021. 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 have been developed around transportation, energy, public health, emergency preparedness, housing, 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 have been and will be climate impacts on the County. Although the County has not yet developed a methodology for precisely quantifying the impact climate change will have on the County, its population, 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 prepare for, respond to, and 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.

**Public Health**

The COVID-19 pandemic may continue to affect commerce, financial markets, and the Puget Sound region, including as a result of new variants. The County cannot predict the duration and extent of the COVID-19 public health emergency, even as it becomes endemic, nor can the County predict the occurrence of future public health emergencies, including new global pandemics. The dynamic nature of COVID-19 and other public health emergencies leads to uncertainties, including (i) the geographic spread of viruses and variants and the emergence of new variants; (ii) the severity of disease; (iii) the duration of any outbreak or pandemic; (iv) actions that governmental authorities may take to contain or mitigate the outbreak or pandemic; (v) the development, efficacy, and distribution of medical therapeutics and vaccines, vaccination rates, and the efficacy of therapeutics and vaccines to emerged and new variants; (vi) the impact of outbreaks, including pandemics, on the local or global economy; (vii) the introduction and extent of public health measures; and (viii) the impact of the outbreak or pandemic and actions taken in response on County revenues, expenses, and financial condition. 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 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 excerpts from the County's 2021 Annual Comprehensive Financial Report attached as Appendix B include Note 19 concerning non-tort legal matters. As to tort litigation, the County and its agencies are a party to litigation involving tort claims. Information under the heading "King County—Risk Management and Insurance" herein describes the County's self-insurance program and the insurance policies that cover pending tort litigation. 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 in Litigation.* Certain class action litigation is described in Note 19 to the excerpts from the County's 2021 Annual Comprehensive Financial Report attached as Appendix B. 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 ("PSE"). 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. BEW has not filed suit on this claim, but has made several public records requests and filed suit alleging violations of the public records act. The County acknowledged there were some errors in its initial responses to the requests, but disputes the extent of potential penalties. The parties are engaging in settlement discussions prior to the scheduled hearing by the Court to determine penalties, which had been set for mid-April 2023 but will be reset. The County also notified BEW that it could not accept BEW's condensate discharge under the law and its permit from King County Industrial Waste. BEW disputed the County's notice and the County is evaluating its options.

In *State v. Blake*, No. 96873-0 (as amended 4/20/2021), the Washington Supreme Court invalidated Washington's drug possession statute. The effect of this decision is to render void all such convictions dating back to 1971. Under due process, all penalties, fines and restitution ("legal financial obligations" or "LFOs") ordered in connection with simple possession convictions must be refunded. Shortly after the Supreme Court's initial February 25, 2021, *Blake* decision, a putative class action was filed against the County, Snohomish County, and the State seeking a refund of LFOs and other unspecified damages. The obligation to refund LFOs is not disputed, but the question of whether refunds are the responsibility of the respective county or the State is in dispute. The *Blake* decision invalidates at least 54,000 convictions dating back to 1971 and implicates at least $9.5 million in refunds of LFOs related to criminal convictions for simple drug possession obtained for the State out of the County. In fall 2021, the class action law suit was dismissed with prejudice. The Court of Appeals affirmed the dismissal in a published decision. Plaintiffs are seeking further review from the Supreme Court, which should be decided in spring 2023. In its FY 2023 supplemental budget, the State Legislature provided ample funding for the County to process vacations and refund LFOs through FY 2023, with additional funding currently under consideration for FY 2024-2025 as part of the State's biennial budget process.

In December 2021, the State Department of Ecology issued the Puget Sound Nutrient General Permit, which applies to all 58 wastewater treatments plants in the State, including the County's. The County and eight other wastewater utilities have appealed the permit to the Pollution Control Hearings Board ("PCHB") and have also obtained a partial stay of the permit's provisions during the pendency of the appeal. A five-week trial before the PCHB is scheduled to begin May 22, 2023.

**Approval of Counsel**

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

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

**Potential Conflicts of Interest**

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

**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 Bonds are not subject to acceleration. 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. 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 opinion 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 form of Bond Counsel's opinion is set forth in Appendix A.

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.

**Tax Matters**

*General.* In the opinion of Bond Counsel, under existing law and subject to certain qualifications described below, interest on the 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"). Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The proposed form of Bond Counsel's opinion to be delivered on the date of issuance is set forth in Appendix A.

The Code contains a number of requirements that apply to the 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 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

*Original Issue Premium and Discount.* If the initial offering price to the public at which a 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 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 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 Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 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 Bonds under the federal alternative minimum tax.

Under the Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the 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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the 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 Bond premium is not deductible for federal income tax purposes. Owners of premium 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 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 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 Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the County or the owners regarding the tax-exempt status of the 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 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 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 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 Bonds.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022 (H.R. 5376) (the "Act"). The Act imposes a 15% alternative minimum tax on specified corporations' "adjusted financial statement income" (as defined in the Act) for tax years beginning after December 31, 2022. Under the Act, interest on the Bonds may be included in such corporations' "adjusted financial statement income" for the purpose of calculating the alternative minimum tax.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters and 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 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

**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, 2022, 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 D for the form of the Continuing Disclosure Certificate 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. The County's review of its compliance during the past five years did not reveal any material failures to comply with any undertakings in effect during this time. On May 9, 2022, the County timely filed its Water Quality Enterprise Annual Financial Statements for the year ended December 31, 2021. The filing was not linked to certain CUSIP numbers that share base CUSIP 49474F. Upon notification of the unlinked CUSIP numbers, the County linked the 2021 statements to the additional CUSIP numbers.

## OTHER BOND INFORMATION

### Ratings

The Bonds have been rated "Aaa," "AAA," and "AAA" by Moody's Investors Service, Fitch Ratings, 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.

### Purchaser of the Bonds

The Bonds are being purchased by Morgan Stanley & Co. LLC (the "Purchaser") at a price of $86,575,640.05, and will be reoffered at a price of $86,713,616.80. The Purchaser 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 and yields set forth on page i of this Official Statement, and such initial offering prices and yields may be changed from time to time by the Purchaser. After the initial public offering, the public offering prices and yields may be varied from time to time.

Morgan Stanley & Co. LLC, the Purchaser of the Bonds, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC 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 & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

### 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 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 form of opinion or the information provided by DTC, the Purchaser 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

## FORM OF BOND COUNSEL'S OPINION

April 20, 2023

King County, Washington

Re: King County, Washington
Limited Tax General Obligation and Refunding Bonds, 2023, Series A—$75,000,000

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, 2023, Series A, in the principal amount of $75,000,000 (the "Bonds") issued pursuant to Ordinance 19530, passed on November 15, 2022 (the "Bond Ordinance"), and the certificate of award executed by the County's Finance Director to finance various capital projects, refund certain obligations of the County, and to pay the costs of issuing the Bonds and administering the refunding. Capitalized terms used in this opinion have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to redemption prior to maturity as provided in the Official Statement. The County has <u>not</u> designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

Regarding questions of fact material to our opinions, we have relied on representations of the County in the Bond Ordinance 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 Ordinance 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 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 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 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 Bonds will be and is irrevocably set aside, pledged, and appropriated for the payment of the principal of and interest on the 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 Bonds as the same become due.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. 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 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 Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

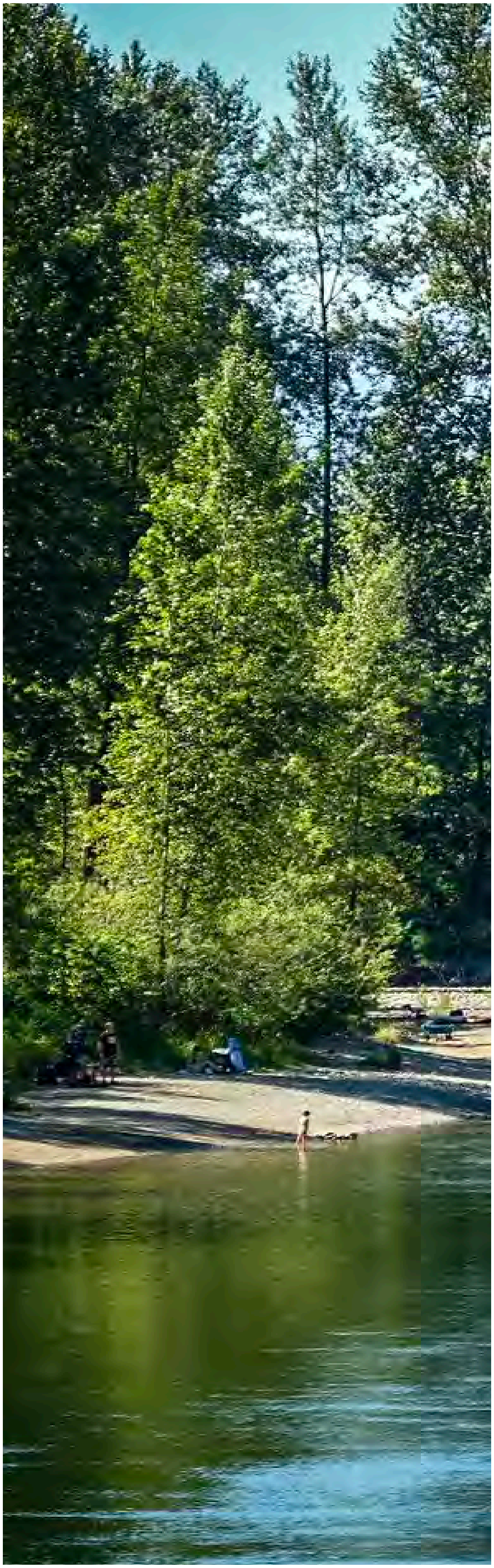
We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the official statement or other offering material related to the Bonds (except to the extent, if any, stated in the official statement), and we express no opinion relating thereto, or relating to the 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 B

## EXCERPTS FROM KING COUNTY’S 2021 ANNUAL COMPREHENSIVE FINANCIAL REPORT



# Financial Section

ACFR

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**For the Fiscal Year**
**January 1 through December 31, 2021**

King County, Washington

# Office of the Washington State Auditor
# Pat McCarthy

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

Council and Executive
King County
Seattle, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County as of and for the year then ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of King County, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Public Transportation, Water Quality, or Solid Waste funds, which in aggregate represent 98 percent, 96 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

### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

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

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining financial statements and schedules 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.

### Other Information

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

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 27, 2022, 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

Pat McCarthy, State Auditor

Olympia, WA

June 27, 2022

## MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

This section of King County’s Annual Comprehensive Financial Report presents a narrative overview and analysis of the financial activities of the County for the year ended December 31, 2021. The County encourages 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, 2021, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $9.53 billion (referred to as *net position* of the primary government). Of this amount, $2.42 billion 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 16 percent or $1.32 billion over last year. Key contributors to the increase include receipt of federal pandemic-era stimulus funds ($0.51 billion), market performance in the County's pension system which generated a new net pension asset this year ($0.21 billion), a recovering local economy emerging from last year's global pandemic which resulted in higher sales and property tax collections, a new "Health Through Housing" chronic homelessness program receiving revenues in advance of expenditures, and an increase in the County's federally-funded affordable housing loan program which uses federal grant revenues to support loans incentivizing the construction of affordable housing.

- The governmental activities component of net position increased 19 percent or $747 million over last year while the business-type activities component increased 13 percent or $570 million.

- The County’s governmental funds reported combined fund balances of $1.85 billion, an increase of 46 percent or $0.59 billion from the prior year. Approximately 9 percent or $167 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 $259 million, or approximately 30 percent of total annual General Fund expenditures. Total fund balance for the General Fund increased 30 percent or $60 million from the prior year.

- Total liabilities of the County increased by 3 percent or $214 million in 2021. The largest percentage change to liabilities were unearned revenues which increased 63 percent or $134 million in the governmental activities from last year due to advance payments received by the County under the American Rescue Plan Act (P.L. 117-2). The largest component of liabilities by size is debt, which increased 6 percent or $310 million. See the section of this document titled "Debt Administration" for more information about changes to the County's 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.

Following the government-wide statements are the fund 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. The County's funds 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 the government-wide financial statements, the 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 four governmental **major funds**, the General Fund, the Behavioral Health Fund, the Housing and Community Development Fund, and the Public 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 major funds, 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. These funds support or benefit primarily governmental rather than business-type functions and those funds have therefore been consolidated within governmental 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 custodial funds are used to account for resources held for the benefit of parties outside the government. This fund group also includes the external investment pool custodial 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 post-employment 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. King County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $9.53 billion at December 31, 2021 as shown in the table below.

**King County's Net Position**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Assets** | | | | | | |
| Current and other assets[(a)] | $ 3,746,851 | $ 2,314,814 | $ 4,010,888 | $ 3,043,861 | $ 7,757,739 | $ 5,358,675 |
| Capital assets[(a)] | 3,895,388 | 3,582,625 | 6,128,577 | 6,217,033 | 10,023,965 | 9,799,658 |
| Total Assets | 7,642,239 | 5,897,439 | 10,139,465 | 9,260,894 | 17,781,704 | 15,158,333 |
| **Deferred Outflows of Resources** | 110,130 | 133,108 | 222,895 | 244,928 | 333,025 | 378,036 |
| **Liabilities** | | | | | | |
| Long-term liabilities | 1,603,158 | 1,323,101 | 4,601,093 | 4,880,551 | 6,204,251 | 6,203,652 |
| Other liabilities[(a)] | 692,141 | 629,262 | 420,141 | 269,491 | 1,112,282 | 898,753 |
| Total Liabilities | 2,295,299 | 1,952,363 | 5,021,234 | 5,150,042 | 7,316,533 | 7,102,405 |
| **Deferred Inflows of Resources** | 741,049 | 109,101 | 525,349 | 109,920 | 1,266,398 | 219,021 |
| **Net Position** | | | | | | |
| Net investment in capital assets[(a)] | 3,010,293 | 2,942,708 | 2,194,694 | 2,301,448 | 5,204,987 | 5,244,156 |
| Restricted[(a)] | 1,581,076 | 1,169,765 | 325,505 | 247,267 | 1,906,581 | 1,417,032 |
| Unrestricted[(a)] | 124,652 | (143,390) | 2,295,578 | 1,697,145 | 2,420,230 | 1,553,755 |
| Total Net Position | $ 4,716,021 | $ 3,969,083 | $ 4,815,777 | $ 4,245,860 | $ 9,531,798 | $ 8,214,943 |

(a) Prior year balances restated. See *Note 18 - Components of Fund Balance, Restrictions and Restatements*.

The largest portion of King County's net position, 55 percent or $5.20 billion, reflects its net investment in capital assets. The County employs these long-lived assets in providing a variety of services to its residents. 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, 20 percent or $1.91 billion, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2.42 billion is unrestricted. A negative unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources. One source of negative net position for the governmental activities is negative unassigned fund balance, which is shown for some nonmajor funds in the governmental funds section. Negative unassigned fund balance results when liabilities and deferred inflows of resources exceed assets; or, when the sum of nonspendable, restricted, and committed fund balance exceeds total fund balance.

King County’s overall net position increased 16 percent or $1.32 billion 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 year, net position for the governmental activities increased 19 percent or $0.75 billion for an ending balance of $4.72 billion. Net position invested in capital assets comprised 63 percent of total net position in the governmental activities, or $3.01 billion, an increase from the prior year of 2 percent. 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 $1.58 billion including $0.64 billion for health and human services; $0.21 billion for pensions; $0.17 billion for economic environment; $0.17 billion for law, safety, and justice; and, $0.17 billion for culture and recreation. Other restrictions, each individually less than $0.10 billion, constituted the remaining $0.22 billion.

Governmental activities accounted for 57 percent of the total improvement in net position of the County. The total revenues for governmental activities were $3.25 billion, an increase of 17 percent or $467 million from the prior year. Revenue increases were primarily driven by pandemic-related Federal mitigation and stimulus payments. The County earned pandemic revenues through two new and two existing programs this year totaling $284 million. The new programs were both administered by US Treasury: the Coronavirus State and Local Fiscal Recovery Fund ($102 million) and the Emergency Rental Assistance program ($45 million). The existing programs renewed this year included Public Assistance grants from the Federal Emergency Management Agency ($87 million, up from $66 million last year) and US Treasury's Coronavirus Relief Fund ($50 million, down from $244 million last year). With the exception of the Coronavirus Relief Fund, these revenues are reported in the operating grants and contributions column in the Statement of Activities which, in total for the governmental activities, increased 116 percent or $354 million from last year. The second largest contributor to revenue growth was charges for services, which increased 19 percent or $167 million. The increase in charges for services revenue was from an increased number of Medicaid patients utilizing the County's allopathic and behavorial health services.

Expenses for governmental activities during the year remained essentially flat, decreasing only $7 million. However, at the function level, some functions had more expenses this year while others had less. Expense increases were focused on health and human services (HHS) due to pandemic impacts. HHS expenses overall increased 17 percent or $164 million from last year, concentrated in the Housing and Community Development fund which tripled to $507 million primarily driven by $146 million in new rental assistance expenses, and the Public Health fund where expenses increased 31 percent or $85 million primarily driven by $52 million in increased payments to partner agencies assisting with the pandemic testing and vaccination effort. The largest reduction of expense occurred in law, safety, and justice, where expenditures decreased 11 percent or $93 million. The reduction was principally due to a reduction in pension expense for the employees assigned to this function, which dropped $88 million from last year. According to the Washington State Department of Retirement Systems (DRS), which administers the multi-employer plans the County's employees participate in, market returns are the primary reason. The Commingled Trust Fund (CTF) achieved investment performance yield more than six times higher in 2021 than 2020. Please see *Note 9: Pension Plans* for more information about the retirement plans available to County employees and their performance.

**Changes in Net Position**
**(in thousands)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| **Revenues** | | | | | | |
| Program revenues | | | | | | |
| Charges for services[b] | $ 1,061,373 | $ 893,948 | $ 966,859 | $ 968,113 | $ 2,028,232 | $ 1,862,061 |
| Operating grants and contributions | 658,780 | 304,901 | 434,058 | 533,111 | 1,092,838 | 838,012 |
| Capital grants and contributions | 41,176 | 17,527 | 31,469 | 28,087 | 72,645 | 45,614 |
| General revenues | | | | | | |
| Property taxes | 1,032,397 | 1,006,670 | 37,347 | 36,471 | 1,069,744 | 1,043,141 |
| Retail sales and use taxes | 368,327 | 247,725 | 749,616 | 637,425 | 1,117,943 | 885,150 |
| Other taxes | 30,571 | 23,151 | — | — | 30,571 | 23,151 |
| Coronavirus relief funds | 50,104 | 243,687 | — | 1,451 | 50,104 | 245,138 |
| Unrestricted interest earnings | 2,415 | 40,304 | (7,639) | 33,080 | (5,224) | 73,384 |
| Total revenues | 3,245,143 | 2,777,913 | 2,211,710 | 2,237,738 | 5,456,853 | 5,015,651 |
| **Expenses[a]** | | | | | | |
| General government[b] | 203,142 | 251,895 | — | — | 203,142 | 251,895 |
| Law, safety and justice | 725,732 | 819,211 | — | — | 725,732 | 819,211 |
| Physical environment | 25,590 | 22,253 | — | — | 25,590 | 22,253 |
| Transportation[b] | 99,902 | 105,292 | — | — | 99,902 | 105,292 |
| Economic environment[b] | 199,899 | 229,144 | — | — | 199,899 | 229,144 |
| Health and human services | 1,137,703 | 973,277 | — | — | 1,137,703 | 973,277 |
| Culture and recreation | 89,839 | 93,454 | — | — | 89,839 | 93,454 |
| Interest and other debt service costs | 24,435 | 18,400 | — | — | 24,435 | 18,400 |
| Airport | — | — | 30,980 | 30,816 | 30,980 | 30,816 |
| Public transportation[b] | — | — | 1,001,312 | 1,063,782 | 1,001,312 | 1,063,782 |
| Solid waste | — | — | 125,740 | 136,081 | 125,740 | 136,081 |
| Water quality[b] | — | — | 468,551 | 477,359 | 468,551 | 477,359 |
| Other enterprise activities[b] | — | — | 7,173 | 7,771 | 7,173 | 7,771 |
| Total expenses | 2,506,242 | 2,512,926 | 1,633,756 | 1,715,809 | 4,139,998 | 4,228,735 |
| Increase in net position before transfers | 738,901 | 264,987 | 577,954 | 521,929 | 1,316,855 | 786,916 |
| Transfers | 8,037 | 6,211 | (8,037) | (6,211) | — | — |
| Increase in net position | 746,938 | 271,198 | 569,917 | 515,718 | 1,316,855 | 786,916 |
| Net position, beginning of year[c] | 3,969,083 | 3,697,885 | 4,245,860 | 3,730,142 | 8,214,943 | 7,428,027 |
| Net position, end of year | $ 4,716,021 | $ 3,969,083 | $ 4,815,777 | $ 4,245,860 | $ 9,531,798 | $ 8,214,943 |

(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 $203 million in general government expense consists of $257 million in direct program expenses reduced by indirect charges of $54 million that was charged to the other benefiting functions.

(b) 2020 revenues and expenses 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 $4.82 billion, increasing by 13 percent or $570 million from the prior year. Of the total net position for business-type activities, 46 percent or $2.19 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 $326 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 47 percent or $2.30 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 $4.82 billion comprised 51 percent of the total County net position at the end of 2021. Business-type activities accounted for 43 percent of the total increase in the County's aggregate net position during the year. This growth in net position was due primarily to reduction in expenses which outpaced the reduction in revenues.

Total revenues of business-type activities were $2.21 billion, a decrease of 1 percent or $26 million from last year. The largest reduction came from operating grants and contributions, which dropped 19 percent or $99 million as Federal pandemic-era operating support began to tail off and transition back to its historic role supporting capital investments. While revenues in the business-type activities decreased in total, some revenue sources increased. The largest increase was retail sales and use taxes which rebounded along with the local economy as pandemic-related restrictions eased. The business-type activities reported $750 million in retail sales and use tax revenues in 2021, an increase of 18 percent or $112 million.

Business-type activity expenses decreased 5 percent or $82 million over the prior year for all business-type activities taken together. The Public Transportation Enterprise had the largest decrease in expense on an absolute basis, dropping 6 percent or $62 million. The decrease relative to last year was due primarily to reductions in personnel services as the enterprise benefits from reduced benefit and post-employment benefit expense and continues to rightsize its workforce to post-pandemic demand. While business-type activities taken together decreased, not all activities within the classification decreased. The King County International Airport (KCIA) saw an increase of expense, at 1 percent or $164 thousand. These increased costs are primarily related to planning, preliminary design and construction staging costs associated with new projects in the airport's capital improvement plan to improve runways and facilities; these projects have not progressed to the point where costs may be capitalized.

## 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, 2021, the County's governmental funds reported a combined fund balance of $1.85 billion, an increase of 46 percent or $0.59 billion in comparison with the prior year. Approximately 9 percent or $167 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, $326 million, 2) restricted for particular purposes, $1,270 million, 3) committed for particular purposes, $44 million, or 4) assigned for particular purposes, $40 million.

The **General Fund** is the chief operating fund of the County. At the end of the 2021 fiscal year, total fund balance for the General Fund was $261 million. Unassigned fund balance totaled $222 million, an increase of 67 percent or $89 million from 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 $870 million. The unassigned fund balance of $222 million represents 26 percent of total General Fund expenditures, an increase of 11 percent from 2020 while the total fund balance of $261 million represents 30 percent of total expenditures in 2021, an increase from 22 percent in 2020.

Fund balance of the General Fund increased by 30 percent or $60 million during 2021. The increase in fund balance was due to a reduction in spending from the prior year. The notable revenue streams contributing to the increase of fund balance are property taxes at 39 percent of total revenues, charges for services at 29 percent of total revenues, retail sales and use taxes at 17 percent of total revenues, and intergovernmental revenues at 8 percent of total revenues. Property taxes are budgeted on a biennial basis at the level needed. Charges for services are mostly comprised of contracts with other jurisdictions to provide legal, law enforcement and rehabilitation, and detention services. Total expenditures decreased by 5 percent or $46 million. The main expenditures are for law, safety and justice at 75 percent of total expenditures, related to contract costs with other jurisdictions, and general government at 19 percent of total expenditures, related to general operation costs such as elections, records and licensing, finance and budgeting and legislative expenditures. Law, safety and justice expenditures in the Office of Emergency Management and Department of Public Safety decreased $25 million over the prior year due to a reduction in COVID-19 pandemic response costs. General government costs decreased $11 million from the prior year due to high costs related to pandemic response in 2020.

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 2021, it had a total fund balance of $38 million, an increase from a total fund balance deficit of $31 million last year.

The increase in fund balance in the current year was caused by earning more revenues, $358 million, than incurring costs on programs, $295 million. Charges for services increased by $57 million over the prior year due to increased revenue from Medicaid and managed care organizations. Intergovernmental revenues nearly doubled to $30 million, due to COVID-19 relief grants.

The **Housing and Community Development Fund** collects revenue from federal, state, and other funding sources to support housing and community development projects such as development of affordable and special needs housing, homeless prevention and supportive services, housing repairs, and community development projects that improve the livability of neighborhoods and communities. At the end of 2021, it had a total fund balance of $589 million, an increase from a total fund balance of $305 million last year.

The increase in fund balance in the current year was primarily due to proceeds from a new bond issuance of $451 million exceeding the current year project costs of $212 million. Intergovernmental revenues increased over the prior year by $193 million from COVID-19 pandemic relief grants to support eviction prevention and rental assistance programs.

The **Public Health Fund** finances health service centers located through King County and public health programs. The Public Health Fund supports clinical health services primary care assurance, management and business practice, population and targeted community health services. At the end of 2021, it had a total fund balance of $39 million, an increase from a total fund balance of $34 million last year.

Although both revenues and expenditures increased significantly in 2021, the year ended with revenues exceeding expenditures resulting in a $5 million or 14 percent increase in fund balance. Transfers from Best Start for Kids increased $17 million over the prior year. 2020 transfers were low due to the postponement of activities in response to the COVID-19 pandemic.

**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, 2021, the County's proprietary funds reported a combined net position of $4.82 billion, an increase of 13 percent or $570 million compared to the prior year. The Public Transportation Enterprise net position increased 16 percent or $486 million; the Water Quality Enterprise net position increased by 10 percent or $89 million; and the Solid Waste Enterprise net position increased by 149 percent or $20 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2021, the Public Transportation Enterprise had total net position of $3.56 billion of which 44 percent or $1.57 billion was invested in capital assets net of associated debt; 2 percent or $68 million was restricted for capital projects, debt service and pensions; and, 54 percent or $1.92 billion was unrestricted. Unrestricted net position increased from the prior year by 35 percent or $501 million. The increase is due to keeping expenses under revenues. The key revenues that help to increase the Enterprise's net position are sales taxes at $750 million or 52 percent of total revenue; intergovernmental revenue at $424 million or 29 percent of total revenue; service contracts at $155 million or 11 percent of total revenue and passenger fares at $59 million or 4 percent of total revenue. Intergovernmental revenue included $359 million in funding from the American Rescue Plan Act (ARPA). Total operating expenses decreased by $143 million from the prior year, with personal services experiencing the largest decrease at $148 million primarily due to pension expense credits, offset by an increase in miscellaneous expenses of $15 million.

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 2021, the Water Quality Enterprise reported total net position of $982 million of which 42 percent or $410 million was invested in capital assets net of the related debt; 25 percent or $251 million was restricted for debt service, pensions and regulatory assets and environmental liabilities; and the remaining 33 percent or $321 million was unrestricted. Total net position improved by $89 million due to continually posting positive results from operations. The Enterprise reported $420 million in sewage disposal fees, an increase of $2 million or 1 percent from the prior year. Remaining operating revenues of $115 million increased by $2 million or 2 percent. The Enterprise incurred $326 million in total operating expenses, mainly comprised of

$170 million in depreciation and amortization expenses, personal services of $43 million and internal services of $41 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 2021, the Solid Waste Enterprise reported total net position of $34 million of which $125 million was invested in capital assets net of the related debt; $5 million was restricted for pensions; and the remainder (a deficit of $96 million) was unrestricted. A deficit unrestricted net position represents more liabilities and deferred inflows of resources than assets and deferred outflows of resources. Total net position increased by $20 million over the prior year. The Enterprise reported $134 million in solid waste disposal charges, an increase of $1 million from the prior year. The Enterprise incurred $129 million in total operating expenses, mainly comprised of personal services of $45 million, contract services and other charges of $28 million and depreciation of $21 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 2021-2022 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 $297 million in expenditures due to supplemental budget appropriations, which included COVID-19 response. The largest increases to estimated revenues are for intergovernmental revenues, sales and use taxes, and property taxes.

Budget increases were made during the budget period to the following county functions (listing appropriations with the most significant contributions to the increase): General government by $107 million (Office of Performance, Strategy and Budget; Office of Equity and Social Justice); Law, safety, and justice by $87 million (Prosecuting Attorney; Superior Court); Economic environment by $38 million (Jobs and Housing Program); Health and human services by $12 million (Jail Health Services); and transfers by $53 million (Transfers to Department of Health and Human Services; Transfers to Department of Public Health; CIP Transfers to Department of Executive Services for various capital projects).

**Final Budget Compared to Actual Results** Property taxes are the largest revenue source in the General Fund, accounting for 36 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 26 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 spending in the economy, which is influenced by various factors.

The actual budgetary basis expenditures were $1.27 billion less than the final appropriation, due primarily to this being the first year of the biennial budget. Law, safety, and justice and general government comprise the largest amounts of expenditures at 67 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, 2021, amounted to $3.90 billion for governmental activities and $6.13 billion for business-type activities totaling $10.03 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 $224 million, net of depreciation.

Major capital asset events during 2021 included the following:

- The parking garage for the recently completed Patricia H. Clark Children and Family Justice Center was placed into operations in the summer 2021, with costs totaling $41 million.
- Public Transportation acquired land (South Access Base) at a cost of $11 million.

- Puget Sound Emergency Radio Network (PSERN) is engaged in replacing the existing emergency communications 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 $293 million; $171 million has been spent through 12/31/2021. The radio network is anticipated to be operational in 2023.

- Solid Waste has completed 90 percent design and is initiating 100 percent design of the South County Recycling and Transfer Station (SCRTS). The purpose of this transfer station is to replace the 1960s era Algona Transfer Station and offer new recycling and hazardous waste disposal services to the community. Project construction is expected to begin the first quarter of 2023 and is estimated to last about 3 years, with the new transfer station expected to open to the public in Spring of 2026. Total cost of the new transfer station is estimated at $196 million.

A summary of the 2021 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 | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Land and land rights [b] | $ 1,244.5 | $ 1,142.8 | $ 479.4 | $ 472.5 | $ 1,723.9 | $ 1,615.3 |
| Buildings[a] | 829.8 | 676.9 | 1,593.3 | 1,668.5 | 2,423.1 | 2,345.4 |
| Leasehold Improvements[a] | 39.8 | 28.3 | 2.3 | 2.5 | 42.1 | 30.8 |
| Improvements other than buildings[a] | 124.8 | 98.1 | 332.4 | 313.3 | 457.2 | 411.4 |
| Infrastructure - roads and bridges | 1,161.7 | 1,140.6 | — | — | 1,161.7 | 1,140.6 |
| Infrastructure - other[a] | 46.0 | 47.8 | 1,693.5 | 1,740.5 | 1,739.5 | 1,788.3 |
| Equipment, software and art collection[a][b] | 149.7 | 159.5 | 1,127.6 | 1,271.1 | 1,277.3 | 1,430.6 |
| Construction in progress | 299.1 | 288.6 | 900.1 | 748.6 | 1,199.2 | 1,037.2 |
| Total | $ 3,895.4 | $ 3,582.6 | $ 6,128.6 | $ 6,217.0 | $ 10,024.0 | $ 9,799.6 |

(a) Net of Depreciation

(b) 2020 Governmental Activities and Business-Type Activities Balance Restated. See Note 7 - Capital Assets

## 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 181 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 10 bridges at or below this threshold.

The amount budgeted for 2021 roads preservation and maintenance was $81 million, but the actual amount expended was $49 million. For maintenance and preservation of bridges, the amount budgeted for 2021 was $31 million, but the actual expended amount was $8 million. The variance between budget and spending is due to supplemental budget and remaining work under contract to be completed in 2021.

## Debt Administration

At the end of 2021, King County had a total of $5.20 billion in debt outstanding. Of this amount, $2.38 billion comprises of debt backed by the full faith and credit of the County. The other $2.82 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 | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| General Obligation bonds | $ 1,124.0 | $ 684.5 | $ 1,248.2 | $ 1,136.5 | $ 2,372.2 | $ 1,821.0 |
| General Obligation capital leases[a] | 7.4 | 7.8 | — | — | 7.4 | 7.8 |
| Revenue bonds | — | — | 2,720.0 | 2,817.4 | 2,720.0 | 2,817.4 |
| State revolving loans | — | — | 104.2 | 247.3 | 104.2 | 247.3 |
| Total | $ 1,131.4 | $ 692.3 | $ 4,072.4 | $ 4,201.2 | $ 5,203.8 | $ 4,893.5 |

[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.

Bond amounts are presented inclusive of associated premiums and discounts. See *Note 15 - Liabilities* for detail.

Total debt increased over the previous year by 6 percent or $310 million (a 63 percent or $439 million increase for governmental activities and 3 percent or $129 million decreased for business-type activities). Governmental activities' outstanding debt increased primarily due to reductions of $76 million for debt service payments and $30 million for defeasance of bonds and increases for the issuance of $543 million in both new limited tax general obligation bonds and refunding general obligation bonds, with related net premiums of $3 million.

Business-type activities' outstanding debt decreased primarily due to the issuance of $730 million in new limited tax general obligation bonds ($359 million) and Sewer Revenue bonds ($371 million) and reductions of $305 million in debt service payments and the defeasance of $403 million in refunded bonds. State revolving loans decreased by 58 percent or $143 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 both its limited tax general obligation debt and unlimited tax general obligation debt. 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 $18.06 billion, significantly higher than the County's outstanding net general obligation long-term liabilities of $953 million. For metropolitan functions the debt limitation is also $18.06 billion and the County's outstanding net general obligation debt for metropolitan functions is $1.13 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

Items of note within King County:

- King County's seasonally-adjusted unemployment rate was 3.1 percent in December 2021, lower than state and national unemployment rates, which were 4.5 percent and 3.9 percent, respectively. King County average employment increased by 2.0 percent in 2021. Boeing shed more jobs as the aerospace sector continued to contract. Two of the region's prominent private employers, Amazon and Microsoft, retain strong demand for their products and services. The COVID-19 pandemic hamstrung the leisure and hospitality sector in King County. Restrictions and safety concerns at restaurants, bars, recreational facilities, and hundreds of other leisure related businesses across the state has led to substantial job losses in that sector, which has still not fully recovered as of early 2022. Some restaurants and bars have closed for good. For a longer-term retrospective on unemployment trends, see the *Demographic and Economic Indicators* table in the Statistical section of this report; however, note the unemployment statistics quoted there are annual averages and not a point-in-time measure as reported here.

- Taxable retail sales growth was robust in the years prior to 2020 thanks to growing incomes, optimistic consumer confidence, strong employment, and a thriving construction sector. Local retail sales tax collections grew 11 percent in 2018, 4 percent in 2019, then *declined* 4 percent in 2020 due to the pandemic before growing 17 percent in 2021. Taxable sales have strongly rebounded in most sectors with the exception being the leisure and hospitality sector which is still not back to pre-pandemic (2019) levels.

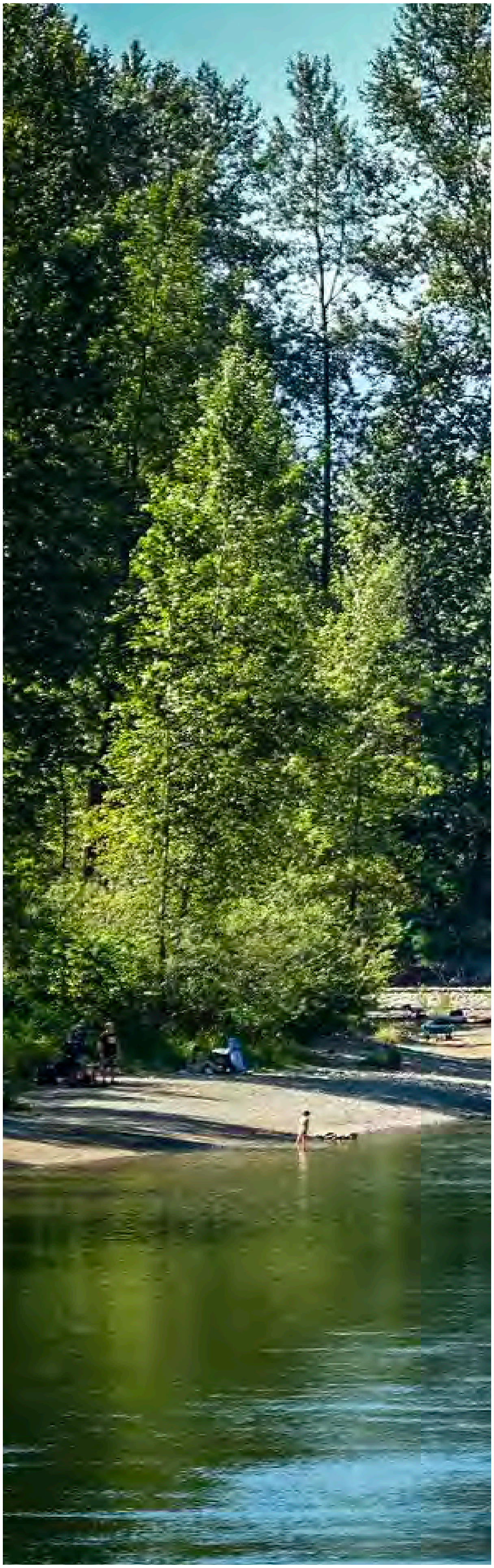
- Inflation took off in 2021. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-STB) increased by 4.8 percent, up from 1.9 percent in 2020. The national CPI for All Urban Consumers (CPI-U-US) increased 4.7 percent during the same period.

In addition to managing the public health side of the pandemic, 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 four 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 six percent to eight percent, which is the maximum amount under county policy. These reserves buffered the effects of the pandemic as the County spent down reserves in the General Fund to just above the six percent minimum during the last budget. The county is willing to make difficult decisions 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 balance revenues more flexibly 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
201 S Jackson St, Ste 0714
Seattle, WA  98104-3854



# Basic Financial Statements

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ANNUAL COMPREHENSIVE
FINANCIAL REPORT

**For the Fiscal Year**
**January 1 through December 31, 2021**

King County, Washington

**STATEMENT OF NET POSITION**
**DECEMBER 31, 2021**
(IN THOUSANDS)

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 1,964,740 | $ 2,401,149 | $ 4,365,889 | $ 469,751 |
| Investments | — | 15,795 | 15,795 | — |
| Receivables, net | 554,252 | 697,739 | 1,251,991 | 220,438 |
| Internal balances | (85,559) | 85,559 | — | — |
| Due from component unit | 10,115 | — | 10,115 | — |
| Due from primary government | — | — | — | 9,881 |
| Inventories | 3,903 | 36,577 | 40,480 | 10,891 |
| Prepayments and other assets | 37,661 | 4,354 | 42,015 | 10,040 |
| Net pension asset | 798,805 | 457,952 | 1,256,757 | 1,974 |
| Nondepreciable capital assets | 2,716,393 | 1,378,553 | 4,094,946 | 8,224 |
| Depreciable capital assets, net | 1,178,995 | 4,750,024 | 5,929,019 | 260,670 |
| Net investment in capital lease with primary government | — | — | — | 7,402 |
| Deposits with other governments | — | — | — | 4,873 |
| Regulatory assets - environmental remediation | — | 163,300 | 163,300 | — |
| Other assets | 462,934 | 148,463 | 611,397 | 28,715 |
| Total assets | 7,642,239 | 10,139,465 | 17,781,704 | 1,032,859 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows on refunding | 15,965 | 166,291 | 182,256 | — |
| Deferred outflows on pensions | 86,423 | 52,448 | 138,871 | 324 |
| Deferred outflows on other post employment benefits | 4,702 | 923 | 5,625 | 10 |
| Deferred outflows on asset retirement obligations | 3,040 | 3,233 | 6,273 | — |
| Total deferred outflows of resources | 110,130 | 222,895 | 333,025 | 334 |
| **LIABILITIES** | | | | |
| Accounts payable and other current liabilities | 257,987 | 296,644 | 554,631 | 82,361 |
| Accrued liabilities | 75,237 | 105,872 | 181,109 | 62,773 |
| Due to component unit | 4,861 | — | 4,861 | — |
| Due to primary government | — | — | — | 14,635 |
| Unearned revenues | 346,654 | 17,625 | 364,279 | 54,796 |
| Capital lease payable to component unit | 7,402 | — | 7,402 | — |
| Noncurrent liabilities: | | | | |
| Due within one year | 175,086 | 191,678 | 366,764 | 7,168 |
| Due in more than one year | 1,428,072 | 4,409,415 | 5,837,487 | 67,044 |
| Total liabilities | 2,295,299 | 5,021,234 | 7,316,533 | 288,777 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows on forgivable loans | 8,597 | — | 8,597 | — |
| Deferred inflows on refunding | — | 1,553 | 1,553 | — |
| Deferred inflows on pensions | 722,233 | 475,540 | 1,197,773 | 2,065 |
| Rate stabilization | — | 46,250 | 46,250 | — |
| Deferred inflows on other post employment benefits | 10,219 | 2,006 | 12,225 | — |
| Total deferred inflows of resources | 741,049 | 525,349 | 1,266,398 | 2,065 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 3,010,293 | 2,194,694 | 5,204,987 | 268,894 |
| Restricted for: | | | | |
| Capital projects | 54,179 | 6,335 | 60,514 | — |
| Debt service | 2,697 | 132,550 | 135,247 | — |
| Pensions | 213,014 | 75,736 | 288,750 | — |
| Economic environment | 172,576 | — | 172,576 | — |
| Health and human services - expendable | 640,455 | — | 640,455 | 10,946 |
| Other purposes | 498,155 | — | 498,155 | 3,395 |
| Regulatory assets and environmental liabilities | — | 110,884 | 110,884 | — |
| Unrestricted | 124,652 | 2,295,578 | 2,420,230 | 454,487 |
| Total net position | $ 4,716,021 | $ 4,815,777 | $ 9,531,798 | $ 737,722 |

The notes to the financial statements are an integral part of this statement.

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2021
(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 | $ 257,128 | $ (53,986) | $ 253,235 | $ 15,884 | $ 1,568 | $ 67,545 | $ — | $ 67,545 | $ — |
| Law, safety and justice | 723,900 | 1,832 | 127,945 | 56,759 | 450 | (540,578) | — | (540,578) | — |
| Physical environment | 24,836 | 754 | 66,663 | 3,397 | — | 44,470 | — | 44,470 | — |
| Transportation | 97,168 | 2,734 | 8,942 | 16,828 | 147 | (73,985) | — | (73,985) | — |
| Economic environment | 196,066 | 3,833 | 62,240 | 12,398 | 663 | (124,598) | — | (124,598) | — |
| Health and human services | 1,128,461 | 9,242 | 538,071 | 542,593 | — | (57,039) | — | (57,039) | — |
| Culture and recreation | 88,138 | 1,701 | 4,277 | 10,921 | 38,348 | (36,293) | — | (36,293) | — |
| Interest and other debt service costs | 24,435 | — | — | — | — | (24,435) | — | (24,435) | — |
| Total governmental activities | 2,540,132 | (33,890) | 1,061,373 | 658,780 | 41,176 | (744,913) | — | (744,913) | — |
| Business-type activities: | | | | | | | | | |
| Airport | 30,337 | 643 | 29,841 | 9,005 | 4,548 | — | 12,414 | 12,414 | — |
| Public Transportation | 976,186 | 25,126 | 225,729 | 423,761 | 24,291 | — | (327,531) | (327,531) | — |
| Solid Waste | 122,488 | 3,252 | 146,677 | 185 | — | — | 21,122 | 21,122 | — |
| Water Quality | 463,777 | 4,774 | 554,656 | 1,107 | 2,630 | — | 89,842 | 89,842 | — |
| Institutional Network | 2,158 | 59 | 3,404 | — | — | — | 1,187 | 1,187 | — |
| Radio Communications Services | 4,920 | 36 | 6,552 | — | — | — | 1,596 | 1,596 | — |
| Total business-type activities | 1,599,866 | 33,890 | 966,859 | 434,058 | 31,469 | — | (201,370) | (201,370) | — |
| Total primary government | $ 4,139,998 | $ — | $ 2,028,232 | $ 1,092,838 | $ 72,645 | $ (744,913) | $ (201,370) | $ (946,283) | $ — |
| **Component Units** | $ 1,171,021 | | $ 1,110,211 | $ 59,981 | $ 310 | | | | $ (519) |
| General revenues: | | | | | | | | | |
| Property taxes | | | | | | $ 1,032,397 | $ 37,347 | $ 1,069,744 | $ — |
| Retail sales and use taxes | | | | | | 368,327 | 749,616 | 1,117,943 | — |
| Business and other taxes | | | | | | 30,571 | — | 30,571 | — |
| Coronavirus relief funds | | | | | | 50,104 | — | 50,104 | — |
| Investment gains (losses) | | | | | | 2,415 | (7,639) | (5,224) | 5,849 |
| Transfers | | | | | | 8,037 | (8,037) | — | — |
| Total general revenues and transfers | | | | | | 1,491,851 | 771,287 | 2,263,138 | 5,849 |
| Change in net position | | | | | | 746,938 | 569,917 | 1,316,855 | 5,330 |
| Net position - January 1, 2021 (Restated) | | | | | | 3,969,083 | 4,245,860 | 8,214,943 | 737,021 |
| Net position - December 31, 2021 | | | | | | $ 4,716,021 | $ 4,815,777 | $ 9,531,798 | $ 742,351 |

The notes to the financial statements are an integral part of this statement.

# ACFR

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2021**
(IN THOUSANDS)
(PAGE 1 OF 2)

| | GENERAL FUND | BEHAVIORAL HEALTH FUND | HOUSING AND COMMUNITY DEVELOPMENT FUND |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 165,759 | $ 34,031 | $ 293,411 |
| Taxes receivable-delinquent | 12,308 | 70 | — |
| Accounts receivable, net | 9,376 | 10,322 | — |
| Interest receivable | 20,917 | — | 285 |
| Due from other funds | 6,163 | 5,723 | 9,412 |
| Interfund short-term loans receivable | — | — | — |
| Due from other governments, net | 110,722 | 12,435 | 38,072 |
| Due from component unit | 20 | — | — |
| Inventory | — | — | — |
| Prepayments | 43 | — | — |
| Advances to other funds | — | — | — |
| Notes receivable, net | 12,232 | — | 319,808 |
| Total assets | $ 337,540 | $ 62,581 | $ 660,988 |
| **LIABILITIES** | | | |
| Accounts payable | $ 9,031 | $ 22,863 | $ 18,810 |
| Due to other funds | 6,513 | — | 93 |
| Interfund short-term loans payable | — | — | — |
| Due to other governments | 176 | 642 | 31,142 |
| Due to component unit | — | 374 | 18 |
| Wages payable | 36,592 | 1,068 | 517 |
| Taxes payable | 237 | — | — |
| Unearned revenues | 58 | — | 12,403 |
| Deposits | 896 | — | 306 |
| Advances from other funds | — | — | — |
| Total liabilities | 53,503 | 24,947 | 63,289 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows on forgivable loans | — | — | 8,597 |
| Unavailable revenue-property taxes | 10,708 | 55 | — |
| Unavailable revenue-other receivables | 11,969 | — | — |
| Total deferred inflows of resources | 22,677 | 55 | 8,597 |
| **FUND BALANCES (DEFICITS)** | | | |
| Nonspendable | 43 | — | 299,815 |
| Restricted | 2,497 | 32,578 | 287,162 |
| Committed | 24,617 | — | 725 |
| Assigned | 11,948 | 5,001 | 1,400 |
| Unassigned (deficits) | 222,255 | — | — |
| Total fund balances | 261,360 | 37,579 | 589,102 |
| Total liabilities, deferred inflows of resources and fund balances | $ 337,540 | $ 62,581 | $ 660,988 |

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**DECEMBER 31, 2021**
(IN THOUSANDS)
(PAGE 2 OF 2)

| | PUBLIC HEALTH FUND | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 7,996 | $ 1,127,272 | $ 1,628,469 |
| Taxes receivable-delinquent | — | 12,735 | 25,113 |
| Accounts receivable, net | 2,679 | 7,982 | 30,359 |
| Interest receivable | — | 417 | 21,619 |
| Due from other funds | 3,922 | 29,465 | 54,685 |
| Interfund short-term loans receivable | — | 44,503 | 44,503 |
| Due from other governments, net | 156,933 | 136,390 | 454,552 |
| Due from component unit | 491 | 9,604 | 10,115 |
| Inventory | 711 | 143 | 854 |
| Prepayments | 21 | 24,877 | 24,941 |
| Advances to other funds | — | 39,591 | 39,591 |
| Notes receivable, net | — | 130,894 | 462,934 |
| Total assets | $ 172,753 | $ 1,563,873 | $ 2,797,735 |
| **LIABILITIES** | | | |
| Accounts payable | $ 38,168 | $ 67,993 | $ 156,865 |
| Due to other funds | 1,631 | 63,223 | 71,460 |
| Interfund short-term loans payable | 33,786 | 19,468 | 53,254 |
| Due to other governments | 18,349 | 24,608 | 74,917 |
| Due to component unit | 2,258 | 2,211 | 4,861 |
| Wages payable | 8,170 | 16,186 | 62,533 |
| Taxes payable | 4 | 16 | 257 |
| Unearned revenues | 2,271 | 331,510 | 346,242 |
| Deposits | — | 3,951 | 5,153 |
| Advances from other funds | — | 86,936 | 86,936 |
| Total liabilities | 104,637 | 616,102 | 862,478 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows on forgivable loans | — | — | 8,597 |
| Unavailable revenue-property taxes | — | 10,102 | 20,865 |
| Unavailable revenue-other receivables | 29,398 | 17,393 | 58,760 |
| Total deferred inflows of resources | 29,398 | 27,495 | 88,222 |
| **FUND BALANCES (DEFICITS)** | | | |
| Nonspendable | 733 | 25,020 | 325,611 |
| Restricted | 37,919 | 910,218 | 1,270,374 |
| Committed | — | 18,660 | 44,002 |
| Assigned | 66 | 21,706 | 40,121 |
| Unassigned (deficits) | — | (55,328) | 166,927 |
| Total fund balances | 38,718 | 920,276 | 1,847,035 |
| Total liabilities, deferred inflows of resources and fund balances | $ 172,753 | $ 1,563,873 | $ 2,797,735 |

| | |
|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Total fund balances - governmental funds | $ 1,847,035 |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | 3,835,334 |
| Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds. | 807,582 |
| Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position. | 175,855 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | (1,949,785) |
| Net position of governmental activities | $ 4,716,021 |

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, 2021**
(IN THOUSANDS)
(PAGE 1 OF 2)

| | GENERAL FUND | BEHAVIORAL HEALTH FUND | HOUSING AND COMMUNITY DEVELOPMENT FUND |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes: | | | |
| Property taxes | $ 387,161 | $ 3,658 | $ — |
| Retail sales and use taxes | 172,082 | — | 4,067 |
| Business and other taxes | 3,811 | 17 | — |
| Licenses and permits | 5,514 | — | — |
| Intergovernmental revenues | 84,243 | 30,234 | 277,804 |
| Charges for services | 287,177 | 319,666 | 28,132 |
| Fines and forfeits | 31,339 | — | — |
| Investment gains (losses) | 406 | (17) | (287) |
| Miscellaneous revenues | 30,885 | 4,120 | 1,168 |
| Total revenues | 1,002,618 | 357,678 | 310,884 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | 165,881 | 11,219 | — |
| Law, safety and justice | 649,467 | — | — |
| Physical environment | — | — | — |
| Transportation | — | — | — |
| Economic environment | 1,052 | — | 47,007 |
| Health and human services | 52,642 | 283,576 | 247,205 |
| Culture and recreation | — | — | — |
| Debt service: | | | |
| Principal | — | — | — |
| Interest and other debt service costs | 11 | 4 | 130 |
| Capital outlay | 614 | — | 212,457 |
| Total expenditures | 869,667 | 294,799 | 506,799 |
| Excess (deficiency) of revenues over (under) expenditures | 132,951 | 62,879 | (195,915) |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 25,169 | 19,102 | 34,064 |
| Transfers out | (97,924) | (13,451) | (4,917) |
| General government debt issued | — | — | 450,525 |
| Refunding bonds issued | — | — | — |
| Premium on general government bonds issued | — | — | — |
| Premium on refunding bonds issued | — | — | — |
| Payment to refunded bonds escrow agent | — | — | — |
| Sale of capital assets | 206 | 2 | — |
| Insurance recoveries | — | — | — |
| Total other financing sources (uses) | (72,549) | 5,653 | 479,672 |
| Net change in fund balances | 60,402 | 68,532 | 283,757 |
| Fund balances - beginning (Restated) | 200,958 | (30,953) | 305,345 |
| Fund balances - ending | $ 261,360 | $ 37,579 | $ 589,102 |

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, 2021**
(IN THOUSANDS)
(PAGE 2 OF 2)

| | PUBLIC HEALTH FUND | NONMAJOR GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---|---|---|
| **REVENUES** | | | |
| Taxes: | | | |
| Property taxes | $ — | $ 640,480 | $ 1,031,299 |
| Retail sales and use taxes | — | 192,178 | 368,327 |
| Business and other taxes | — | 26,743 | 30,571 |
| Licenses and permits | — | 19,863 | 25,377 |
| Intergovernmental revenues | 132,944 | 101,565 | 626,790 |
| Charges for services | 130,536 | 227,777 | 993,288 |
| Fines and forfeits | — | 808 | 32,147 |
| Investment gains (losses) | — | 3,175 | 3,277 |
| Miscellaneous revenues | 3,947 | 32,109 | 72,229 |
| Total revenues | 267,427 | 1,244,698 | 3,183,305 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General government | — | 61,314 | 238,414 |
| Law, safety and justice | — | 176,465 | 825,932 |
| Physical environment | — | 21,085 | 21,085 |
| Transportation | — | 104,620 | 104,620 |
| Economic environment | — | 167,074 | 215,133 |
| Health and human services | 355,535 | 246,816 | 1,185,774 |
| Culture and recreation | — | 87,044 | 87,044 |
| Debt service: | | | |
| Principal | — | 73,416 | 73,416 |
| Interest and other debt service costs | 31 | 32,924 | 33,100 |
| Capital outlay | 141 | 155,614 | 368,826 |
| Total expenditures | 355,707 | 1,126,372 | 3,153,344 |
| Excess (deficiency) of revenues over (under) expenditures | (88,280) | 118,326 | 29,961 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers in | 94,254 | 318,151 | 490,740 |
| Transfers out | (1,121) | (346,217) | (463,630) |
| General government debt issued | — | 62,185 | 512,710 |
| Refunding bonds issued | — | 30,410 | 30,410 |
| Premium on general government bonds issued | — | 11,411 | 11,411 |
| Premium on refunding bonds issued | — | 3,134 | 3,134 |
| Payment to refunded bonds escrow agent | — | (33,462) | (33,462) |
| Sale of capital assets | — | 2,389 | 2,597 |
| Insurance recoveries | — | 1,840 | 1,840 |
| Total other financing sources (uses) | 93,133 | 49,841 | 555,750 |
| Net change in fund balances | 4,853 | 168,167 | 585,711 |
| Fund balances - beginning (Restated) | 33,865 | 752,109 | 1,261,324 |
| Fund balances - ending | $ 38,718 | $ 920,276 | $ 1,847,035 |

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, 2021**

(IN THOUSANDS)

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 585,711 |
| Governmental funds report capital outlay 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. | | 298,043 |
| The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position. | | 19,233 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | 52,293 |
| 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. | | (450,786) |
| 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. | | 244,441 |
| The net revenues and expenses of certain activities of internal service funds are reported with governmental activities. | | (1,997) |
| Change in net position of governmental activities | $ | 746,938 |

The notes to the financial statements are an integral part of this statement.

# ACFR

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**DECEMBER 31, 2021**
(IN THOUSANDS)
(PAGE 1 OF 4)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | SOLID WASTE |
| **ASSETS** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 1,390,408 | $ 431,918 | $ 140,825 |
| Restricted cash and cash equivalents | 275 | 663 | 3,514 |
| Accounts receivable, net | 11,561 | 39,643 | 14,980 |
| Due from other funds | 9,035 | 4,801 | 1,791 |
| Interfund short-term loans receivable | — | — | — |
| Property tax receivable-delinquent | 704 | — | — |
| Due from other governments, net | 618,767 | 2,890 | 494 |
| Inventory of supplies | 24,797 | 9,726 | 1,550 |
| Prepayments and other assets | 283 | 13 | 122 |
| Total current assets | 2,055,830 | 489,654 | 163,276 |
| Noncurrent assets | | | |
| Restricted assets: | | | |
| Cash and cash equivalents | 8,651 | 314,044 | 31,426 |
| Investments | — | 15,795 | — |
| Due from other governments | 30 | — | — |
| Net pension asset | 358,178 | 61,270 | 32,523 |
| Total restricted assets | 366,859 | 391,109 | 63,949 |
| Capital assets: | | | |
| Nondepreciable assets | 414,692 | 885,264 | 54,605 |
| Depreciable assets, net | 1,264,152 | 3,192,875 | 230,934 |
| Total capital assets | 1,678,844 | 4,078,139 | 285,539 |
| Other noncurrent assets: | | | |
| Prepayments | 3,936 | — | — |
| Notes receivable | 141,067 | — | — |
| Advances to other funds | — | — | — |
| Regulatory assets, net of amortization | — | 163,300 | — |
| Other assets | — | 7,396 | — |
| Total other noncurrent assets | 145,003 | 170,696 | — |
| Total noncurrent assets | 2,190,706 | 4,639,944 | 349,488 |
| Total assets | 4,246,536 | 5,129,598 | 512,764 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows on refunding | 1,458 | 163,338 | 1,495 |
| Deferred outflows on pensions | 43,499 | 5,496 | 2,917 |
| Deferred outflows on other post employment benefits | 749 | 98 | 64 |
| Deferred outflows on asset retirement obligations | 2,030 | 543 | 550 |
| Total deferred outflows of resources | 47,736 | 169,475 | 5,026 |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**DECEMBER 31, 2021**
(IN THOUSANDS)
(PAGE 2 OF 4 - CONTINUED)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **ASSETS** | | | |
| Current assets | | | |
| Cash and cash equivalents | $ 78,329 | $ 2,041,480 | $ 335,865 |
| Restricted cash and cash equivalents | 448 | 4,900 | 406 |
| Accounts receivable, net | 1,894 | 68,078 | 1,267 |
| Due from other funds | 232 | 15,859 | 1,234 |
| Interfund short-term loans receivable | — | — | 8,751 |
| Property tax receivable-delinquent | — | 704 | — |
| Due from other governments, net | 6,776 | 628,927 | 21,342 |
| Inventory of supplies | 504 | 36,577 | 3,049 |
| Prepayments and other assets | — | 418 | 12,720 |
| Total current assets | 88,183 | 2,796,943 | 384,634 |
| Noncurrent assets | | | |
| Restricted assets: | | | |
| Cash and cash equivalents | 648 | 354,769 | — |
| Investments | — | 15,795 | — |
| Due from other governments | — | 30 | — |
| Net pension asset | 5,981 | 457,952 | 90,961 |
| Total restricted assets | 6,629 | 828,546 | 90,961 |
| Capital assets: | | | |
| Nondepreciable assets | 23,992 | 1,378,553 | 175 |
| Depreciable assets, net | 62,063 | 4,750,024 | 59,879 |
| Total capital assets | 86,055 | 6,128,577 | 60,054 |
| Other noncurrent assets: | | | |
| Prepayments | — | 3,936 | — |
| Notes receivable | — | 141,067 | — |
| Advances to other funds | — | — | 49,585 |
| Regulatory assets, net of amortization | — | 163,300 | — |
| Other assets | — | 7,396 | — |
| Total other noncurrent assets | — | 315,699 | 49,585 |
| Total noncurrent assets | 92,684 | 7,272,822 | 200,600 |
| Total assets | 180,867 | 10,069,765 | 585,234 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | |
| Deferred outflows on refunding | — | 166,291 | — |
| Deferred outflows on pensions | 536 | 52,448 | 10,229 |
| Deferred outflows on other post employment benefits | 12 | 923 | 163 |
| Deferred outflows on asset retirement obligations | 110 | 3,233 | — |
| Total deferred outflows of resources | 658 | 222,895 | 10,392 |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**DECEMBER 31, 2021**
(IN THOUSANDS)
(PAGE 3 OF 4)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | **PUBLIC TRANSPORTATION** | **WATER QUALITY** | **SOLID WASTE** |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable | $ 99,098 | $ 30,320 | $ 7,410 |
| Retainage payable | 275 | 658 | 103 |
| Estimated claim settlements | — | — | — |
| Due to other funds | — | 12 | — |
| Interest payable | 257 | 59,663 | 576 |
| Wages payable | 34,519 | 6,701 | 3,588 |
| Compensated absences payable | 13,065 | 714 | 188 |
| Other postemployment benefits | 868 | 113 | 74 |
| Unearned revenues | 14,456 | 2,937 | 44 |
| Pollution remediation | — | 5,952 | — |
| Bonds payable | 3,580 | 133,345 | 8,620 |
| Capital leases payable | 162 | — | — |
| State revolving loan payable | — | 5,170 | 176 |
| Landfill closure and post-closure care | — | — | 19,225 |
| Other liabilities | 67 | 156,008 | — |
| Total current liabilities | 166,347 | 401,593 | 40,004 |
| Noncurrent liabilities | | | |
| Compensated absences payable | 43,844 | 12,478 | 4,729 |
| Other postemployment benefits | 13,316 | 1,738 | 1,130 |
| Net pension liability | 47,085 | — | — |
| Advances from other funds | — | — | — |
| Bonds payable | 72,806 | 3,570,377 | 179,476 |
| Capital leases payable | 1,778 | — | — |
| State revolving loans payable | — | 96,028 | 2,809 |
| Landfill closure and post-closure care | — | — | 223,143 |
| Estimated claim settlements | — | — | — |
| Pollution remediation | 1,055 | 49,003 | 1,194 |
| Asset retirement obligation | 3,480 | 1,350 | 850 |
| Other liabilities | — | 79,453 | — |
| Total noncurrent liabilities | 183,364 | 3,810,427 | 413,331 |
| Total liabilities | 349,711 | 4,212,020 | 453,335 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows on rate stabilization | — | 46,250 | — |
| Deferred inflows on refunding | — | 1,553 | — |
| Deferred inflows on pensions | 383,317 | 56,633 | 30,062 |
| Deferred inflows on other postemployment benefits | 1,629 | 212 | 138 |
| Total deferred inflows of resources | 384,946 | 104,648 | 30,200 |
| **NET POSITION** | | | |
| Net investment in capital assets | 1,574,527 | 410,386 | 125,359 |
| Restricted for: | | | |
| Capital projects | 6,335 | — | — |
| Debt service | 2,346 | 130,204 | — |
| Pensions | 59,236 | 10,133 | 5,378 |
| Regulatory assets and environmental liabilities | — | 110,884 | — |
| Unrestricted (deficit) | 1,917,171 | 320,798 | (96,482) |
| Total net position | $ 3,559,615 | $ 982,405 | $ 34,255 |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**DECEMBER 31, 2021**
(IN THOUSANDS)
(PAGE 4 OF 4 - CONCLUDED)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **LIABILITIES** | | | |
| Current liabilities | | | |
| Accounts payable | $ 2,434 | $ 139,262 | $ 18,131 |
| Retainage payable | 27 | 1,063 | 406 |
| Estimated claim settlements | — | — | 64,530 |
| Due to other funds | — | 12 | 306 |
| Interest payable | — | 60,496 | — |
| Wages payable | 568 | 45,376 | 9,322 |
| Compensated absences payable | 95 | 14,062 | 952 |
| Other postemployment benefits | 15 | 1,070 | 190 |
| Unearned revenues | 188 | 17,625 | 413 |
| Pollution remediation | — | 5,952 | — |
| Bonds payable | — | 145,545 | — |
| Capital leases payable | — | 162 | — |
| State revolving loan payable | — | 5,346 | — |
| Landfill closure and post-closure care | — | 19,225 | — |
| Other liabilities | 560 | 156,635 | 2,564 |
| Total current liabilities | 3,887 | 611,831 | 96,814 |
| Noncurrent liabilities | | | |
| Compensated absences payable | 928 | 61,979 | 18,880 |
| Other postemployment benefits | 223 | 16,407 | 2,892 |
| Net pension liability | — | 47,085 | 7,993 |
| Advances from other funds | — | — | 2,240 |
| Bonds payable | — | 3,822,659 | — |
| Capital leases payable | — | 1,778 | — |
| State revolving loans payable | — | 98,837 | — |
| Landfill closure and post-closure care | — | 223,143 | — |
| Estimated claim settlements | — | — | 127,960 |
| Pollution remediation | 245 | 51,497 | — |
| Asset retirement obligation | 250 | 5,930 | — |
| Other liabilities | 647 | 80,100 | — |
| Total noncurrent liabilities | 2,293 | 4,409,415 | 159,965 |
| Total liabilities | 6,180 | 5,021,246 | 256,779 |
| **DEFERRED INFLOWS OF RESOURCES** | | | |
| Deferred inflows on rate stabilization | — | 46,250 | — |
| Deferred inflows on refunding | — | 1,553 | — |
| Deferred inflows on pensions | 5,528 | 475,540 | 92,926 |
| Deferred inflows on other postemployment benefits | 27 | 2,006 | 354 |
| Total deferred inflows of resources | 5,555 | 525,349 | 93,280 |
| **NET POSITION** | | | |
| Net investment in capital assets | 84,422 | 2,194,694 | 60,054 |
| Restricted for: | | | |
| Capital projects | — | 6,335 | — |
| Debt service | — | 132,550 | — |
| Pensions | 989 | 75,736 | 15,043 |
| Regulatory assets and environmental liabilities | — | 110,884 | — |
| Unrestricted (deficit) | 84,379 | 2,225,866 | 170,470 |
| Total net position | $ 169,790 | 4,746,065 | $ 245,567 |
| Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time | | 69,712 | |
| Net position of business-type activities | | $ 4,815,777 | |

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, 2021**
(IN THOUSANDS)
(PAGE 1 OF 2)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | SOLID WASTE |
| **OPERATING REVENUES** | | | |
| I-Net fees | $ — | $ — | $ — |
| Radio services | — | — | — |
| Solid waste disposal charges | — | — | 133,735 |
| Airfield fees | — | — | — |
| Hangar, building, and site rentals and leases | — | — | — |
| Passenger | 59,193 | — | — |
| Service contracts | 154,752 | — | — |
| Sewage disposal fees | — | 419,672 | — |
| Capacity charges | — | 90,814 | — |
| Other operating revenues | 9,343 | 24,010 | 10,145 |
| Total operating revenues | 223,288 | 534,496 | 143,880 |
| **OPERATING EXPENSES** | | | |
| Personal services | 461,056 | 42,513 | 45,003 |
| Materials and supplies | 71,348 | 19,227 | 7,852 |
| Contract services and other charges | 48,744 | 18,738 | 27,612 |
| Utilities | 5,317 | 16,729 | 1,517 |
| Purchased transportation | 62,735 | — | — |
| Internal services | 111,554 | 40,959 | 18,244 |
| Landfill closure and post-closure care | — | — | 7,412 |
| Depreciation and amortization | 159,896 | 170,437 | 20,829 |
| Other operating expenses | 483 | 17,001 | 105 |
| Total operating expenses | 921,133 | 325,604 | 128,574 |
| Operating income (loss) | (697,845) | 208,892 | 15,306 |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Sales tax | 749,616 | — | — |
| Property tax | 37,347 | — | — |
| Intergovernmental revenues | 423,761 | 1,107 | 185 |
| Investment gains (losses) | (4,171) | (2,762) | (457) |
| Miscellaneous revenues | 2,441 | 20,160 | 2,797 |
| Interest expense | (3,087) | (115,346) | (5,590) |
| Gain (loss) on disposal of capital assets | 2,910 | (1,656) | 10,517 |
| Loss on extinguishment of debt | — | (9,884) | — |
| Miscellaneous expenses | (44,952) | (13,122) | (899) |
| Total nonoperating revenues (expenses) | 1,163,865 | (121,503) | 6,553 |
| Income (loss) before contributions, transfers and special item | 466,020 | 87,389 | 21,859 |
| Capital grants and contributions | 24,291 | 2,630 | — |
| Transfers in | — | 250 | — |
| Transfers out | (3,872) | (1,509) | (1,381) |
| **Change in net position** | 486,439 | 88,760 | 20,478 |
| Net position - January 1, 2021 (Restated) | 3,073,176 | 893,645 | 13,777 |
| Net position - December 31, 2021 | $ 3,559,615 | $ 982,405 | $ 34,255 |

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, 2021**
(IN THOUSANDS)
(PAGE 2 OF 2)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **OPERATING REVENUES** | | | |
| I-Net fees | $ 3,404 | $ 3,404 | $ — |
| Radio services | 6,109 | 6,109 | — |
| Solid waste disposal charges | — | 133,735 | — |
| Airfield fees | 3,811 | 3,811 | — |
| Hangar, building, and site rentals and leases | 26,020 | 26,020 | — |
| Passenger | — | 59,193 | — |
| Service contracts | — | 154,752 | — |
| Sewage disposal fees | — | 419,672 | — |
| Capacity charges | — | 90,814 | — |
| Other operating revenues | 33 | 43,531 | 619,192 |
| Total operating revenues | 39,377 | 941,041 | 619,192 |
| **OPERATING EXPENSES** | | | |
| Personal services | 8,560 | 557,132 | 112,118 |
| Materials and supplies | 1,155 | 99,582 | 11,462 |
| Contract services and other charges | 6,904 | 101,998 | 491,389 |
| Utilities | 3,042 | 26,605 | — |
| Purchased transportation | — | 62,735 | — |
| Internal services | 9,630 | 180,387 | 30,739 |
| Landfill closure and post-closure care | — | 7,412 | — |
| Depreciation and amortization | 6,997 | 358,159 | 15,458 |
| Other operating expenses | 50 | 17,639 | — |
| Total operating expenses | 36,338 | 1,411,649 | 661,166 |
| Operating income (loss) | 3,039 | (470,608) | (41,974) |
| **NONOPERATING REVENUES (EXPENSES)** | | | |
| Sales tax | — | 749,616 | — |
| Property tax | — | 37,347 | — |
| Intergovernmental revenues | 9,005 | 434,058 | 15,843 |
| Investment gains (losses) | (249) | (7,639) | (862) |
| Miscellaneous revenues | 420 | 25,818 | 927 |
| Interest expense | (1) | (124,024) | (27) |
| Gain (loss) on disposal of capital assets | (917) | 10,854 | 210 |
| Loss on extinguishment of debt | — | (9,884) | — |
| Miscellaneous expenses | (759) | (59,732) | (25) |
| Total nonoperating revenues (expenses) | 7,499 | 1,056,414 | 16,066 |
| Income (loss) before contributions, transfers and special item | 10,538 | 585,806 | (25,908) |
| Capital grants and contributions | 4,548 | 31,469 | 3,663 |
| Transfers in | — | 250 | 4,440 |
| Transfers out | (410) | (7,172) | (24,628) |
| **Change in net position** | 14,676 | 610,353 | (42,433) |
| Net position - January 1, 2021 (Restated) | 155,114 | | 288,000 |
| Net position - December 31, 2021 | $ 169,790 | | $ 245,567 |
| Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds. | | (40,436) | |
| Change in net position of business-type activities | | $ 569,917 | |

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, 2021**
(IN THOUSANDS)
(PAGE 1 OF 4)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | PUBLIC TRANSPORTATION | WATER QUALITY | SOLID WASTE |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash received from customers | $ 221,361 | $ 528,302 | $ 137,853 |
| Cash received from other funds - internal services | 207 | 1,869 | 3,840 |
| Cash payments to suppliers for goods and services | (184,737) | (55,644) | (52,114) |
| Cash payments to other funds - internal services | (111,554) | (40,959) | (18,244) |
| Cash payments for employee services | (610,147) | (60,073) | (54,709) |
| Other receipts | 2,283 | 20,912 | 2,797 |
| Other payments | — | (31,443) | (1,495) |
| Net cash provided (used) by operating activities | (682,587) | 362,964 | 17,928 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Operating grants and subsidies received | 1,062,904 | 962 | 189 |
| 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 | — | — | — |
| Assistance to other agencies | (2,683) | (1,732) | — |
| Transfers in | — | 250 | — |
| Transfers out | (3,872) | (1,509) | (1,381) |
| Net cash provided (used) by noncapital financing activities | 1,056,349 | (2,029) | (1,192) |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Acquisition of capital assets | (139,219) | (168,230) | (15,914) |
| Proceeds from capital debt | — | 378,047 | 32,196 |
| Principal paid on capital debt | (3,524) | (221,831) | (7,616) |
| Interest paid on capital debt | (3,490) | (131,322) | (6,697) |
| Cash payments for debt defeasance | — | (143,101) | — |
| Capital grants and contributions | 52,055 | 18 | — |
| Subsidies and other receipts | 253 | 62 | — |
| Proceeds from disposal of capital assets | 3,648 | — | 18,599 |
| Net cash provided (used) by capital and related financing activities | (90,277) | (286,357) | 20,568 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment purchases | — | (1,531) | — |
| Proceeds from sales and maturities of investments | — | 1,509 | — |
| Loss on investments | (3,921) | (1,868) | (436) |
| Net cash used by investing activities | (3,921) | (1,890) | (436) |
| Net increase (decrease) in cash and cash equivalents | 279,564 | 72,688 | 36,868 |
| Cash and cash equivalents - January 1, 2021 (Restated) | 1,119,770 | 673,937 | 138,897 |
| Cash and cash equivalents - December 31, 2021 | $ 1,399,334 | $ 746,625 | $ 175,765 |

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, 2021**
(IN THOUSANDS)
(PAGE 2 OF 4 - CONTINUED)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash received from customers | $ 33,718 | $ 921,234 | $ 8,155 |
| Cash received from other funds - internal services | 4,469 | 10,385 | 602,949 |
| Cash payments to suppliers for goods and services | (10,223) | (302,718) | (457,896) |
| Cash payments to other funds - internal services | (9,870) | (180,627) | (53,193) |
| Cash payments for employee services | (10,353) | (735,282) | (149,911) |
| Other receipts | 420 | 26,412 | 3,927 |
| Other payments | (791) | (33,729) | — |
| Net cash provided (used) by operating activities | 7,370 | (294,325) | (45,969) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | |
| Operating grants and subsidies received | 4,001 | 1,068,056 | 16,747 |
| Interfund short-term loan principal loaned to other funds | — | — | (12,351) |
| Interfund short-term loan principal repayments from other funds | — | — | 59,355 |
| Interfund advance principal loaned to other funds | — | — | (49,585) |
| Interfund advance principal repayments from other funds | — | — | 21,877 |
| Assistance to other agencies | — | (4,415) | — |
| Transfers in | — | 250 | 4,440 |
| Transfers out | (410) | (7,172) | (24,628) |
| Net cash provided (used) by noncapital financing activities | 3,591 | 1,056,719 | 15,855 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | |
| Acquisition of capital assets | (6,574) | (329,937) | (8,660) |
| Proceeds from capital debt | — | 410,243 | — |
| Principal paid on capital debt | (580) | (233,551) | — |
| Interest paid on capital debt | (3) | (141,512) | — |
| Cash payments for debt defeasance | — | (143,101) | — |
| Capital grants and contributions | 920 | 52,993 | — |
| Subsidies and other receipts | — | 315 | — |
| Proceeds from disposal of capital assets | — | 22,247 | 1,584 |
| Net cash provided (used) by capital and related financing activities | (6,237) | (362,303) | (7,076) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Investment purchases | — | (1,531) | — |
| Proceeds from sales and maturities of investments | — | 1,509 | — |
| Loss on investments | (249) | (6,474) | (734) |
| Net cash used by investing activities | (249) | (6,496) | (734) |
| Net increase (decrease) in cash and cash equivalents | 4,475 | 393,595 | (37,924) |
| Cash and cash equivalents - January 1, 2021 (Restated) | 74,950 | 2,007,554 | 374,195 |
| Cash and cash equivalents - December 31, 2021 | $ 79,425 | $ 2,401,149 | $ 336,271 |

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, 2021**
(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) | $ (697,845) | $ 208,892 | $ 15,306 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization - capital assets | 159,896 | 170,437 | 20,829 |
| Nonoperating miscellaneous revenues (expenses) | 2,441 | 20,097 | 1,904 |
| (Increases) decreases in assets: | | | |
| Accounts receivable, net | (3,994) | (1,894) | (2,139) |
| Due from other funds | (256) | (2,357) | (603) |
| Due from other governments, net | 3,473 | — | (33) |
| Inventory | 1,393 | (183) | 12 |
| Prepayments | 375 | 16 | 228 |
| Net pension asset | (358,178) | (61,270) | (32,523) |
| Other assets | 47 | (20,035) | — |
| (Increases) decreases in deferred outflows of resources: | | | |
| Deferred outflows on pensions, refunding, OPEB and ARO | 14,298 | 1,814 | 1,005 |
| Increases (decreases) in liabilities: | | | |
| Accounts payable | 1,259 | (719) | 778 |
| Retainage payable | — | (62) | 43 |
| Due to other funds | — | — | — |
| Wages payable | (4,670) | 626 | 396 |
| Unearned revenues | 4,692 | (236) | (2) |
| Claims and judgments payable | — | — | — |
| Compensated absences | (439) | 394 | (287) |
| Other postemployment benefits | 81 | 137 | 82 |
| Net pension liability | (135,537) | (8,074) | (4,245) |
| Customer deposits and other liabilities | (5,461) | 6,450 | (233) |
| Landfill closure and post-closure care | — | — | (8,599) |
| Increases (decreases) in deferred inflows of resources: | | | |
| Deferred inflows on pensions and OPEB | 335,838 | 48,931 | 26,009 |
| Total adjustments | 15,258 | 154,072 | 2,622 |
| Net cash provided (used) by operating activities | $ (682,587) | $ 362,964 | $ 17,928 |

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Public Transportation capital grants on account decreased by $27.8 million in 2021.

Water Quality issued bonds and commercial paper in 2021 to refund debt issued from 2005 to 2021. The $718.9 million of bond and commercial paper proceeds were placed in escrow for the defeasance of $673.5 million of outstanding bond principal and $49.8 million of interest.

Solid Waste made $6 thousand in contributions of capital assets to other funds.

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, 2021**
(IN THOUSANDS)
(PAGE 4 OF 4 - CONCLUDED)

| | BUSINESS-TYPE ACTIVITIES | | |
|---|---|---|---|
| | NONMAJOR ENTERPRISE FUNDS | TOTAL | INTERNAL SERVICE FUNDS |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | | |
| Operating income (loss) | $ 3,039 | $ (470,608) | $ (41,974) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation and amortization - capital assets | 6,997 | 358,159 | 15,458 |
| Nonoperating miscellaneous revenues (expenses) | (339) | 24,103 | — |
| (Increases) decreases in assets: | | | |
| Accounts receivable, net | (1,072) | (9,099) | (855) |
| Due from other funds | (32) | (3,248) | (994) |
| Due from other governments, net | (82) | 3,358 | (10,576) |
| Inventory | (119) | 1,103 | (535) |
| Prepayments | 740 | 1,359 | (3,209) |
| Net pension asset | (5,981) | (457,952) | (90,961) |
| Other assets | — | (19,988) | — |
| (Increases) decreases in deferred outflows of resources: | | | |
| Deferred outflows on pensions, refunding, OPEB and ARO | 204 | 17,321 | 3,740 |
| Increases (decreases) in liabilities: | | | |
| Accounts payable | 266 | 1,584 | (4,998) |
| Retainage payable | (42) | (61) | (285) |
| Due to other funds | (240) | (240) | 306 |
| Wages payable | 23 | (3,625) | 364 |
| Unearned revenues | (61) | 4,393 | — |
| Claims and judgments payable | — | — | 39,353 |
| Compensated absences | (59) | (391) | (419) |
| Other postemployment benefits | 58 | 358 | 85 |
| Net pension liability | (779) | (148,635) | (31,506) |
| Customer deposits and other liabilities | 58 | 814 | 133 |
| Landfill closure and post-closure care | — | (8,599) | — |
| Increases (decreases) in deferred inflows of resources: | | | |
| Deferred inflows on pensions and OPEB | 4,791 | 415,569 | 80,904 |
| Total adjustments | 4,331 | 176,283 | (3,995) |
| Net cash provided (used) by operating activities | $ 7,370 | $ (294,325) | $ (45,969) |

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Internal Service Funds received $3.7 million of capital assets from other funds and transferred $2 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, 2021**
(IN THOUSANDS)

| | CUSTODIAL FUNDS | |
|---|---|---|
| | EXTERNAL INVESTMENT POOL FUNDS | OTHER CUSTODIAL FUNDS |
| **ASSETS** | | |
| Cash and cash equivalents | $ — | $ 163,125 |
| Investments at fair value: | | |
| Repurchase agreements | 126,670 | — |
| Commercial paper | 301,356 | — |
| Corporate notes | 117,474 | — |
| U.S. Treasury notes | 1,157,059 | 19,932 |
| U.S. agency notes | 498,242 | — |
| U.S. agency collateralized mortgage obligations | 879 | — |
| Supranational coupon notes | 1,280,313 | — |
| State Treasurer's investment pool | 366,304 | — |
| Total investments | 3,848,297 | 19,932 |
| Taxes receivable for other governments | — | 110,288 |
| Accounts receivable | — | 16,896 |
| Interest receivable | 1,738 | — |
| Assessments receivable for other governments | — | 1,688 |
| Notes and contracts receivable | — | 52 |
| Total assets | 3,850,035 | 311,981 |
| **LIABILITIES** | | |
| Accounts payable and other liabilities | — | 95,104 |
| Due to beneficiaries | — | 88,056 |
| Due to other governments | — | 56,168 |
| Total liabilities | — | 239,328 |
| **NET POSITION** | | |
| Restricted for: | | |
| Individuals, organizations and other governments | 3,850,035 | 86,307 |
| Unrestricted deficit | — | (13,654) |
| Total net position | $ 3,850,035 | $ 72,653 |

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, 2021**
(IN THOUSANDS)

| | CUSTODIAL FUNDS | |
|---|---|---|
| | EXTERNAL INVESTMENT POOL FUNDS | OTHER CUSTODIAL FUNDS |
| **ADDITIONS** | | |
| Property taxes collected for other governments | $ — | $ 5,636,138 |
| State apportionment | — | 3,819,907 |
| Real estate excise taxes collected for other governments | — | 1,311,397 |
| Bond proceeds | — | 388,925 |
| Utility charges | — | 344,791 |
| Local support non-tax receipts | — | 405,562 |
| Member contributions | — | 272,564 |
| Drainage utility charges collected for other governments | — | 235,186 |
| Pool participant contributions | 6,830,486 | (6,830,486) |
| Line of credit receipts | — | 29,300 |
| Investment earnings: | | |
| Interest, dividends and other | 25,455 | 7 |
| Net increase (decrease) in fair value of investments | (39,525) | (17) |
| Total investment earnings (losses) | (14,070) | (10) |
| Less investment costs: | | |
| Investment activity costs | (918) | — |
| Net investment earnings (losses) | (14,988) | (10) |
| Charges for fire protection services | — | 40,502 |
| Receipts from other governments | — | 82,031 |
| Court fees collected for other governments | — | 11,006 |
| Lease contributions | — | 10,997 |
| Regulatory fees | — | 12,278 |
| Recording fees collected for other governments | — | 37,765 |
| Other taxes collected for other governments | — | 8,463,513 |
| Charges for emergency medical services | — | 8,584 |
| Impact fees collected for other governments | — | 1,501 |
| Food services receipts | — | 249 |
| Forest funds | — | 2,743 |
| Fines and forfeits collected for other governments | — | 815 |
| Licensing fees collected for other governments | — | 224 |
| Other fees collected for other governments | — | 517 |
| Miscellaneous receipts | — | 226,418 |
| Total additions | 6,815,498 | 14,512,417 |
| **DEDUCTIONS** | | |
| Payments to vendors | — | 10,571,956 |
| Taxes distributed to other governments | — | 9,722,293 |
| Principal payments | — | 369,666 |
| Interest and other debt service costs | — | 255,769 |
| Other receipts distributed to other governments | — | 277,622 |
| Pool participant distributions | 6,867,258 | (6,867,258) |
| Line of credit payments | — | 24,825 |
| Election costs | — | 2,676 |
| Payments to escrow | — | 29 |
| Treasurer collection fees | — | 3,046 |
| Cash management fees | — | 132 |
| Miscellaneous payments | — | 158,617 |
| Total deductions | 6,867,258 | 14,519,373 |
| Net increase (decrease) in fiduciary net position | (51,760) | (6,956) |
| Net position - beginning | 3,901,795 | 79,609 |
| Net position - ending | $ 3,850,035 | $ 72,653 |

The notes to the financial statements are an integral part of this statement.

**STATEMENT OF NET POSITION**
**COMPONENT UNITS**
**DECEMBER 31, 2021**
(IN THOUSANDS)

| | Harborview Medical Center | Cultural Development Authority | NJB Properties | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ 438,503 | $ 31,248 | $ — | $ 469,751 |
| Receivables, net | 220,431 | — | 7 | 220,438 |
| Due from primary government | 5,924 | 3,957 | — | 9,881 |
| Inventories | 10,891 | — | — | 10,891 |
| Prepayments | 9,796 | 233 | 11 | 10,040 |
| Net pension asset | — | 1,974 | — | 1,974 |
| Nondepreciable assets | 8,224 | — | — | 8,224 |
| Depreciable assets, net of depreciation | 260,670 | — | — | 260,670 |
| Net investment in capital lease with primary government | — | — | 7,402 | 7,402 |
| Deposits with other governments | 4,873 | — | — | 4,873 |
| Other assets | 27,579 | 168 | 968 | 28,715 |
| Total assets | 986,891 | 37,580 | 8,388 | 1,032,859 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| Deferred outflows on pensions | — | 324 | — | 324 |
| Deferred outflows on other postemployment benefits | — | 10 | — | 10 |
| Total deferred outflows of resources | — | 334 | — | 334 |
| **LIABILITIES** | | | | |
| Accounts payable and other current liabilities | 81,545 | 809 | 7 | 82,361 |
| Accrued liabilities | 62,738 | — | 35 | 62,773 |
| Due to primary government | 5,000 | 9,635 | — | 14,635 |
| Unearned revenues | 38,305 | 16,427 | 64 | 54,796 |
| Noncurrent liabilities: | | | | |
| Due within one year | 4,431 | 2,392 | 345 | 7,168 |
| Due in more than one year | 57,762 | 1,957 | 7,325 | 67,044 |
| Total liabilities | 249,781 | 31,220 | 7,776 | 288,777 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Deferred inflows on pensions | — | 2,065 | — | 2,065 |
| Total deferred inflows of resources | — | 2,065 | — | 2,065 |
| **NET POSITION** | | | | |
| Net investment in capital assets | 268,894 | — | — | 268,894 |
| Restricted for: | | | | |
| Health and human services | | | | |
| Expendable | 10,946 | — | — | 10,946 |
| Nonexpendable | 3,395 | — | — | 3,395 |
| Culture and recreation | | | | |
| Expendable | — | 4,629 | — | 4,629 |
| Unrestricted | 453,875 | — | 612 | 454,487 |
| Total net position | $ 737,110 | $ 4,629 | $ 612 | $ 742,351 |

The notes to the financial statements are an integral part of this statement.

# STATEMENT OF ACTIVITIES
## COMPONENT UNITS
## FOR THE YEAR ENDED DECEMBER 31, 2021
(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 | $ 1,160,834 | $ 1,110,043 | $ 51,342 | $ 310 | $ 861 | $ — | $ — | $ 861 |
| Cultural Development Authority | 9,605 | 24 | 8,639 | — | — | (942) | — | (942) |
| NJB Properties | 582 | 144 | — | — | — | — | (438) | (438) |
| Total component units | $ 1,171,021 | $ 1,110,211 | $ 59,981 | $ 310 | $ 861 | $ (942) | $ (438) | $ (519) |
| | General revenues: | | | | | | | |
| | Interest earnings | | | | $ 5,432 | $ 31 | $ 386 | $ 5,849 |
| | Total general revenues | | | | 5,432 | 31 | 386 | 5,849 |
| | Change in net position | | | | 6,293 | (911) | (52) | 5,330 |
| | Net position - January 1, 2021 (Restated) | | | | 730,817 | 5,540 | 664 | 737,021 |
| | Net position - December 31, 2021 | | | | $ 737,110 | $ 4,629 | $ 612 | $ 742,351 |

The notes to the financial statements are an integral part of this statement.

ACFR

ANNUAL COMPREHENSIVE
FINANCIAL REPORT

# Notes to the Financial Statements

For the Year Ended December 31, 2021

# Note 1

## Summary of Significant Accounting Policies

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. King County's significant accounting policies are described below.

**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 discretely presented 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 non-exchange 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 the 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 is presented 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 2021, FCD reimbursed the County $66.4 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 Non-major Special Revenue Funds in the Governmental Funds section of this financial report. 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 discretely reported as a component unit in the County's financial report 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 - "Liabilities" reports on all the general obligation bonds issued by the County as of December 31, 2021, including bonds reported by HMC as of June 30, 2021.

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 was authorized to spend an endowment that was set aside in prior years from a portion of the King County lodging tax receipts. Beginning in 2021, by state statute, King County transferred 37.5 percent of lodging tax revenue - roughly $14.4 million in the first year and expected to rise over time - to CDA to support art, cultural and heritage facilities, as well as the performing arts. 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 is discretely reported as a component unit in the County's financial report 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 discretely presented 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, 2021, 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 2021, the WDC reimbursed King County approximately $1.0 million for the Employment and Education Resource Program in eligible program costs. King County has a $753 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 Organizations**

Washington State Convention Center Public Facilities District

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.

King County Regional Homelessness Authority

King County Regional Homelessness Authority (KCRHA) was created in December 2019. King County and City of Seattle elected officials signed an Interlocal Agreement creating the KCRHA to oversee a coordination and unified response to homelessness. The KCRHA is governed by 12 committee members: the King County Executive and two King County Councilmembers including one representing a district including Seattle; City of Seattle Mayor and two Seattle City Councilmembers; three members representing the Sound Cities Association; and three members representing people with lived experience. Funding for the KCRHA will come from King County, City of Seattle and Continuum of Care grants from the federal government.

The KCRHA is a jointly governed organization as the participating governments have neither ongoing financial interest nor financial responsibility.

Puget Sound Emergency Radio Network Operator

King County, City of Seattle and other major cities created the Puget Sound Emergency Radio Network (PSERN) Operator in December 2020. The PSERN operator is governed by a Board of Directors. The Board of Directors is composed of four voting members that include the King County Executive or a designee approved by the King County Council; the Mayor of the City of Seattle or designee; one mayor or designee representing the Cities of Bellevue, Issaquah, Kirkland, Mercer Island and Redmond; and, one mayor or designee representing the Cities of Auburn, Federal Way, Kent, Renton and Tukwila. The Board of Directors also includes two non-voting members to comment and participate in discussion. One non-voting member is appointed by the King County Police Chief Association and the other member is selected jointly by the King County Fire Commissioners Association and the King County Fire Chiefs Association.

The PSERN Operator will undertake the ownership, operations, maintenance, management and on-going upgrading/replacing of the PSERN system. The new PSERN system will provide coverage and capacity, as well as uniformly high-quality emergency radio communication. The PSERN system will be financed through a funding measure approved by voters at the April 2015 election and with user fees (Service Rates) to be assessed against and paid by all User Agencies.

The PSERN Operator is a jointly governed organization as the participating governments have neither ongoing financial interest nor financial responsibility.

**Related Organizations**

There are three separate entities for which the County is accountable, but is not financially accountable. These related organizations are King County Library System (KCLS), King County Housing Authority (KCHA), and Washington State Major League Baseball Public Facilities District (PFD). The County Council appoints a majority of the board of KCLS and PFD. There is no evidence that the County Council can influence the programs and activities of these four organizations or that they create a significant financial benefit or burden to the County.

The County serves as the treasurer for KCLS, KCHA and PFD 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, while business-type activities incorporate data from the government's enterprise funds.

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. In 2021, HMC reported $5.9 million receivable from the County and $5.0 million payable on June 30, 2021. Due to the differing fiscal years, County funds are reporting a total payable to HMC of $2.8 million and receivable of $286 thousand on December 31, 2021.

**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.

The Housing and Community Development Fund collects revenue from federal, state, and other funding sources to support housing and community development projects such as development of affordable and special needs housing, homeless prevention and supportive services, housing repairs, and community development projects that improve the livability of neighborhoods and communities.

The Public Health Fund finances health services centers located through King County and public health programs. It supports clinical health services, primary care assurance, management and business practice, population, and targeted community health services. Its main sources of funding are from federal and state grants and shared revenues, patient generated revenues and fees, Best Start for Kids levy, and contributions from City of Seattle and charitable organizations.

Major Enterprise Funds

The County reports the following major enterprise funds:

The Public Transportation Enterprise accounts for the operations, maintenance, capital improvements, expansion of public transportation facilities in King County under the Metro Transit Department, and expansion of the County's Water Taxi service between downtown Seattle, Vashon Island and West Seattle under the Marine 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 Brightwater Treatment Plant, the West Point Treatment Plant in Seattle, and the South Treatment Plant in Renton, as well as two smaller facilities, the Carnation and Vashon Island Treatment Plants. The enterprise is supported by user fees and connection charges.

The Solid Waste Enterprise accounts for the operation, maintenance, capital improvement, 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, road maintenance, emergency medical services, the enhanced 911 emergency telephone system, Harborview health and safety, local hazardous waste management, parks, surface water program 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, Institutional Network, and the Emergency Radio Communications System.

Internal Service 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. All are consolidated for reporting purposes with the governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to report activities for which the County has a fiduciary responsibility. The County reports custodial funds in the fiduciary statements, representing assets over which the County exercises control on behalf of beneficiaries or other governments, but that are not derived from County revenues. The External Investment Pool Custodial Fund represents investment activity conducted by the County on behalf of legally separate entities. The Other Custodial Funds are used to report cash received and disbursed either in the County's capacity as *ex officio* treasurer or as collection agent for special districts, other governments, or beneficiaries.

Interfund Balances and Eliminations

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) 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 funds and the custodial funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**New Accounting Standards**

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBORs)*, is effective for fiscal years beginning after June 15, 2020. This Statement addresses accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. King County implemented the statement in 2021; it did not have a material impact on the financial statements.

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 in Statements and Implementation Guides that first became or are scheduled to become effective for periods beginning after June 15, 2018, and later. As a result, the County will implement GASB Statement No. 87, *Leases* in 2022 instead of 2020.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, is effective for fiscal years ending after December 15, 2021. This Statement establishes the term Annual Comprehensive Financial Report and its acronym ACFR. King County implemented the statement in 2021.

**Terminology**

Expenditure Functions

Expenditures are presented on the nonmajor 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, and 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 government for the safe and adequate flow of vehicles and pedestrians, including expenditures for road and street construction, maintenance, transportation facilities and systems, and general administration. This function includes Road Services and the 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, 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, Customer deposits 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 funds 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, King County International Airport, 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 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 (excluding non-depreciable assets such as 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

The Metropolitan King County Council (the "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 Council, and the regulated rates chargeable to its customers are designed to recover the enterprise’s allowable costs of operations.

Rate stabilization - The 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 - The Water Quality Enterprise treats 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 2 - 12 | $50,000 |
| February 13 - 26 | $100,000 |
| February 27 - April 15 | $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 (SEFA) or Schedule of State Financial Assistance (SSFA) 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 - “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. Most of the County’s bonded debts are tax-exempt; exceptions are identified in Note 15 - “Liabilities.” Arbitrage occurs when the funds borrowed at tax-exempt rates of interest are invested in higher yielding taxable securities. The County's recent arbitrage analysis for the period November 1, 2020 through October 31, 2021 reveals only an immaterial arbitrage liability at December 31, 2021.

Pensions

For purposes of measuring the net pension liability, net pension asset, 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. Net pension liability occurs when the total pension liability of a plan exceeds its net position while net pension asset arises when a plan's net position exceeds its total pension liability.

For purposes of calculating the restricted net position related to the net pension asset, the county includes the net pension asset and the related deferred outflows and deferred inflows.

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 assets 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 other than pensions (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 outflows 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 assets 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 five 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. 53). 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 forgivable loans* is reported on the government-wide Statement of Net Position and the governmental funds Balance Sheet, representing the accrued interest revenue on a forgivable loan earned 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, grants 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 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.

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. The County has only immaterial excess compensation liabilities, which are not reported. 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 (e.g. a cash out of unused vacation leave in excess of 240 hours) defined by the State as excess compensation.

**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. The County reported COVID Relief Fund receipts awarded under the Coronavirus Aid, Relief, and Economic Security (CARES) Act as general revenues because they were not awarded for any specific function and were deployed across the government to assist with a wide variety of COVID-related expenses and expenditures.

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 amounts, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

| | |
|---|---|
| Long-term amounts reported for governmental activities: | |
| Bonds payable | $ (1,065,159) |
| Plus: Unamortized premiums on bonds sold | (58,915) |
| Accrued interest payable | (5,080) |
| Capital leases payable to component unit | (7,402) |
| Compensated absences | (110,911) |
| Net pension liability | (50,416) |
| Total other post employment benefits | (85,929) |
| Pollution remediation | (2,929) |
| Asset retirement obligations | (3,500) |
| Earned but unavailable court fines and penalties | 7,240 |
| Earned but unavailable taxes and assessments | 23,931 |
| Earned but unavailable grants | 48,457 |
| Deferred inflows on pensions | (629,307) |
| Deferred inflows on other post employment benefits | (9,865) |
| Total adjustments related to long-term liabilities and deferred inflows | $ (1,949,785) |

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 | $ 2,716,393 |
| Depreciable assets | 1,178,995 |
| Less: Capital assets in governmental internal service funds | (60,054) |
| Total adjustments related capital assets | $ 3,835,334 |

Another element of the reconciliation states, “Other long-term amounts are not available to pay for current-period expenditures and therefore are deferred in the funds.”

| | |
|---|---|
| Other long-term amounts reported for governmental activities: | |
| Net pension asset | $ 707,844 |
| Deferred outflows on refunding (to be amortized as interest expense) | 15,965 |
| Deferred outflows on pensions | 76,194 |
| Deferred outflows on other post employment benefits | 4,539 |
| Deferred outflows on asset retirement obligation | 3,040 |
| Total adjustments related to long-term assets and deferred outflows | $ 807,582 |

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 | $ | 245,567 |
| Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years | | (110,148) |
| Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year | | 40,436 |
| Total adjustments related to internal service funds | $ | 175,855 |

**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 | $ | 368,826 |
| Depreciation expense | | (70,783) |
| Total adjustments related to capital outlay | $ | 298,043 |

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. | $ | (21,627) |
| Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds. | | 40,860 |
| Total adjustments related to miscellaneous capital asset transactions | $ | 19,233 |

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 | $ | 1,098 |
| Unavailable revenue-abatement fees | | (205) |
| Unavailable revenue-charges for services | | 334 |
| Unavailable revenue-fines and forfeits | | (320) |
| Unavailable revenue-grants | | 47,616 |
| LEOFF special funding | | 3,770 |
| Total adjustments related to revenues | $ | 52,293 |

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 | $ (512,710) |
| Issuance of refunding bonds | (30,410) |
| Premium on bonds sold | (14,544) |
| Principal repayments | 73,416 |
| Payment to escrow agent | 33,462 |
| Total adjustments related to debt issuance or refundings | $ (450,786) |

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 | $ (1,012) |
| Other postemployment benefits | 2,571 |
| Interest on long-term debt | 8,691 |
| Pension expense | 232,415 |
| Asset retirement obligations amortization | (122) |
| Pollution remediation | 1,507 |
| Lease payments | 391 |
| Total adjustments related to expenses | $ 244,441 |

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: | |
| Loss on investment value | $ (862) |
| Intergovernmental revenues | 15,843 |
| Revenues related to services provided to outside parties | 8,155 |
| Expenses related to services provided to outside parties | (8,708) |
| Miscellaneous nonoperating revenue | 927 |
| Miscellaneous nonoperating expense | (25) |
| Gain on disposal of capital assets | 210 |
| Interest expense | (27) |
| Capital contributions | 3,663 |
| Transfers in | 4,440 |
| Transfers out | (24,628) |
| Internal service fund losses allocated to governmental activities | (985) |
| Total adjustments related to internal service funds | $ (1,997) |

**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 report the cumulative internal balance for net effect of the activity between the internal service funds and the enterprise funds over time." The details are as follows:

| | |
|---|---|
| Cumulative internal balance for net effect of activity between internal service funds and enterprise funds: | |
| Internal receivable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years | $ 110,148 |
| Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year | (40,436) |
| Total adjustments related to internal service fund activities related to enterprise funds | $ 69,712 |

# 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, Housing and Community Development Fund, Public Health Fund, nonmajor special revenue funds and debt service funds. The capital projects funds are controlled by multi-year budgets. Some nonmajor special revenue funds are controlled by multi-year budgets including Harborview Health and Safety, Long-Term Leases, Major Maintenance, Surface Water Program, Transfer of Development Credits and Urban Reforestation and Habitat Restoration. The Law Library Fund, Road Improvement Districts and Treasurer's Operating and Maintenance have the authority under state law to pay expenditures without appropriations.

The budget for the Flood Control District, a blended component unit, is approved under the authority of its respective governing body on an annual basis in accordance with RCW 86.15.140. The budget is divided into four appropriation items: (1) flood district administration; (2) maintenance and operation; (3) construction and improvements; and (4) bond retirement and interest.

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.

**Excess of Expenditures over Appropriations**

The Charter Review Commission Support appropriation unit in General Fund exceeded appropriations by $83 thousand. The overage is a result of a temporary out of balance within the Council adopted biennium budget. The appropriations will be adjusted in the second year of the biennium.

The Transfers: King County Information Technology appropriation unit in General Fund exceeded appropriations by $2 thousand. The overage is a result of making transfers from the wrong appropriation unit. The appropriations will be adjusted in a future supplemental budget.

The Transfers: Transfer to Homelessness appropriation unit in General Fund exceeded appropriations by $327 thousand. The overage is a result of making transfers from the wrong appropriation unit. A related appropriation unit was underspent by the same amount. The appropriations will be adjusted in a future supplemental budget.

**Deficit Fund Equity**

Nonmajor Governmental Funds

The Department of Community and Human Services Administration fund reports a total fund balance deficit of $2.7 million. The deficit is a result of the Coronavirus Disease (COVID) mobile vaccination program expenditures. This program is funded by the State of Washington Department of Health (DOH). The deficit is anticipated to be resolved by future contract billings to DOH.

The KC Flood Control Contract fund reports a total fund balance deficit of $67 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 over $8.5 million, which the majority of $8.1 million was due to COVID lease expenditures. For the non COVID-related fund deficit, the Facilities Management Division has developed a plan to address the deficit through rate actions by the end of 2022. The plan was approved by the Executive Committee during 2016 and 2017. The timing to resolve the COVID-related fund deficit is dependent on the amount and timing of reimbursements from federal grants.

The Building Repair and Replacement capital fund reports a total fund deficit of $9.1 million. The deficit is mostly caused by the Children and Family Justice Center project where expenditures occurred faster than tax revenues were collected. In addition, proceeds from a property are expected to contribute to the deficit for the project. Currently, an interfund loan is approved until all revenues can be collected.

The Department of Local Services Capital fund reports a total fund balance deficit of $37 thousand. The fund deficit is expected to be resolved by a future general obligation bond issuance with debt service to be funded by the General Fund. In the interim, an interfund loan is approved to cover expenditures.

Internal Service Funds

The Insurance Fund has a deficit net position at December 31, 2021 of $37.1 million caused by the current nation-wide trend of rising claims and insurance costs. The fund is expected to be fully funded by the end of 2026 through central rate increases.

# 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, 2021, the County's total deposits, including certificates of deposits, were $60.5 million in carrying amount and $17.0 million in bank balance, of which $9.5 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.

As of period ending December 31, 2021, several funds of the County experienced unrealized losses greater than interest income. In these funds, the line "investment gains (losses)" is reported as a negative number representing the net of interest earned and the unrealized losses.

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 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 Funds. 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 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 value 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 $8.7 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 markdown from cost of $19.5 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, 2021 (dollars in thousands):

**KING COUNTY INVESTMENT POOL**

| Investment Type | Fair Value | Principal | Average Interest Rate | Effective Duration (Years) |
|---|---|---|---|---|
| Repurchase Agreements | $ 288,000 | $ 288,000 | 0.03 % | 0.008 |
| Commercial Paper | 682,573 | 682,750 | 0.17 | 0.258 |
| Corporate Notes | 266,969 | 260,909 | 1.76 | 1.143 |
| U.S. Treasury Notes | 2,600,480 | 2,586,000 | 0.71 | 1.698 |
| U.S. Agency Notes | 1,132,808 | 1,140,875 | 0.44 | 1.463 |
| U.S. Agency Collateralized Mortgage Obligations | 1,999 | 1,850 | 4.32 | 2.100 |
| Supranational Coupon Notes | 2,908,834 | 2,899,671 | 0.51 | 1.469 |
| State Treasurer's Investment Pool (LGIP) | 832,832 | 832,832 | 0.09 | 0.003 |
| Total investments in Pool | $ 8,714,495 | $ 8,692,887 | 0.52 % | 1.243 |

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 issuers: Asian Development Bank, 13.7 percent; Inter-American Development Bank, 9.0 percent; International Bank Reconstruction and Development, 6.4 percent; and Federal Farm Credit Banks, 5.1 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, 2021, the effective duration of the main Pool was 1.243 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 | $ 288,000 | — | — | — | $ 288,000 |
| Commercial Paper | 682,573 | — | — | — | 682,573 |
| Corporate Notes | — | 141,349 | 125,620 | — | 266,969 |
| U.S. Agency Notes | — | 1,132,808 | — | — | 1,132,808 |
| U.S. Agency Collateralized Mortgage Obligations | — | 1,999 | — | — | 1,999 |
| Supranational Coupon Notes | 2,908,834 | — | — | — | 2,908,834 |
| State Treasurer's Investment Pool | — | — | — | 832,832 | 832,832 |
| Total investments | $ 3,879,407 | $ 1,276,156 | $ 125,620 | $ 832,832 | $ 6,114,015 |

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 AND 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, 7.8 percent; Corporate Notes, 3.1 percent; U.S. Treasury Notes, 29.8 percent; U.S. Agency Notes, 13.0 percent; Supranational Coupon Notes, 33.4 percent; and the LGIP, 9.6 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, 2021 (in thousands):

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| **Investments by fair value level** | **Fair Value** 12/31/2021 | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Unobservable Inputs (Level 3)** |
| Commercial Paper | $ 682,573 | $ — | $ 682,573 | $ — |
| Corporate Notes | 266,969 | — | 266,969 | — |
| U.S. Treasury Notes | 2,600,480 | 2,600,480 | — | — |
| U.S. Agency Notes | 1,132,808 | — | 1,132,808 | — |
| U.S. Agency Collateralized Mortgage Obligations | 1,999 | — | 1,999 | — |
| Supranational Coupon Notes | 2,908,834 | — | 2,908,834 | — |
| Subtotal investments measured at fair value | 7,593,663 | $ 2,600,480 | $ 4,993,183 | $ — |
| **Investments measured at amortized cost (not subject to fair value hierarchy)** | | | | |
| Repurchase Agreements | 288,000 | | | |
| State Treasurer's Investment Pool | 832,832 | | | |
| Subtotal investments measured at cost | 1,120,832 | | | |
| Total investments in Investment Pool | $ 8,714,495 | | | |

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, 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). Three of the four impaired investments have been completely written off since no further cash payments are expected. The Impaired Pool still holds one restructured commercial paper asset, VFNC Trust (originally Victoria Finance) in which the County accepted an exchange offer in 2009 and is receiving the cash flows from the Victoria Finance's underlying securities.

The fair value of the Impaired Pool at December 31, 2021, was $1.97 million and the book value was $3.1 million. The remaining investments in the impaired investment pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. During 2021, VFNC Trust distributed a total of $561 thousand to the County. Including all the receipts to date, the cash recovery rate on the original Victoria investment is 93 percent. Monthly distributions will continue for as long as the underlying securities in the trust continue to pay, which is expected to continue for at least 5 to 10 more years. However, with the consent of 50 percent of the note holders, the assets of the trust could be sold before the underlying securities mature. Also, because of extremely low interest rates, the County chose not to discount these future cash flows.

VFNC Trust (Victoria) is recorded at fair value of $1.97 million which is based on market price of the underlying securities that are held by VFNC Trust and the cash value retained by the receivers as of December 31, 2021, and is 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, 2021 (in thousands) are as follows:

**Condensed Statement of Net Position**

| | Total | King County Investment Pool | Impaired Investment Pool |
|---|---|---|---|
| **Assets** | | | |
| Current and other assets | $ 8,720,813 | $ 8,718,844 | $ 1,969 |
| Total Assets | $ 8,720,813 | $ 8,718,844 | $ 1,969 |
| **Net Position** | | | |
| Equity of internal pool participants | $ 4,882,374 | $ 4,881,545 | $ 829 |
| Equity of external pool participants | 3,838,439 | 3,837,299 | 1,140 |
| Total net position | $ 8,720,813 | $ 8,718,844 | $ 1,969 |

**Condensed Statement of Changes in Net Position**

| | Total | King County Investment Pool | Impaired Investment Pool |
|---|---|---|---|
| Additions | $ 659,003 | $ 659,003 | $ — |
| Deductions | (322) | — | (322) |
| Increase (decrease) in net position | 658,681 | 659,003 | (322) |
| Net position, beginning of year | 8,062,132 | 8,059,841 | 2,291 |
| Net position, ending of year | $ 8,720,813 | $ 8,718,844 | $ 1,969 |

## 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 year-end, the fair value of securities invested in the Pool Plus program was $15.7 million for County agencies and $13.1 million for districts. The following schedule shows a summary of the characteristics of the assets in the Pool Plus program at December 31, 2021 (dollars in thousands):

**KING COUNTY POOL PLUS PROGRAM**

| Investment Type | Fair Value | Principal | Average Interest Rate | Effective Duration (Years) |
|---|---|---|---|---|
| U.S. Treasury Notes - County agencies | $ 15,717 | $ 15,250 | 2.36 % | 4.190 |
| U.S. Treasury Notes - District funds | 7,892 | 7,627 | 2.55 | 3.390 |
| U.S. Treasury Notes - District funds | 5,168 | 5,016 | 2.47 | 3.760 |

**Individual Investment 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.

**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, 2021, 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, 2021**

| | Carrying Amount | Bank Balance | Uninsured and Uncollateralized |
|---|---|---|---|
| Cash in other banks | $ 3,620 | $ 257 | $ 16 |
| Equity in Investment Pool | 436,193 | 434,814 | — |
| Total deposits | $ 439,813 | $ 435,071 | $ 16 |

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 year-end, the CDA's total deposits were $1.2 million in carrying amount, and $1.7 million in bank balance, of which $470 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, 2021 (in thousands):

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| **Investments by fair value level** | **Fair Value 12/31/2021** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Unobservable Inputs (Level 3)** |
| **Investments measured at amortized cost (not subject to fair value hierarchy)** | | | | |
| State Treasurer's Investment Pool (LGIP) | $ 30,053 | | | |
| Subtotal investments measured at cost | 30,053 | | | |
| Total CDA investments | $ 30,053 | | | |

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, 2021 (in thousands):

**Cultural Development Authority**
**Investments By Type**

| Investment Type | Fair Value | Principal | Average Interest Rate | Effective Duration (Years) | Concentration |
|---|---|---|---|---|---|
| State Treasurer's Investment Pool | $ 30,053 | $ 30,053 | 0.09 % | 0.003 | 100.00 % |
| Subtotal investments | 30,053 | $ 30,053 | 0.09 % | 0.003 | 100.00 % |
| Less: State Treasurer's Investment Pool (Cash Equivalent) | (30,053) | | | | |
| Total investments per Statement of Net Position | $ — | | | | |

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, 2021, the combined weighted average effective duration of the CDA's portfolio was 0.003 years.

Credit risk - Debt Securities - Credit risk is the risk that an issuer will not fulfill its obligations. As of December 31, 2021, 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, 2021, the CDA had no concentrations greater than 5 percent of its total portfolio, excluding U.S. Treasury obligations.

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):

| | 2021 |
|---|---|
| Non-bond Proceeds | $ 28 |
| Revenue Fund | 901 |
| Bond Fund | 39 |
| | $ 968 |

# 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** | **Housing and Community Development Fund** | **Public Health Fund** | **Nonmajor Governmental Funds** | **Total Governmental Funds** |
|---|---|---|---|---|---|---|
| Accounts receivable: | | | | | | |
| Accounts receivable | $ 39,044 | $ 10,322 | $ — | $ 4,267 | $ 16,608 | $ 70,241 |
| Estimated uncollectible | (29,668) | — | — | (1,588) | (8,626) | (39,882) |
| Accounts receivable, net | $ 9,376 | $ 10,322 | $ — | $ 2,679 | $ 7,982 | $ 30,359 |
| Due from other governments: | | | | | | |
| Due from other governments | $ 110,887 | $ 12,435 | $ 38,072 | $ 157,618 | $ 137,818 | $ 456,830 |
| Estimated uncollectible | (165) | — | — | $ (685) | (1,428) | (2,278) |
| Due from other governments, net | 110,722 | 12,435 | $ 38,072 | $ 156,933 | $ 136,390 | $ 454,552 |
| Due from component units: | | | | | | |
| Due from component units | $ 20 | $ — | $ — | $ 491 | $ 9,800 | $ 10,311 |
| Estimated uncollectible | — | — | — | — | (196) | (196) |
| Due from component units, net | $ 20 | $ — | $ — | $ 491 | $ 9,604 | $ 10,115 |
| Notes receivable: | | | | | | |
| Notes receivable | $ 12,232 | $ — | $ 326,108 | $ — | $ 130,894 | $ 469,234 |
| Estimated uncollectible | — | — | (6,300) | — | — | (6,300) |
| Notes receivable, net | $ 12,232 | $ — | $ 319,808 | $ — | $ 130,894 | $ 462,934 |

| **Proprietary** | **Public Transportation** | **Water Quality** | **Solid Waste** | **Nonmajor Enterprise Funds** | **Total Enterprise Funds** | **Internal Service Funds** |
|---|---|---|---|---|---|---|
| Current assets: | | | | | | |
| Accounts receivable: | | | | | | |
| Accounts receivable | $ 12,991 | 39,643 | $ 15,180 | 1,902 | $ 69,716 | 1,267 |
| Estimated uncollectible | (1,430) | — | (200) | (8) | (1,638) | — |
| Accounts receivable, net | $ 11,561 | $ 39,643 | $ 14,980 | $ 1,894 | $ 68,078 | $ 1,267 |
| Due from other governments: | | | | | | |
| Due from other governments | $ 618,767 | 2,890 | $ 494 | $ 6,780 | 628,931 | $ 21,342 |
| Estimated uncollectible | — | — | — | (4) | (4) | — |
| Due from other governments, net | $ 618,767 | $ 2,890 | $ 494 | $ 6,776 | $ 628,927 | $ 21,342 |

# 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 $1.13522 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. The County currently levies $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.

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 municipal 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 per $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 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 101.0 percent or 100.0 percent plus inflation. 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.

The State Legislature passed, and the Governor signed into law, ESHB 1189 (the "TIF Act") authorizing the use of tax increment financing. Starting July 25, 2021 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 20.0 percent 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).

*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 60.0 percent of a number equal to 40.0 percent 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 2021, the county-wide flood control zone district levy rate was $0.08909 per $1,000 of assessed value. The boundaries of the District are 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.

**Allocation of Tax Levies**

The table on the following page compares the allocation of the 2021 and 2020 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 2021 countywide assessed valuation was $659.5 billion, an $18.0 billion increase from 2020; the assessed valuation for the unincorporated area levy was $52.2 billion, an increase of $800.0 million from 2020.

**ALLOCATION OF 2020 AND 2021 TAX LEVIES**

| | 2020 Original Taxes Levied (in thousands) | 2020 Levy Rate (per thousand) | 2021 Original Taxes Levied (in thousands) | 2021 Levy Rate (per thousand) |
|---|---|---|---|---|
| **Countywide Levy** | | | | |
| **Assessed Value:** | | | | |
| $659,534,881,337[(a)] | | | | |
| Items Within Operating Levy:[(b)] | | | | |
| General Fund | $ 379,927 | 0.59399 | $ 389,634 | 0.59354 |
| Veterans' Relief | 3,199 | 0.00500 | 3,281 | 0.00500 |
| Human Services | 7,178 | 0.01122 | 7,367 | 0.01122 |
| Intercounty River Improvement | 45 | 0.00007 | — | — |
| Automated Fingerprint Identification System | 21,766 | 0.03403 | 22,358 | 0.03406 |
| Parks Levy | 116,802 | 0.18320 | 121,719 | 0.18620 |
| Veterans and Human Services | 59,343 | 0.09307 | 62,477 | 0.09557 |
| Children and Family Justice Center | 26,601 | 0.04159 | 27,320 | 0.04162 |
| Best Starts for Kids | 72,436 | 0.11325 | 75,846 | 0.11554 |
| Radio Communications | 33,535 | 0.05243 | 34,445 | 0.05247 |
| Marine Operating | 6,288 | 0.00983 | 6,460 | 0.00984 |
| Total Operating Levy | 727,120 | 1.13768 | 750,907 | 1.14506 |
| **Conservation Futures Levy**[(c)] | 21,299 | 0.03330 | 21,855 | 0.03329 |
| **Unlimited Tax GO Bonds** (Voter-approved Excess Levy) | 13,617 | 0.02135 | 13,944 | 0.02133 |
| **Transportation Levy**[(d)] | 30,189 | 0.04720 | 30,985 | 0.04720 |
| Total Countywide Levy | 792,225 | 1.23953 | 817,691 | 1.24688 |
| **Emergency Medical Services Levy** | | | | |
| **Assessed Value:** | | | | |
| $659,350,106,043[(a)] | | | | |
| Emergency Medical Services Levy[(e)] | 101,362 | 0.26500 | 104,730 | 0.26499 |
| **Unincorporated County Levy** | | | | |
| **Assessed Value:** | | | | |
| $52,235,933,520[(a)] | | | | |
| County Road Fund[(f)] | 92,988 | 1.82492 | 94,573 | 1.82588 |
| Total County Tax Levies | $ 986,575 | | $ 1,016,994 | |

(a) Assessed value for taxes payable in 2021

(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 $0.265 per $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 2020 and 2021 the tax rate was $0.03403 and $0.03406 per $1,000 of assessed value, respectively.

In August 2019, 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 2020 and 2021 tax year rate for the Parks levy lid lift is $0.18320 and $0.18620 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 percent 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 2020 and 2021 tax rate is $0.09307 and $0.09557 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 $0.07 per $1,000 of assessed value for the first year (2013). The rate for 2020 and 2021 is $0.04159 and $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 Center to replace the County's existing juvenile-justice complex. Construction of the main facility was completed in 2019 and opened in early 2020. The parking garage was completed and opened in 2021.

Puget Sound Emergency Radio Network (PSERN) replacement levy lift was approved by voters in April 2015 at a rate of $0.07 per $1,000 of assessed value for nine years, beginning in 2016. The rate for 2020 and 2021 is $0.05243 and $0.05247 per $1,000 assessed value.

The Best Starts for Kids levy was approved by voters at the November 3, 2015, general election 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 2020 and 2021 is $0.11325 and $0.11554 per $1,000 of assessed value. This levy was renewed by the voters at the 2021 primary election for an additional six years at a rate of $.019 per $1,000 of assessed value beginning in 2022.

The County’s levy rate for transit-related purposes is $0.04720 per $1,000 of assessed value, and its levy rate for conservation futures is $0.03329 per $1,000 of assessed value in 2021.

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 rate for 2020 and 2021 is $0.26500 and $0.26499 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 $50.00, one-half may be paid by April 30 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 on the due date of any such taxes as the County Treasurer deems proper. Further, the Governor of the State may, among other actions, waive or suspend the application of tax due dates and penalties relating to collection of taxes. Neither the County Treasurer nor the Governor extended any property tax payment deadlines in 2021.

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 25.0 percent 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 $32.0 million across 11 cities and the County. Approximately 40.0 percent of the amount is County property taxes.

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 State Legislature recently adopted ESSB 5408, increasing the homestead exemption amount from $125 thousand to the greater of $125 thousand 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.

**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 payment 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 property tax 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 Abatement**

As of December 31, 2021, the County provides tax abatement through four programs - the Current Use Program, the Historic Preservation Program, the Single-family Dwelling Improvement Program, and the Multifamily Housing Property Tax Exemption program. 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 twenty 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 twenty 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 abatement 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 abatement 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. Abatement is 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 is 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, 2021 (in thousands):

| Tax Abatement Program | Total Amount of Taxes Abated |
|---|---|
| Current Use | $ 2,527 |
| Historical Preservation | 707 |
| Single-family Dwelling Improvement | 83 |
| Multifamily Housing Property Tax Exemption | 10 |

State of Washington Tax Abatements

The information provided by Washington State is based upon calendar 2020 as a proxy for fiscal year 2021. The State's fiscal year end is June 30, 2021. The state of Washington provides tax abatements through the below programs subject to the requirements of GASB Statement No. 77. 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 is 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 space 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 become 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, 2021 (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 | $ | 753 |
| Multi-Unit Urban Housing Exemption | | 15,983 |
| Multi-Purpose Sports and Entertainment Facility Deferral | | D* |
| Aerospace incentives: Computer Hardware, Software and Peripherals sales and use tax exemption | | 64 |

*Washington State cannot disclose these amounts as fewer than three taxpayers received these exemptions and would thereby be disclosing the confidential tax information of these recipients (RCW 82.32.330(2)).

# Note 7

## Capital Assets

### Primary Government

Governmental activities include capital assets of governmental internal service funds. A summary of changes in capital assets for the governmental activities is shown below (in thousands):

| | Balance 01/01/2021 | Additions | Retirements / WIP Deductions | Transfers / Reclassifications | Balance 12/31/2021 |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| Capital assets not being depreciated: | | | | | |
| *Land | $ 658,503 | $ 93,464 | $ (3,030) | $ — | $ 748,937 |
| Rights-of-way and easements | 484,312 | 11,236 | — | — | 495,548 |
| Infrastructure – roads and bridges | 1,140,590 | 21,134 | (4) | — | 1,161,720 |
| Art collections | 11,112 | — | — | — | 11,112 |
| Work in progress | 288,583 | 122,219 | (18,019) | (93,707) | 299,076 |
| Total capital assets not being depreciated | 2,583,100 | 248,053 | (21,053) | (93,707) | 2,716,393 |
| Capital assets being depreciated: | | | | | |
| Buildings | 1,238,757 | 329,967 | (187,160) | 44,886 | 1,426,450 |
| Leasehold improvements | 38,451 | — | — | 13,117 | 51,568 |
| Improvements other than buildings | 141,514 | 13,148 | (812) | 20,507 | 174,357 |
| Infrastructure – levees | 54,068 | — | — | — | 54,068 |
| * Furniture, machinery and equipment | 282,706 | 16,069 | (9,038) | 776 | 290,513 |
| Software | 151,342 | — | (58) | 14,429 | 165,713 |
| Total capital assets being depreciated | 1,906,838 | 359,184 | (197,068) | 93,715 | 2,162,669 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (561,819) | (35,712) | 840 | — | (596,691) |
| Leasehold improvements | (10,183) | (1,599) | — | — | (11,782) |
| Improvements other than buildings | (43,382) | (6,231) | 68 | — | (49,545) |
| Infrastructure – levees | (6,269) | (1,802) | — | — | (8,071) |
| *Furniture, machinery and equipment | (180,227) | (24,476) | 8,916 | (2) | (195,789) |
| Software | (105,433) | (16,421) | 58 | — | (121,796) |
| Total accumulated depreciation | (907,313) | (86,241) | 9,882 | (2) | (983,674) |
| Total capital assets being depreciated, net | 999,525 | 272,943 | (187,186) | 93,713 | 1,178,995 |
| Governmental activities capital assets, net | $ 3,582,625 | $ 520,996 | $ (208,239) | $ 6 | $ 3,895,388 |

### Beginning Balance Adjustment

Items in the governmental activities table above that are placed by an asterisk (*) had their beginning balance restated. The reasons for those restatements follow.

The County Roads Operating fund rectified an error, in the amount of $14 thousand, in how a single parcel of land was reported on its financial statements in 2020.

The Wastewater Equipment Rental internal service fund (ISF) merged with the much larger Motor Pool Equipment Rental ISF. Through the merger, these assets transitioned from a business-type activity to a governmental activity and have been added to the governmental activities table according to this new classification.

A summary of the changes in capital assets for the business-type activities is shown below (in thousands):

| | Balance 01/01/2021 | Additions | Retirements / WIP Deductions | Transfers / Reclassifications | Balance 12/31/2021 |
|---|---|---|---|---|---|
| **Business-type Activities:** | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | $ 435,829 | $ 3,331 | $ (7,711) | $ 11,533 | $ 442,982 |
| Rights-of-way and easements | 31,010 | — | — | 23 | 31,033 |
| Art collections | 4,394 | — | — | — | 4,394 |
| Work in progress | 748,646 | 268,459 | — | (116,961) | 900,144 |
| Total capital assets not being depreciated | 1,219,879 | 271,790 | (7,711) | (105,405) | 1,378,553 |
| Capital assets being depreciated: | | | | | |
| Buildings | 3,558,455 | 1,966 | (4,835) | 9,571 | 3,565,157 |
| Leasehold Improvements | 7,307 | — | — | — | 7,307 |
| Improvements other than buildings | 544,837 | 197 | (383) | 49,145 | 593,796 |
| Rights-of-way – temporary easement | 7,635 | — | — | — | 7,635 |
| Infrastructure – water quality | 2,511,506 | — | (240) | 4,718 | 2,515,984 |
| *Furniture, machinery and equipment | 3,080,570 | 7,148 | (115,737) | 35,038 | 3,007,019 |
| Software | 151,235 | — | (5,574) | 6,925 | 152,586 |
| Total capital assets being depreciated | 9,861,545 | 9,311 | (126,769) | 105,397 | 9,849,484 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (1,889,953) | (85,164) | 3,259 | — | (1,971,858) |
| Leasehold Improvements | (4,806) | (214) | — | — | (5,020) |
| Improvements other than buildings | (231,536) | (29,939) | 98 | — | (261,377) |
| Rights-of-way – temporary easement | (2,017) | (218) | — | — | (2,235) |
| Infrastructure – water quality | (771,020) | (51,659) | 130 | — | (822,549) |
| *Furniture, machinery and equipment | (1,837,472) | (184,063) | 114,092 | 2 | (1,907,441) |
| Software | (127,587) | (6,902) | 5,509 | — | (128,980) |
| Total accumulated depreciation | (4,864,391) | (358,159) | 123,088 | 2 | (5,099,460) |
| Total capital assets being depreciated, net | 4,997,154 | (348,848) | (3,681) | 105,399 | 4,750,024 |
| Business-type activities capital assets, net | $ 6,217,033 | $ (77,058) | $ (11,392) | $ (6) | $ 6,128,577 |

### Beginning Balance Adjustment

Items in the business-type activities table above that are placed by an asterisk (*) had their beginning balance restated. The reasons for those restatements follow.

The Wastewater Equipment Rental internal service fund (ISF) merged with the much larger Motor Pool Equipment Rental ISF. Through the merger, these assets transitioned from a business-type activity to a governmental activity and have been removed from the business-type activities table according to this new classification.

## Depreciation Expense

Depreciation expense charged to functions of the Primary Government (in thousands):

| | | 2021 |
|---|---|---|
| **Governmental Activities** | | |
| General government services | $ | 43,884 |
| Law, safety and justice | | 12,997 |
| Physical environment | | 2,192 |
| Transportation | | 494 |
| Economic environment | | 2,845 |
| Mental and physical health | | 811 |
| Culture and recreation | | 7,560 |
| Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets | | 15,458 |
| Total depreciation - governmental activities | $ | 86,241 |
| **Business-type Activities** | | |
| Water Quality | $ | 170,437 |
| Public Transportation | | 159,896 |
| Solid Waste | | 20,829 |
| King County International Airport | | 6,315 |
| Institutional Network | | 400 |
| Radio Communications | | 282 |
| Total depreciation - business-type activities | $ | 358,159 |

## 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 - $185.3 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - $385.6 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Solid Waste Enterprise - $24.0 million is committed to improving the County's solid waste regional landfill and maintenance of existing facilities.

Other Enterprises - $2.9 million is committed for Airport facility improvements within the County.

Capital Projects Funds

$165.3 million is committed to various capital projects, including: (1) open space and conservation easement acquisitions; (2) development and improvement of trails, playgrounds and ball fields 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, 2021 (in thousands):

| | Balance 7/1/2020 | Additions | Retirements | Transfers | Balance 6/30/2021 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Land | $ 2,432 | $ — | $ — | $ — | $ 2,432 |
| Work in progress | 12,796 | 9,704 | — | (16,708) | 5,792 |
| Total capital assets not being depreciated | 15,228 | 9,704 | — | (16,708) | 8,224 |
| Capital assets being depreciated: | | | | | |
| Buildings | 427,604 | — | (82) | 21,058 | 448,580 |
| Improvements other than buildings | 19,741 | — | (4) | 1,495 | 21,232 |
| Equipment | 321,648 | 4,118 | (1,524) | (5,845) | 318,397 |
| Total capital assets being depreciated | 768,993 | 4,118 | (1,610) | 16,708 | 788,209 |
| Less accumulated depreciation for: | | | | | |
| Buildings | (228,203) | (14,758) | 48 | — | (242,913) |
| Improvements other than buildings | (11,379) | (1,163) | 2 | — | (12,540) |
| Equipment | (258,360) | (14,836) | 1,110 | — | (272,086) |
| Total accumulated depreciation | (497,942) | (30,757) | 1,160 | — | (527,539) |
| HMC capital assets, net | $ 286,279 | $ (16,935) | $ (450) | $ — | $ 268,894 |

# 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 net pension asset, future construction projects, debt service and obligations. | $ | 367,134 |
| Water Quality - restricted for net pension asset, future construction projects, debt service, reserves and obligations. | | 391,772 |
| King County International Airport - restricted for net pension asset, construction projects and obligations. | | 4,994 |
| Radio Communications Services - restricted for net pension asset and construction projects and obligations. | | 1,580 |
| Solid Waste - restricted for net pension asset, construction projects, landfill closure and post-closure care costs. | | 67,463 |
| iNet - restricted for net pension asset and construction projects and obligations. | | 503 |
| Business Resource Center - restricted for net pension asset. | | 7,029 |
| Construction & Facilities Management - restricted for net pension asset and construction projects. | | 18,622 |
| Employee Benefits Program - restricted for net pension asset. | | 1,469 |
| Financial Management Services - restricted for net pension asset and construction projects. | | 12,730 |
| Insurance - restricted for net pension asset and construction projects. | | 2,417 |
| King County Geographic Information Systems - restricted for net pension asset. | | 1,993 |
| King County Information Technology Services - restricted for net pension asset. | | 40,182 |
| Motor Pool - restricted for net pension asset. | | 4,932 |
| Safety & Workers' Compensation - restricted for net pension asset. | | 1,993 |
| Total Proprietary Funds restricted assets | $ | 924,813 |
| **Component Unit - Harborview Medical Center (HMC)** | | |
| HMC Special Purpose Fund - restricted donations, gifts and bequests from various sources for specific uses. | $ | 15,857 |
| Total HMC restricted assets | $ | 15,857 |
| **Component Unit - Cultural Development Authority of King County (CDA)** | | |
| 1% for Art Fund - restricted for net pension asset and the one percent for public art programs operated for the benefit of King County. | $ | 16,392 |
| Cultural Special Account and Other Funds - restricted for arts and heritage cultural programs. | | 21,188 |
| Total CDA restricted assets | $ | 37,580 |
| **Component Unit - NJB Properties** | | |
| Non-bond Proceeds Fund - restricted for costs of the NJB Project | $ | 27 |
| Revenue Fund - restricted for transfers to the Bond Fund and authorized administrative fees | | 902 |
| Bond Fund - restricted for interest and principal on the bonds | | 39 |
| Total NJB Properties restricted assets | $ | 968 |

# 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 2021:

| Aggregate Pension Amounts - All Plans (in thousands) | |
|---|---|
| Pension liabilities | $ 105,494 |
| Pension assets | 1,256,757 |
| Deferred outflows of resources related to pensions | 138,871 |
| Deferred inflows of resources related to pensions | 1,197,773 |
| Pension expense/expenditures | (290,854) |

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 annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for each plan. The DRS comprehensive annual financial report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98504-8380

Or the DRS annual comprehensive financial report may be downloaded from the DRS website at www.drs.wa.gov.

The Seattle City Employees' Retirement System (SCERS) is a multiple employer defined benefit public employee retirement plan administered by the Retirement System Board of Administration. 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 6.00 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 2021 were as follows:

| PERS Plan 1 | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer** | **Employee*** |
| January through June 2021 | | |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| Total | 12.97% | 6.00% |
| July through December 2021 | | |
| PERS Plan 1 | 6.36% | 6.00% |
| PERS Plan 1 UAAL | 3.71% | |
| Administrative Fee | 0.18% | |
| Total | 10.25% | 6.00% |

*For employees participating in JBM, the contribution rate was 12.26%

The County's actual contributions to the plan were $ 56.7 million for the year ended December 31, 2021.

**PERS Plans 2 and 3**

**Benefits Provided:** PERS Plans 2 and 3 (PERS 2/3) provide 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 one 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 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 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 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 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS 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 gives 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 (from 1.0 percent for non-JBM participants).

**Contributions:** The PERS 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 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 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| PERS Plan 2/3 | | | |
|---|---|---|---|
| **Actual Contribution Rates:** | **Employer 2/3** | **Employee 2*** | **Employee 3** |
| January through June 2021 | | | |
| PERS Plan 2/3 | 7.92% | 7.90% | Varies (5-15%) |
| PERS Plan 1 UAAL | 4.87% | | |
| Administrative Fee | 0.18% | | |
| Total | 12.97% | 7.90% | |
| July through December 2021 | | | |
| PERS Plan 2/3 | 6.36% | 6.36% | Varies (5-15%) |
| PERS Plan 1 UAAL | 3.71% | | |
| Administrative Fee | 0.18% | | |
| Total | 10.25% | 6.36% | |

* For employees participating in the JBM, the contribution rate was 19.75% from January through June 2021 and 15.90% from July through December 2021.

The County's actual contributions to the plan were $92.4 million for the year ended December 31, 2021.

**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:** The PSERS Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary (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. The PSERS Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| PSERS Plan 2 | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer** | **Employee** |
| January through June 2021 | | |
| PSERS Plan 2 | 7.20% | 7.20% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| Total | 12.25% | 7.20% |
| July through December 2021 | | |
| PSERS Plan 2 | 6.50% | 6.50% |
| PERS Plan 1 UAAL | 3.71% | |
| Administrative Fee | 0.18% | |
| Total | 10.39% | 6.50% |

The County's actual contributions to the plan were $3.4 million for the year ended December 31, 2021.

**<u>Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)</u>**

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 2021. 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:** The 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.

Effective July 1, 2017, when a LEOFF employer charges a fee or recovers costs for services rendered by a LEOFF 2 member to a non-LEOFF employer, the LEOFF employer must cover both the employer and state contributions on the LEOFF 2 basic salary earned for those services. The state contribution rate (expressed as a percentage of covered payroll) was 3.41% in 2021.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| LEOFF 2 | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer** | **Employee** |
| January through June 2021 | 5.15% | 8.59% |
| Administrative Fee | 0.18% | |
| Total | 5.33% | 8.59% |
| July through December 2021 | 5.12% | 8.53% |
| Administrative Fee | 0.18% | |
| Total | 5.30% | 8.53% |

The County's actual contributions to the plan were $6.1 million for the year ended December 31, 2021.

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, 2021, the State contributed $78.2 million to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $30.7 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 16.20 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 2021 were as follows:

| SCERS | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer** | **Employee** |
| January through December 2021 | 16.20% | 10.03% |

The County's actual contributions to the plan were $221 thousand for the year ended December 31, 2021.

**<u>Actuarial Assumptions</u>**

The **total pension liability (TPL)** for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021.

Total plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, 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, 3.50 percent salary inflation
- Salary increases: In addition to the base 3.50 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.4 percent

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June

30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

The total pension liability (TPL) for SCERS pension plan was determined by an actuarial valuation as of January 1, 2020. 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 percent
- Salary increases: 3.50 percent
- Investment rate of return: 7.25 percent compounded annually, net of expenses

Mortality rates for the SCERS plan were based on RP-2014 mortality tables and using generational projection of improvement using MP-2014 Ultimate projection scale.

**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. 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 liability.

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 (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 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, 2021 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 | Percent 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, 2020 are summarized in the chart that follows:

| Asset Class | Percent Long-term Expected Real Rate of Return Geometric |
|---|---|
| Equity: Public | 4.3% |
| Equity: Private | 7.3% |
| Fixed Income: Core | (0.1)% |
| Fixed Income: Credit | 3.3% |
| Real Assets: Real Estate | 3.4% |
| Real Assets: Infrastructure | 3.9% |

## Sensitivity of Net Pension Liability (Asset)

The table below presents the County's proportionate share of the net pension liability (asset) 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 (asset) 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 (6.40%) | Current Discount Rate (7.40%) | 1% Increase (8.40%) |
| PERS 1 | $ 179,086 | $ 105,126 | $ 40,623 |
| PERS 2/3 | (298,881) | (1,049,145) | (1,666,986) |
| PSERS 2 | (2,662) | (16,979) | (28,310) |
| LEOFF 1 | (18,315) | (20,344) | (22,100) |
| LEOFF 2 | (107,384) | (170,289) | (221,795) |

| Sensitivity of Net Pension Liability (in thousands) | | | |
|---|---|---|---|
| Plans | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
| SCERS | $ 581 | $ 368 | $ 190 |

**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, 2021, the County reported a total pension liability of $105.5 million and total pension asset of $1.3 billion for its proportionate share of the net pension liabilities (assets) as follows:

| Net Pension Liability (Asset) (in thousands) | |
|---|---|
| PERS 1 | $ 105,126 |
| PERS 2/3 | (1,049,145) |
| PSERS 2 | (16,979) |
| LEOFF 1 | (20,344) |
| LEOFF 2 | (170,289) |
| SCERS | 368 |

The amount of the asset reported above for LEOFF Plan 1 and 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 Asset (in thousands) | LEOFF 1 | LEOFF 2 |
|---|---|---|
| County's proportionate share | $ (20,344) | $ (170,289) |
| State's proportionate share of the net pension asset associated with King County | (137,609) | (109,855) |
| TOTAL | $ (157,953) | $ (280,144) |

The County proportionate share of the collective net pension liabilities/assets was as follows:

| Collective Net Pension Liabilities/Assets | | | |
|---|---|---|---|
| | Proportionate Share 6/30/20 | Proportionate Share 6/30/21 | Change in Proportion |
| PERS 1 | 8.85% | 8.61% | -0.24% |
| PERS 2/3 | 10.85% | 10.53% | -0.32% |
| PSERS 2 | 8.22% | 7.39% | -0.83% |
| LEOFF 1 | 0.59% | 0.59% | 0.00% |
| LEOFF 2 | 3.15% | 2.93% | -0.22% |

| Collective Net Pension Liabilities | | | |
|---|---|---|---|
| | Proportionate Share 12/31/19 | Proportionate Share 12/31/20 | Change in Proportion |
| SCERS | 0.04% | 0.04% | 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 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary. Historically, 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 2021, the State of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 61 percent of employer contributions.

The collective net pension liability (asset) for all DRS pension plans was measured as of June 30, 2021, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2020, 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, 2020, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2020, 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, 2021, the County recognized pension expense as follows:

| Pension Expense (in thousands) | |
|---|---|
| PERS 1 | $ (28,210) |
| PERS 2/3 | (238,891) |
| PSERS 2 | (672) |
| LEOFF 1 | (3,083) |
| LEOFF 2 | (20,170) |
| SCERS | 172 |
| TOTAL | $ (290,854) |

## Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, 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 | — | (116,654) |
| Changes of assumptions | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | — | — |
| Contributions subsequent to the measurement date | 25,390 | — |
| TOTAL | $ 25,390 | $ (116,654) |

| PERS 2/3 | Deferred Outflows of Resources (in thousands) | Deferred Inflows of Resources (in thousands) |
|---|---|---|
| Differences between expected and actual experience | $ 50,955 | $ (12,861) |
| Net difference between projected and actual investment earnings on pension plan investments | — | (876,838) |
| Changes of assumptions | 1,533 | (74,507) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 320 | (5,531) |
| Contributions subsequent to the measurement date | 41,294 | — |
| TOTAL | $ 94,102 | $ (969,737) |

| PSERS 2 | Deferred Outflows of Resources (in thousands) | Deferred Inflows of Resources (in thousands) |
|---|---|---|
| Differences between expected and actual experience | $ 1,742 | $ (67) |
| Net difference between projected and actual investment earnings on pension plan investments | | (12,162) |
| Changes of assumptions | 3 | (1,736) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 52 | (9) |
| Contributions subsequent to the measurement date | 1,583 | — |
| TOTAL | $ 3,380 | $ (13,974) |

| 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 | — | (6,216) |
| Changes of assumptions | — | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | — | — |
| Contributions subsequent to the measurement date | — | — |
| TOTAL | $ — | $ (6,216) |

| LEOFF 2 | Deferred Outflows of Resources (in thousands) | Deferred Inflows of Resources (in thousands) |
|---|---|---|
| Differences between expected and actual experience | $ 7,724 | $ (900) |
| Net difference between projected and actual investment earnings on pension plan investments | — | (81,195) |
| Changes of assumptions | 74 | (8,099) |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,477 | (679) |
| Contributions subsequent to the measurement date | 2,948 | — |
| TOTAL | $ 15,223 | $ (90,873) |

| SCERS | Deferred Outflows of Resources (in thousands) | Deferred Inflows of Resources (in thousands) |
|---|---|---|
| Differences between expected and actual experience | $ 1 | $ (11) |
| Net difference between projected and actual investment earnings on pension plan investments | — | (111) |
| Changes of assumptions | 17 | — |
| Changes in proportion and differences between contributions and proportionate share of contributions | 536 | (197) |
| Contributions subsequent to the measurement date | 222 | — |
| TOTAL | $ 776 | $ (319) |

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 or an addition to the net pension asset in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | PERS 1 (in thousands) |
|---|---|
| 2022 | $ (30,902) |
| 2023 | (28,317) |
| 2024 | (26,775) |
| 2025 | (30,660) |
| 2026 | — |
| Thereafter | — |

| Year ended December 31: | PERS 2/3 (in thousands) |
|---|---|
| 2022 | $ (240,755) |
| 2023 | (225,001) |
| 2024 | (215,188) |
| 2025 | (232,210) |
| 2026 | (3,733) |
| Thereafter | (42) |

| Year ended December 31: | PSERS 2 (in thousands) |
|---|---|
| 2022 | $ (3,168) |
| 2023 | (3,011) |
| 2024 | (2,857) |
| 2025 | (3,170) |
| 2026 | (12) |
| Thereafter | 41 |

| Year ended December 31: | LEOFF 1 (in thousands) |
|---|---|
| 2022 | $ (1,651) |
| 2023 | (1,510) |
| 2024 | (1,425) |
| 2025 | (1,630) |
| 2026 | — |
| Thereafter | — |

| Year ended December 31: | LEOFF 2 (in thousands) |
|---|---|
| 2022 | $ (21,280) |
| 2023 | (19,804) |
| 2024 | (18,688) |
| 2025 | (21,091) |
| 2026 | 83 |
| Thereafter | 2,182 |

| Year ended December 31: | SCERS (in thousands) |
|---|---|
| 2022 | $ 88 |
| 2023 | 84 |
| 2024 | 33 |
| 2025 | 15 |
| 2026 | 15 |
| Thereafter | — |

As of December 31, 2021, the County reported restricted net position related to the net pension asset as follows:

| Restricted Net Position (in thousands) | |
|---|---|
| PERS 2/3 | $ 173,509 |
| PSERS 2 | 6,385 |
| LEOFF 1 | 14,128 |
| LEOFF 2 | 94,640 |

**<u>Component Unit - Harborview Medical Center (HMC)</u>**

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 asset (PERS 2/3), net pension liability (PERS 1), deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2021 were $2.0 million, $213 thousand, $324 thousand and $2.1 million, respectively.

# Note 10

## Defined Benefit Other Postemployment Benefit (OPEB) Plan

The County is required to accrue other postemployment benefit (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 $106.5 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, 2021 (in thousands):

| | |
|---|---|
| OPEB liabilities | $ 106,488 |
| OPEB assets | — |
| Deferred outflows of resources | 5,625 |
| Deferred inflows of resources | 12,225 |
| OPEB expense/expenditures | 3,860 |

The County's total OPEB liability was measured as of December 31, 2021 using an actuarial valuation as of December 31, 2020.

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, 2020 (the census date) the following employees were covered by the Health Plan.

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 517 |
| Inactive employees entitled to, but not yet receiving benefits | — |
| Active employees | 14,746 |
| Total | 15,263 |

For the fiscal year ended December 31, 2021, the County contributed an estimated $6.4 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, 2020 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 4.04 percent after 53 years. The Medicare premium trend rate is 5.40 percent reduced by decrements to an ultimate rate of 4.04 percent after 53 years. All trend rates include a 2.75 percent inflation assumption and 3.50 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 before 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, as well as what the total 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 |
|---|---|---|---|
| | 5.50% | 6.50% | 7.50% |
| Total OPEB Liability | $ 96,238 | $ 106,488 | $ 118,315 |

Discount Rate The discount rate used to measure the total OPEB liability is 1.84 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 1.84 percent, as well as what the total 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 |
|---|---|---|---|
| | 0.84% | 1.84% | 2.84% |
| Total OPEB Liability | $ 115,114 | $ 106,488 | $ 98,692 |

Changes in the Total OPEB Liability The County's actuarial analysis used a measurement date of December 31, 2021. 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 1/1/2021** | $ 106,619 |
| **Changes for the Year:** | |
| Service cost | 2,865 |
| Interest | 2,125 |
| Changes of benefit terms | — |
| Difference between expected and actual experience | — |
| Changes of assumptions | 1,300 |
| Benefit payments | (4,404) |
| Other changes | (2,017) |
| **Net changes** | (131) |
| **Balance at 12/31/2021** | $ 106,488 |

The County recognized $3.9 million in OPEB expense for the year. There were no changes to the plan benefits in 2021. Changes in actuarial assumptions for the valuation dated December 31, 2021 included decreasing the discount rate to 1.84 percent from 2.00 percent.

Deferred Inflows and Deferred Outflows At December 31, 2021 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 | $ 1,914 | $ (6,681) |
| Changes of assumptions | 3,711 | (5,544) |
| Payments subsequent to the measurement dates | — | — |
| Total | $ 5,625 | $ (12,225) |

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 |
|---|---|
| 2022 | $ (1,131) |
| 2023 | (1,131) |
| 2024 | (1,131) |
| 2025 | (1,131) |
| 2026 | (1,131) |
| Thereafter | (945) |
| Total | (6,600) |

**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 total OPEB liability is not recorded at the University or its departments, divisions, agencies or component units.

**Component Unit - Cultural Development Authority (CDA)**

The CDA's OPEB plan is a single-employer defined-benefit health care plan administered by the Public Employees Benefit Board (PEBB). The plan provides medical and dental benefits to eligible retirees, their spouses and children.

The following table represents the aggregate OPEB amounts for the plan subject to the requirements of GASB Statement No. 75 for the year ended December 31, 2021 (in thousands):

| | |
|---|---|
| OPEB liabilities | $ 1,488 |
| OPEB assets | — |
| Deferred outflows of resources | 10 |
| Deferred inflows of resources | — |
| OPEB expense | (121) |

CDA recognized $(121) thousand in OPEB expense for the year. There were no changes to the plan benefits in 2021. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

At June 30, 2021, there were 36 total employees in the plan, including seven inactive employees or beneficiaries currently receiving benefits, no inactive employees entitled to but not yet receiving benefits, and 29 active employees.

Actuarial Methods and Assumptions

The total OPEB liability was calculated using the alternate measurement method model provided by the Office of the State Actuary with an actuarial valuation of June 30, 2020 and a measurement date of June 30, 2021, using the entry age actuarial cost method. The actuarial assumptions included a discount rate of 2.21 percent and 2.26 percent, respectively, for the beginning and end of the measurement year, projected salary changes of 3.50 percent plus service-based increases, and an inflation rate of 2.75 percent. The actuarial assumptions included an initial healthcare cost trend rate of 2.00 percent to 11.00 percent, reaching an ultimate rate of approximately 4.30 percent in 2075.

The following presents the total OPEB liability calculated using the current healthcare cost trend rate of 2.00-11.00 percent decreasing to 4.30 percent by 2075, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current rate.

| | 1% Decrease | Current Rate | 1% Increase |
|---|---|---|---|
| | 6.00% | 7.00% | 8.00% |
| Total OPEB Liability | $ 1,201 | $ 1,488 | $ 1,874 |

The following represents the total OPEB liability calculated using a discount rate of 2.26 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.26 percent) or 1-percentage point higher (3.26 percent) than the current rate.

| | 1% Decrease | Current Rate | 1% Increase |
|---|---|---|---|
| | 1.26% | 2.26% | 3.26% |
| Total OPEB Liability | $ 1,809 | $ 1,488 | $ 1,238 |

Changes in the Total OPEB Liability CDA's actuarial analysis used a measurement date of June 30, 2020. For the current reporting period, the following schedule includes changes in the total OPEB liability since last year (in thousands).

| | |
|---|---|
| Total OPEB liability at January 1, 2021 | $ 1,629 |
| Changes for the Year: | |
| Service cost | 84 |
| Interest | 38 |
| Changes of benefit terms | — |
| Difference between experience data and assumptions | (243) |
| Changes of assumptions | — |
| Benefit payments | (20) |
| Net changes | (141) |
| Total OPEB liability at December 31, 2021 | $ 1,488 |

Deferred outflows of resources of $10 thousand resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022.

# 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 some exceptions, the County self-insures most liability exposures and purchases reinsurance over its self-insured retentions. 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, 2021, is $101.0 million.

Changes in the Insurance Fund's estimated claims liability in 2020 and 2021 (in thousands):

| | Beginning of Year Liability | Claims and Changes in Estimates | Claim Payments | End of Year Liability |
|---|---|---|---|---|
| 2020 | $ 78,904 | $ 13,085 | $ (19,144) | $ 72,845 |
| 2021 | 72,845 | 63,042 | (34,880) | 101,007 |

The amount of settlements has not exceeded insurance coverage for any of the past three fiscal years.

The current excess liability insurance limits are $67.5 million in excess of a $7.5 million self-insured retention for Transit and $6.5 million self-insured retention for all other County agencies. In lieu of purchasing the certified terrorism coverage offered by our excess liability insurance carriers, a stand-alone liability terrorism insurance policy is maintained with limits of $40.0 million.

Risk Management renewed the County's property insurance policy on July 1, 2021 with FM Global Insurance Company and various other excess property insurers, which includes layered excess Earth Movement coverage. The program maintains a blanket limit of $750.0 million above a $1.0 million per occurrence deductible. The program provides an overall Earthquake sublimit of $100.0 million and a Flood sublimit of $250.0 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.

King County International Airport (Boeing Field) property insurance was renewed with incumbent carrier, AIG. The policy provides a $251.0 million limit with sub-limits of $100.0 million for Flood and $25.0 million for Earthquake. Effective July 1, 2021, the King County International Airport's property insurance coverage saw a reduction in earthquake limits from $50.0 million to $25.0 million.

Risk Management renewed the County's cyber liability insurance for total limits of $40.0 million above a $2.5 million deductible. The program provides coverage for third-party claims arising from failure of network security or protection of data in addition to fist-party coverage for security failure, breach, event management, forensic investigations, and business interruption.

The majority of the County's insurance renewals in 2021 have communicable disease exclusions added to the policies.

In addition to the policies already mentioned, the County has ancillary insurance policies to cover some of its other exposures. These are listed in the following table:

| COVERAGE | COVERAGE AMOUNT | DEDUCTIBLE |
|---|---|---|
| Excess General Liability | $67.5 million | $6.5 million per occurrence; $7.5 million per occurrence Transit bus losses |
| Terrorism — Liability | $40 million | $100 thousand per occurrence |
| Terrorism — Property | $500 million | $100 thousand per occurrence |
| Property & Mobile Equipment | $750 million | $1 million per occurrence |
| | $100 million EQ (Earthquake) | EQ - 5% of location value / $500 thousand minimum |
| | $250 million Flood | Flood - $250 thousand / $500 thousand |
| Excess Workers' Compensation | Statutory (unlimited) | $2 million per occurrence |
| Multi-State Workers' Compensation | Statutory (unlimited) | None |
| Aircraft Liability & Physical Damage | $50 million (liability); scheduled value (property) | None |
| King County International Airport General Liability | $300 million | None |
| King County International Airport Property Damage | $251 million; $25 million EQ; $100 million Flood | $100 thousand per occurrence; EQ - 2% of location value / $100 thousand minimum; Flood - $100 thousand |
| Marine Liability & Property Damage | $150 million (liability); scheduled values (property) | Varies based on vessel and coverage type |
| Foreign Liability | $1 million | $1 thousand per occurrence |
| Fiduciary Liability | $20 million | $50 thousand each claim |
| Fiduciary Liability — Investment Pool | $10 million | $50 thousand each claim |
| Parks Swimming Pools General Liability | $7 million per occurrence; $8 million aggregate | $5 thousand per occurrence |
| Crime and Fidelity | $2.5 million | $50 thousand each claim |
| Flood Insurance | scheduled value | $1 - 2.5 thousand per occurrence |
| Cyber Liability | $40 million | $2.5 million (1st party) each incident; $1 million (3rd party) each incident |
| PSERN - Inland Marine | $25 million | $5 thousand per occurrence; EQ - $100 thousand per location; Flood - $10 thousand per location |
| PSERN - Site Specific Pollution (Scheduled locations only) | $2 million per occurrence; $4 million aggregate | $25 thousand (3rd party); $50 thousand (clean-up) |
| Cedar Hills Regional Landfill Pollution Liability | $50 million | $250 thousand each pollution condition |

## 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, 2021, the total claim liability is $68.2 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, 2021, 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 2020 and 2021 (in thousands) are shown below:

| | Beginning of Year Liability | Claims and Changes in Estimates | Claim Payments | End of Year Liability |
|---|---|---|---|---|
| 2020 | $ 61,326 | $ 16,767 | $ (17,828) | $ 60,265 |
| 2021 | 60,265 | 32,686 | (24,748) | 68,203 |

## 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, 2021, is $23.3 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2020 and 2021 (in thousands) are shown below:

| | Beginning of Year Liability | Claims and Changes in Estimates | Claim Payments | End of Year Liability |
|---|---|---|---|---|
| 2020 | $ 19,501 | $ 250,740 | $ (250,214) | $ 20,027 |
| 2021 | 20,027 | 282,416 | (279,163) | 23,280 |

## 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 $10.3 million in 2021 and $4.8 million in 2020, 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. 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 for each wrongful act and with an aggregate limit of $20.0 million per member; 2) Employment Practices Liability coverage with an aggregate limit of $20.0 million per member; 3) Crime Blanket Coverage with Faithful Performance of Duty with a limit of $250 thousand per occurrence; 4) Cyber coverage with a limit of $2.0 million per member aggregate and 5) Identity Fraud expense reimbursement with a limit of $25 thousand per occurrence and an aggregate limit of $25 thousand per member.

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, 2021 (in thousands) is as follows:

| | Capital Assets | | Capital Leases Payable | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities |
| Buildings | $ 194,935 | $ — | $ 7,402 | $ — |
| Leasehold improvements | — | 4,881 | — | 1,940 |
| Less depreciation | (53,292) | (3,224) | — | — |
| Totals | $ 141,643 | $ 1,657 | $ 7,402 | $ 1,940 |

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, 2021 (in thousands):

| | Governmental Activities | Business-type Activities |
|---|---|---|
| 2022 | $ 768 | $ 255 |
| 2023 | 764 | 255 |
| 2024 | 764 | 255 |
| 2025 | 763 | 255 |
| 2026 | 766 | 255 |
| 2027-2031 | 3,821 | 1,169 |
| 2032-2036 | 3,824 | — |
| Total minimum lease payments | 11,470 | 2,444 |
| Less: Amount representing interest | (4,068) | (504) |
| Present value of net minimum lease payments | $ 7,402 | $ 1,940 |

**Operating Leases**

The County has numerous operating lease commitments for office space, equipment, radio towers and railroad tracks. Expenditures for the year ended December 31, 2021 for long-term operating expenses for office space, equipment and other operating leases amount to $17.5 million. The pattern 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 |
|---|---|---|---|
| 2022 | $ 5,780 | $ 9,112 | $ 14,892 |
| 2023 | 5,764 | 9,045 | 14,809 |
| 2024 | 5,300 | 7,804 | 13,104 |
| 2025 | 4,452 | 6,253 | 10,705 |
| 2026 | 3,866 | 5,857 | 9,723 |
| 2027-2031 | 4,349 | 18,466 | 22,815 |
| 2032-2036 | — | 5,502 | 5,502 |
| 2037-2041 | — | 3,735 | 3,735 |
| 2042-2046 | — | 3,636 | 3,636 |
| 2047-2051 | — | 3,479 | 3,479 |
| 2052-2056 | — | 2,541 | 2,541 |
| 2057-2061 | — | 2,271 | 2,271 |
| 2062-2066 | — | 1,340 | 1,340 |
| 2067-2069 | — | 22 | 22 |

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, 2021 (in thousands):

| | Governmental | Business-type Activities | |
|---|---|---|---|
| | Activities | Airport | Other |
| Land | $ 65 | $ 14,212 | $ 438 |
| Buildings | 394 | 25,718 | 424 |
| Less: Depreciation | (394) | (14,004) | (156) |
| | $ 65 | $ 25,926 | $ 706 |

Minimum future lease receipts on noncancelable operating leases based on contract amounts and terms as of December 31, 2021 (in thousands):

| | Governmental | Business-type Activities | | |
|---|---|---|---|---|
| Year | Activities | Airport | Other | Total |
| 2022 | $ 1,563 | $ 30,151 | $ 143 | $ 31,857 |
| 2023 | 775 | 29,940 | 107 | 30,822 |
| 2024 | 681 | 29,411 | 67 | 30,159 |
| 2025 | 632 | 28,270 | 17 | 28,919 |
| 2026 | 599 | 27,120 | 17 | 27,736 |
| 2027-2031 | 2,184 | 110,921 | 38 | 113,143 |
| 2032-2036 | 22 | 51,932 | 24 | 51,978 |
| 2037-2041 | 18 | 49,587 | 23 | 49,628 |
| 2042-2046 | 18 | 43,414 | — | 43,432 |
| 2047-2051 | 18 | 15,989 | — | 16,007 |
| 2052-2056 | 18 | 2,742 | — | 2,760 |
| 2057 | 3 | — | — | 3 |

**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, 2021 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 |
|---|---|
| 2022 | 768 |
| 2023 | 764 |
| 2024 | 764 |
| 2025 | 763 |
| 2026 | 766 |
| Thereafter | 7,645 |
| | $ 11,470 |

**Net Investment in Capital Lease**

| | 2021 |
|---|---|
| Minimum lease payments receivable | $ 11,470 |
| Uncollected income | (4,068) |
| Net investment in capital lease | $ 7,402 |

# 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 $242.4 million reported as landfill closure and post-closure care liability as of December 31, 2021, 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 | 86.72% | $ 177,665 | $ 53,548 | 2040 |
| Closed | 100% | 45,671 | — | Closed |
| Custodial | 100% | 19,032 | — | 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, 2021, cash and cash equivalents of $3.4 million were held in the Landfill Post-closure Maintenance Fund. In addition, $49.6 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 2021 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, 2021 stands at $55.0 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 (Metro Transit) reported a pollution remediation liability of $1.1 million at December 31, 2021. 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) and groundwater monitoring at three bus facilities. Metro Transit has an on-going program of monitoring groundwater contamination resulting from spill events at the facilities and reporting the results to the DOE. The DOE lists the three facilities as hazardous sites and has recently communicated to Metro Transit that actions should be taken to address contamination at the sites. Remedial investigations (RI) have been initiated at two sites. Metro Transit anticipates initiating the RI at the third site during 2023. The liability was measured at the estimated amounts compiled by Metro Transit staff with knowledge of pollution issues, 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, 2021.

*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. The remediation was a prerequisite to the purchase agreement. The remediation will be completed in phases over a period of about five to ten years. As of December 31, 2016, the County completed 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 approved Maury Island Space Site Cleanup Action Plan describes the cleanup action selected by the Washington State Department of Ecology. The plan lays out four phases for cleanup. Implementation of phase 1 cleanup - trail capping, capping of the former skeet range, and removal of three more acres of invasive vegetation then to be covered with temporary weed fabric was completed in 2021. Phases 2 through 4 include removal of invasive vegetation followed by planting, which will then continue to occur in phases every two to three years until 16 acres of contaminated area has been restored. Parks reported a pollution remediation liability of $2.9 million as of December 31, 2021.

*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. In 2019, the Airport reported a pollution remediation liability of $245 thousand. This amount remains the same in 2021 as investigation is still ongoing as of December 31, 2021.

*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 dates back to the mid-1960s. The Washington State Department of Ecology, on behalf of Public Health - Seattle and King County, requested that the 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 $1.2 million at December 31, 2021 to complete the RI work and a feasibility study.

A summary of pollution remediation liabilities at December 31, 2021 is as follows (in thousands):

| | Governmental Activities |
|---|---|
| Pollution remediation | |
| Due within one year | $ — |
| Due in more than one year | 2,929 |
| Total | $ 2,929 |

| | Business-type Activities | Total Enterprise Funds | Major Funds: Public Transportation | Major Funds: Water Quality | Major Funds: Solid Waste | Nonmajor Enterprise Funds |
|---|---|---|---|---|---|---|
| Pollution remediation | | | | | | |
| Due within one year | $ 5,952 | $ 5,952 | $ — | $ 5,952 | $ — | $ — |
| Due in more than one year | 51,497 | 51,497 | 1,055 | 49,003 | 1,194 | 245 |
| Total | $ 57,449 | $ 57,449 | $ 1,055 | $ 54,955 | $ 1,194 | $ 245 |

# Note 15
## Liabilities

**Short-term Debt Instruments and Liquidity**

At December 31, 2021, to finance certain projects or refund outstanding and future bonds of the County's sewer system, the County was authorized in 2020 to utilize a commercial paper program funded by Multi-Modal Limited Tax Obligation Notes (Payable from Sewer Revenues) up to the aggregate principal amount of $250.0 million outstanding at any time. The authorization expires on December 15, 2050. The commercial paper can have maturities ranging between one and 270 days.

Short-term activities for the year ended December 31, 2021 are summarized as follows:

**CHANGES IN SHORT-TERM DEBT**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

(IN THOUSANDS)

| | Balance 01/01/2021 | Additions | Reductions | Balance 12/31/2021 |
|---|---|---|---|---|
| **Business-type activities** | | | | |
| Commercial paper | $ — | $ 205,910 | $ (50,000) | $ 155,910 |

**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.

For business-type activities, long-term debt consists of limited tax general obligation bonds which are accounted for in the King County International Airport, 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 Solid Waste and Water Quality Enterprise Funds. Limited tax general obligation bonds-Direct Placements are accounted for in the Water Quality Enterprise Fund.

Sewer revenue 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 service 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.

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 12/31/2021 |
|---|---|---|---|---|---|
| **I. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT** | | | | | |
| IA. Limited Tax General Obligation Bonds (LTGO) | | | | | |
| 2010C LTGO (RZEDBs) (Taxable) Bonds | 12/1/2010 | 12/1/2030 | 4.58-6.05% | $ 23,165 | $ 22,215 |
| 2010D LTGO (QECBs) (Taxable) Bonds | 12/1/2010 | 12/1/2025 | 5.43% | 2,825 | 2,825 |
| 2012C LTGO Refunding 2004B and 2005 Bonds | 8/28/2012 | 1/1/2025 | 5.00% | 54,260 | 21,295 |
| 2012D LTGO Refunding 2002BOP Lease (HMC) Bonds | 11/29/2012 | 12/1/2031 | 2.00-5.00% | 41,810 | 26,080 |
| 2012E LTGO SE District Court Relocation Bonds (Partial) | 12/19/2012 | 12/1/2027 | 2.00-5.00% | 3,000 | 1,370 |
| 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 | 20,825 |
| 2014B LTGO (Tall Chief Acquisition/SWM) Bonds | 6/24/2014 | 6/1/2034 | 2.00-5.00% | 15,395 | 9,810 |
| 2015B LTGO (FED TAX-EXEMPT) Bonds | 10/13/2015 | 12/1/2030 | 2.50-5.00% | 27,355 | 11,245 |
| 2015C LTGO Refunding 2007C and 2007D Bonds | 10/13/2015 | 1/1/2028 | 3.00-5.00% | 25,970 | 19,395 |
| 2015E LTGO Refunding 2006A NJB and 2007 KSC Lease Bonds | 12/17/2015 | 12/1/2036 | 4.00-5.00% | 172,320 | 133,620 |
| 2016A LTGO Bond 4Culture Building | 3/10/2016 | 12/1/2030 | 1.50-5.00% | 22,450 | 18,640 |
| 2017B LTGO Bond Various Purpose (Partial) | 8/10/2017 | 6/1/2037 | 3.00-5.00% | 33,325 | 19,920 |
| 2018A LTGO Bond Various Purpose (Partial) | 8/8/2018 | 6/1/2038 | 5.00% | 5,845 | 4,390 |
| 2019HUD LTGO Refg06HUD Section108 Bonds | 3/28/2019 | 8/1/2024 | 2.55-2.67% | 1,437 | 769 |
| 2019A LTGO Refunding 2009B and 2013MM Bonds | 3/15/2019 | 6/1/2029 | 5.00% | 41,420 | 33,085 |
| 2019B LTGO Bond Various Purpose | 9/12/2019 | 7/1/2039 | 5.00% | 62,340 | 52,270 |
| 2019C LTGO Refunding 2009C Bonds | 12/19/2019 | 1/1/2024 | 5.00% | 13,020 | 10,010 |
| 2020A LTGO Various Purpose Bonds (Partial) | 11/3/2020 | 12/1/2050 | 5.00% | 32,090 | 31,095 |
| 2020B LTGO Refunding Bonds (Taxable) (Partial) | 11/3/2020 | 12/1/2034 | 0.35-2.00% | 54,065 | 53,300 |
| 2021A LTGO Various Purpose Bonds (Partial) | 6/22/2021 | 12/1/2051 | 4.00-5.00% | 27,675 | 27,675 |
| 2021B LTGO Refunding 2011, 2011D, 2012A, and 2012B Bonds | 12/1/2021 | 6/30/2029 | 5.00% | 30,410 | 30,410 |
| 2021C LTGO Afforable Housing Taxable Bonds | 12/1/2021 | 12/1/2041 | 0.35-2.73% | 466,150 | 466,150 |
| Total Payable From Limited Tax GO Redemption Fund | | | | 1,202,157 | 1,019,404 |
| 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 | 7,402 |
| Total Limited GO Capital Lease | | | | 189,720 | 7,402 |
| 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 | 26,870 |
| 2021A UTGO HMC Bonds | 11/3/2021 | 12/31/2041 | 4.00-5.00% | 18,885 | 18,885 |
| Total Payable From Unlimited Tax GO Bond Redemption Fund | | | | 113,495 | 45,755 |
| **TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT** | | | | 1,505,372 | 1,072,561 |

(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 12/31/2021 |
|---|---|---|---|---|---|
| **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 |
| 2010B LTGO (BABs) (Transit) Taxable Bonds | 12/1/2010 | 12/1/2030 | 2.85-6.05% | 20,555 | 12,540 |
| 2012A LTGO (WQ) Refunding 2005A Bonds | 4/18/2012 | 1/1/2025 | 2.00-5.00% | 68,395 | 24,775 |
| 2012D LTGO (Transit) Refunding 2002 and 2004 Bonds | 10/16/2012 | 6/1/2034 | 2.00-5.00% | 71,670 | 29,705 |
| 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 | 42,010 |
| 2014C LTGO (Solid Waste) and Refunding (Solid Waste) 2007E Bonds | 7/30/2014 | 12/1/2034 | 2.00-5.00% | 25,515 | 18,745 |
| 2015A LTGO (WQ) Refunding 2009B2 Bonds | 2/18/2015 | 7/1/2038 | 2.00-5.00% | 247,825 | 117,445 |
| 2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds | 10/13/2015 | 12/1/2025 | 5.00% | 60 | 30 |
| 2015D LTGO (Solid Waste) and Refunding 2007E (Solid Waste) Bonds | 11/5/2015 | 12/1/2040 | 3.00-5.00% | 50,595 | 39,360 |
| 2017A LTGO (WQ) Refunding 2008 Bonds | 10/25/2017 | 7/1/2033 | 4.00-5.00% | 154,560 | 131,970 |
| 2017A LTGO (Solid Waste) Bonds | 6/8/2017 | 6/1/2040 | 3.25-5.00% | 31,230 | 27,985 |
| 2017B LTGO (Solid Waste) Bond Various Purpose | 8/10/2017 | 6/1/2027 | 4.00-5.00% | 135 | 95 |
| 2018A LTGO (Marine Construction) (Partial) | 8/8/2018 | 6/1/2038 | 4.00-5.00% | 6,330 | 5,720 |
| 2019 LTGO (WQ) Capital Improvement Projects Bonds | 10/24/2019 | 1/1/2038 | 5.00% | 101,035 | 101,035 |
| 2019A LTGO Multi-Modal (WQ) Refunding 2015AB Bonds | 6/27/2019 | 1/1/2046 | Variable [(b)] | 100,000 | 100,000 |
| 2019B LTGO Multi-Modal (WQ) Refunding 2017 Bonds | 6/27/2019 | 1/1/2046 | Variable [(b)] | 48,095 | 48,095 |
| 2020A LTGO (Transit) Various Purpose Bonds (Partial) | 11/3/2020 | 12/1/2050 | 5.00% | 21,065 | 20,825 |
| 2020B LTGO (Solid Waste) Refunding Bonds (Taxable) (Partial) | 11/3/2020 | 12/1/2031 | 0.35-1.70% | 19,975 | 19,640 |
| 2021A LTGO Solid Waste Bonds (Taxable) (Partial) | 6/22/2021 | 12/1/2051 | 4.00-5.00% | 24,475 | 24,475 |
| 2021A LTGO (WQ) (Sewer) and Refunding (State Revolving Loans) Bonds | 8/10/2021 | 1/1/2038 | 2.00-5.00% | 239,585 | 239,585 |
| 2021B LTGO (WQ) Refunding (Sewer) Bonds (Taxable) | 8/10/2021 | 7/1/2036 | 0.14-2.24% | 94,510 | 94,510 |
| Total Limited Tax GO Bonds Payable From Enterprise Funds | | | | 1,642,670 | 1,122,575 |
| IIB. Revenue Bonds Payable from Enterprise Funds | | | | | |
| 2011C Sewer Revenue Refunding 2001, 2002A, and 2004A Bonds | 11/1/2011 | 1/1/2022 | 3.00-5.00% | 32,445 | 7,885 |
| 2012 Sewer Revenue and Refunding 2004A Bonds | 4/18/2012 | 1/1/2024 | 5.00% | 104,445 | 9,785 |
| 2012C Sewer Revenue and Refunding 2004A and 2006 Bonds | 9/19/2012 | 1/1/2033 | 2.50-5.00% | 65,415 | 11,330 |
| 2013A Sewer Revenue Refunding 2003, 2006, and 2005 Sewer-LTGO Bonds | 4/9/2013 | 1/1/2027 | 2.00-5.00% | 122,895 | 31,950 |
| 2013B Sewer Revenue and Refunding 2004B Bonds | 10/29/2013 | 1/1/2044 | 2.00-5.00% | 74,930 | 44,670 |
| 2014A Sewer Revenue Refunding 2007 Bonds | 7/8/2014 | 1/1/2047 | 5.00% | 75,000 | 75,000 |
| 2014B Sewer Revenue Refunding 2004B, 2006, 2006B, 2007 and 2008 Bonds | 8/12/2014 | 7/1/2035 | 1.00-5.00% | 192,460 | 153,030 |
| 2015A Sewer Revenue Refunding 2007, 2008, and 2009 Bonds | 2/18/2015 | 7/1/2047 | 3.00-5.00% | 474,025 | 256,710 |
| 2015B Sewer Revenue and Refunding 2006 Bonds | 11/17/2015 | 1/1/2046 | 4.00-5.00% | 93,345 | 65,680 |
| 2016A Sewer Revenue and Refunding 2007, 2008, 2009, 2010 Bonds | 2/17/2016 | 7/1/2041 | 4.00-5.00% | 281,535 | 262,385 |
| 2016B Sewer Revenue and Refunding 2006-2, 2010, 2011A, 2011B, 2011C | 10/12/2016 | 7/1/2049 | 4.00-5.00% | 499,655 | 445,510 |
| 2017A Sewer Revenue Refg 2009LTGO, 2010, 2011A, 2011B, 2011C Bonds | 12/19/2017 | 7/1/2049 | 5.00% | 149,485 | 117,865 |
| 2018B Sewer Revenue Refg 2010, 2011B, 2012 Bonds | 11/15/2018 | 7/1/2032 | 5.00% | 124,455 | 122,645 |
| 2020A Junior Lien Sewer Revenue Refunding 2001 (Mandatory Put Bonds) | 7/14/2020 | 1/1/2032 | Variable[(c)] | 100,295 | 100,295 |
| 2020B Junior Lien Sewer Revenue Refunding 2011 (Mandatory Put Bonds) | 7/14/2020 | 1/1/2042 | Variable[(c)] | 100,295 | 100,295 |
| 2020A Sewer Improvement and Refunding Revenue 2010 Bonds | 8/4/2020 | 1/1/2052 | 1.625-5.00% | 179,530 | 179,530 |
| 2020B Sewer Revenue Refunding 2012B, 2012C, 2013A, and 2016B (Txble) | 8/4/2020 | 1/1/2040 | 0.27-2.48% | 186,745 | 185,195 |
| 2021A Sewer Refunding 2015A Taxable Bonds | 8/10/2021 | 7/1/2047 | 0.57-2.84% | 231,200 | 231,200 |
| 2021A Junior Lien Sewer Revenue Refunding 2017A, 2017B, 2020 (SIFMA Index) | 12/1/2021 | 1/1/2040 | Variable[(d)] | 140,000 | 140,000 |
| Total Revenue Bonds Payable from Enterprise Funds | | | | 3,228,155 | 2,540,960 |

**SCHEDULE OF LONG-TERM DEBT**

(IN THOUSANDS)

(PAGE 3 OF 3)

| | Issue Date | Final Maturity | Interest Rates | Original Issue Amount | Outstanding 12/31/2021 |
|---|---|---|---|---|---|
| IIC. State Revolving Loans-Direct Borrowings Payable from Enterprise Funds | | | | | |
| 2000-2020 WQ State of Washington Revolving Loans | Various | Various | 0.50-3.10% | $ 333,076 | $ 101,198 |
| 2019 Solid Waste State of Washington Revolving Loans | Various | Various | 1.66% | 3,166 | 2,985 |
| Total State Revolving Loans-Direct Borrowings Payable from Enterprise Funds | | | | 336,242 | 104,183 |
| IID. Capital Leases Payable from Enterprise Funds | | | | | |
| 2000 Public Transportation Park and Ride Capital Leases | 3/30/2000 | 12/31/2031 | 5.00% | 4,722 | 1,940 |
| Total Capital Leases Payable From Enterprise Funds | | | | 4,722 | 1,940 |
| **TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT** | | | | 5,211,789 | 3,769,658 |
| **TOTAL LONG-TERM DEBT** | | | | $ 6,717,161 | $ 4,842,219 |

(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 Junior Lien Sewer Revenue refunding bonds (Mandatory Put Bonds) Series 2020A and 2020B initially will bear interest at Daily Interest Rate at a Term Rate, subject to conversion to other Modes and while bearing interest at the Term Rates, will be issuable in authorized denominations of $5,000 or any integral multiple thereof within a Series, with interest paid semi-annually on each January 1 and July 1, commencing on January 1, 2021, as further provided in the Mode Agreement.

(d) On December 3, 2021 the 2021A Junior Lien Sewer Revenue refunding bonds will bear interest at the Index Floating Rate for the Initial Index Floating Rate Period, subject to prior optional redemption on or after the Par Call Date. At the end of the Initial Index Floating Rate Period, the Bonds are subject to mandatory tender for purchase. The Bonds are also subject to mandatory tender for purchase and Conversion to a new Index Floating Rate or to a Daily Mode, Weekly Mode, Commercial Paper Mode, Fixed Mode, or Term Mode on or after the Par Call Date. No Credit Enhancement or Liquidity Facility secures payment of the Purchase Price of any Bonds that are not remarketed at the end of the Initial Index Floating Rate Period.

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**

| Year | General Obligation Bonds | | General Obligation Bonds - Capital Lease | | Total Governmental Activities | |
|---|---|---|---|---|---|---|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | $ 100,365 | $ 34,843 | $ 399 | $ 382 | $ 100,764 | $ 35,225 |
| 2023 | 90,045 | 30,812 | 402 | 349 | 90,447 | 31,161 |
| 2024 | 76,014 | 27,598 | 434 | 329 | 76,448 | 27,927 |
| 2025 | 73,150 | 24,833 | 455 | 308 | 73,605 | 25,141 |
| 2026 | 63,245 | 22,262 | 480 | 286 | 63,725 | 22,548 |
| 2027-2031 | 285,175 | 80,958 | 2,476 | 1,346 | 287,651 | 82,304 |
| 2032-2036 | 203,760 | 44,876 | 2,756 | 1,068 | 206,516 | 45,944 |
| 2037-2041 | 159,465 | 17,229 | — | — | 159,465 | 17,229 |
| 2042-2046 | 6,655 | 2,571 | — | — | 6,655 | 2,571 |
| 2047-2051 | 7,285 | 915 | — | — | 7,285 | 915 |
| 2052-2056 | — | — | — | — | — | — |
| TOTAL | $ 1,065,159 | $ 286,897 | $ 7,402 | $ 4,068 | $ 1,072,561 | $ 290,965 |

**BUSINESS-TYPE ACTIVITIES**

| Year | General Obligation Bonds | | Capital Leases | |
|---|---|---|---|---|
| | Principal | Interest | Principal | Interest |
| 2022 | $ 66,490 | $ 52,390 | $ 162 | $ 93 |
| 2023 | 44,850 | 51,434 | 170 | 85 |
| 2024 | 53,240 | 48,901 | 179 | 76 |
| 2025 | 54,650 | 46,093 | 189 | 67 |
| 2026 | 64,670 | 43,479 | 198 | 57 |
| 2027-2031 | 323,860 | 157,669 | 1,042 | 126 |
| 2032-2036 | 251,970 | 74,868 | — | — |
| 2037-2041 | 104,975 | 49,879 | — | — |
| 2042-2046 | 152,995 | 41,962 | — | — |
| 2047-2051 | 4,875 | 624 | — | — |
| 2052-2056 | — | — | — | — |
| TOTAL | $ 1,122,575 | $ 567,299 | $ 1,940 | $ 504 |

| | BUSINESS-TYPE ACTIVITIES | | | | | | DEBT SERVICE REQUIREMENTS TO MATURITY | |
|---|---|---|---|---|---|---|---|---|
| Year | State Revolving Loans-Direct Borrowings | | Revenue Bonds | | Total Business-type Activities | | Primary Government | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | $ 5,346 | $ 2,168 | $ 79,055 | $ 99,785 | $ 151,053 | $ 154,436 | $ 251,817 | $ 189,661 |
| 2023 | 4,576 | 2,162 | 67,590 | 97,881 | 117,186 | 151,562 | 207,633 | 182,723 |
| 2024 | 5,045 | 2,138 | 76,545 | 94,938 | 135,009 | 146,053 | 211,457 | 173,980 |
| 2025 | 4,049 | 2,086 | 68,730 | 91,552 | 127,618 | 139,798 | 201,223 | 164,939 |
| 2026 | 4,041 | 2,014 | 70,215 | 88,103 | 139,124 | 133,653 | 202,849 | 156,201 |
| 2027-2031 | 19,486 | 1,942 | 373,380 | 389,930 | 717,768 | 549,667 | 1,005,419 | 631,971 |
| 2032-2036 | 19,775 | 1,869 | 592,920 | 302,184 | 864,665 | 378,921 | 1,071,181 | 424,865 |
| 2037-2041 | 13,156 | 1,796 | 626,975 | 207,405 | 745,106 | 259,080 | 904,571 | 276,309 |
| 2042-2046 | 11,154 | 1,721 | 438,270 | 102,426 | 602,419 | 146,109 | 609,074 | 148,680 |
| 2047-2051 | 12,705 | 1,646 | 140,025 | 22,870 | 157,605 | 25,140 | 164,890 | 26,055 |
| 2052-2056 | 4,850 | 1,570 | 7,255 | 666 | 12,105 | 2,236 | 12,105 | 2,236 |
| TOTAL | $ 104,183 | $ 21,112 | $ 2,540,960 | $ 1,497,740 | $ 3,769,658 | $ 2,086,655 | $ 4,842,219 | $ 2,377,620 |

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, 2021 is as follows (in thousands):

**SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES**

| | Balance 01/01/2021 | Additions | Reductions | Balance 12/31/2021 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| General Obligation bonds payable: | | | | | |
| General Obligation (GO) bonds | $ 628,425 | $ 543,120 | $ (106,386) | $ 1,065,159 | $ 100,365 |
| Unamortized bonds premium and discount | 56,074 | 14,544 | (11,703) | 58,915 | — |
| Total bonds payable | 684,499 | 557,664 | (118,089) | 1,124,074 | 100,365 |
| Other liabilities: | | | | | |
| General Obligation capital leases | 7,793 | — | (391) | 7,402 | 399 |
| Compensated absences liability | 132,438 | 110,724 | (110,417) | 132,745 | 4,744 |
| Net pension liability | 255,893 | 57,773 | (255,257) | 58,409 | — |
| Other postemployment benefits | 89,498 | 2,997 | (3,484) | 89,011 | 5,447 |
| Pollution remediation | 4,436 | — | (1,507) | 2,929 | — |
| Asset retirement obligation | 3,200 | 300 | — | 3,500 | — |
| Estimated claims settlements and other liabilities | 153,137 | 106,366 | (67,013) | 192,490 | 64,530 |
| Total other liabilities | 646,395 | 278,160 | (438,069) | 486,486 | 75,120 |
| Total Governmental activities long-term liabilities | $ 1,330,894 | $ 835,824 | $ (556,158) | $ 1,610,560 | $ 175,485 |
| **Business-type Activities:** | | | | | |
| Bonds payable: | | | | | |
| General Obligation (GO) bonds | $ 944,570 | $ 358,570 | $ (180,565) | $ 1,122,575 | $ 66,490 |
| GO bonds payable-Direct Placements | 98,225 | — | (98,225) | — | — |
| Revenue bonds | 2,598,885 | 371,200 | (429,125) | 2,540,960 | 79,055 |
| Unamortized bonds premium and discount | 312,261 | 59,950 | (67,542) | 304,669 | — |
| Total bonds payable | 3,953,941 | 789,720 | (775,457) | 3,968,204 | 145,545 |
| Other liabilities: | | | | | |
| Capital leases | 2,094 | — | (154) | 1,940 | 162 |
| State revolving loans-Direct Borrowings | 247,287 | 16,693 | (159,797) | 104,183 | 5,346 |
| Compensated absences liability | 76,430 | 93,810 | (94,199) | 76,041 | 14,062 |
| Net pension liability | 195,718 | 30,218 | (178,851) | 47,085 | — |
| Other postemployment benefits | 17,121 | 1,354 | (998) | 17,477 | 1,070 |
| Landfill closure and post-closure care liability | 250,967 | 8,606 | (17,205) | 242,368 | 19,225 |
| Pollution remediation | 51,396 | 10,916 | (4,863) | 57,449 | 5,952 |
| Asset retirement obligation | 5,980 | — | (50) | 5,930 | — |
| Customer deposits and other liability | 79,617 | 814 | (15) | 80,416 | 316 |
| Total other liabilities | 926,610 | 162,411 | (456,132) | 632,889 | 46,133 |
| Total Business-type activities long-term liabilities | $ 4,880,551 | $ 952,131 | $ (1,231,589) | $ 4,601,093 | $ 191,678 |

Governmental activities estimated claims settlements of $192.5 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.

## 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 State Department of Commerce under the Washington Public Works Trust Fund. 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 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 December 31, 2021 the County had authorized $3.3 billion of sewer revenue, general obligation bonds, loans, and commercial paper that remained unissued.

**SCHEDULE OF AUTHORIZED BUT UNISSUED DEBT**
(IN THOUSANDS)

| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | | | PRIMARY GOVERNMENT |
|---|---|---|---|---|---|
| | | Public Transportation | Water Quality | Solid Waste | |
| Commercial paper | $ — | $ — | $ 94,090 | $ — | $ 94,090 |
| Loans | — | — | 301,700 | 1,300 | 303,000 |
| General Obligation bonds | 1,798,215 | 18,800 | 905,000 | 197,800 | 2,919,815 |

### Unused Lines of Credit

The County has no unused lines of credit at December 31, 2021.

### <u>Computation of Legal Debt Margin</u>

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, 2021 (in thousands):

| | | |
|---|---|---|
| 2021 ASSESSED VALUE (2022 TAX YEAR) | $ 722,527,904 | |
| | | |
| Debt limit of limited tax general obligations for metropolitan functions | | |
| 0.75 % of assessed value | | $ 5,418,959 |
| Less: Net limited tax general obligation indebtedness for metropolitan functions | | (1,128,885) |
| LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS | | $ 4,290,074 |
| | | |
| Debt limit of limited tax general obligations for general county purposes and metropolitan functions | | |
| 1.5 % of assessed value | | $ 10,837,919 |
| Less: Net limited tax general obligation indebtedness for general county purposes | $ (910,029) | |
| Net limited tax general obligation indebtedness for metropolitan functions | (1,128,885) | |
| Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions | | (2,038,914) |
| LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS | | $ 8,799,005 |
| | | |
| Debt limit of total general obligations for metropolitan functions | | |
| 2.5% of assessed value | | $ 18,063,198 |
| Less: Net total general obligation indebtedness for metropolitan functions | | (1,128,885) |
| TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS | | $ 16,934,313 |
| | | |
| Debt limit of total general obligations for general county purposes | | |
| 2.5 % of assessed value | | $ 18,063,198 |
| Less: Net unlimited tax general obligation indebtedness for general county purposes | $ (43,053) | |
| Net limited tax general obligation indebtedness for general county purposes | (910,029) | |
| Total net general obligation indebtedness for general county purposes | | (953,082) |
| TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES | | $ 17,110,116 |

**Refunding and Defeasing General Obligation Bond Issues - 2021**

Limited Tax General Obligation Refunding Bonds, 2021 Series B (Taxable) - On December 1, 2021, the County issued $30.4 million in limited tax general obligation refunding bonds, 2021 Series B with an effective interest cost of 0.69 percent to advance refund $33.0 million of outstanding limited tax general obligation bonds 2011, 2011 Series D, 2012 Series A, and 2012 Series B.

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 was less than the net carrying amount of the old debt by $1.1 million. 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 advance refunding was undertaken to reduce total debt service payments by $2.3 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 $2.2 million.

Limited Tax General Obligation Refunding Bonds, 2021 Series A (Taxable) - On August 10, 2021, the County issued $239.6 million in limited tax general obligation and refunding bonds, 2021 Series A. $126.4 million of these bonds with an effective rate of 1.2 percent was used to refund $147.2 million of County's State Loans in the Water Pollution Control State Revolving Fund Loan Program.

This refunding was undertaken to reduce total debt service payments by $13.3 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 $12.9 million.

Limited Tax General Obligation Refunding Bonds, 2021 Series B (Taxable) - On August 10, 2021, the County issued $94.5 million in limited tax general obligation refunding bonds, 2021 Series B with an effective interest cost of 1.99 percent to advance refund $81.2 million of outstanding limited tax general obligation bonds, 2015A.

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 business-type activity column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $10.8 million. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2040, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by $17.7 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 $14.3 million.

**Refunding and Cash Defeasance Sewer Revenue Bond Issues - 2021**

Junior Lien Sewer Revenue Refunding Bond (SFIMA Bonds), 2021 Series A - On December 16, 2021, the County issued $140.0 million in Floating Rate Notes (FRN) with the interest rate set at a fixed spread over the Securities Industry and Financial Markets Association (SIFMA) Index with a 5-year mandatory tender date on January 1, 2027. The proceeds from this issuance, in addition to a $6.9 million cash contribution from operations, were used to refund $96.4 million of the County's Limited Tax General Obligation Refunding Bonds (Payable from Sewer Revenues), Series 2017A and B, and retire $50.0 million in commercial paper maturities.

Sewer Refunding Revenue Bonds, 2021 Series A - On August 10, 2021, the County issued $231.2 million in Sewer Refunding Revenue Bonds, 2021 series A with an effective interest cost of 2.54 percent to current refund $198.7 million of outstanding Sewer Revenue Bonds, 2015A. As a result, the refunded 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.

The reacquistion price exceeded the net carrying amount of the refunded debt by $31.8 million. This amount, reported in the statement of net position, as a deferred inflow of resources and is being charged to operation through fiscal year 2047. This current refunding was undertaken to reduce total debt service payments by $58.4 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 $41.0 million.

2021 Partial Cash Defeasance of Sewer Revenue and Refunding Bonds, 2012A, 2012 - On November 10, 2021, the County purchased Treasury securities at a cost of $78.6 million and placed them in an escrow to pay interest and redeem at their earliest redemption dates $72.1 million of outstanding Sewer Revenue and Refunding Bonds, Series 2012A, 2012B, and 2015A. Funding for the escrow came from operations. As a result, a portion of series 2012 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. Water Quality undertook the defeasance in order to reduce future debt service payments.

**Prior Year Refunded and Defeasance of Debt**

As of December 31, 2021, King County has 17 refunded and defeased bond issues outstanding, consisting of nine limited tax general obligation bonds ($299.9 million) and eight sewer revenue bonds ($461.3 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 2021, 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 following tables summarize the County's AROs as of December 31, 2021 (in thousands):

| Governmental Activities |
| --- |
| $ 3,500 |

| Business-type Activities | Total Enterprise Funds | Major Funds: Public Transportation | Major Funds: Water Quality | Major Funds: Solid Waste | Nonmajor Enterprise Funds |
| --- | --- | --- | --- | --- | --- |
| $ 5,930 | $ 5,930 | $ 3,480 | $ 1,350 | $ 850 | $ 250 |

The County's ARO relates to the disposition of underground storage tanks (USTs) and stormwater dams due to applicable regulations and requirements. The estimated remaining useful life of the USTs and stormwater dams range from one to 50 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 and stormwater dams.

**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 12/31/21** |
| --- | --- | --- | --- | --- | --- |
| 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 | 7,665 |
| Total Bonds Payable | | | | $ 189,720 | $ 7,670 |

| **Year** | **Principal** |
| --- | --- |
| 2022 | $ 345 |
| 2023 | 360 |
| 2024 | 380 |
| 2025 | 400 |
| 2026 | 425 |
| Thereafter | 5,760 |
| Total | $ 7,670 |

# 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 | Public Health | $ 1,629 |
| | Nonmajor Governmental Funds | 4,216 |
| | All Others | 318 |
| Behavioral Health Fund | General Fund | 2,179 |
| | Nonmajor Governmental Funds | 3,544 |
| Housing and Community Development Fund | Nonmajor Governmental Funds | 9,288 |
| | All Others | 124 |
| Public Health | Nonmajor Governmental Funds | 3,921 |
| | All Others | 1 |
| Nonmajor Governmental Funds | Public Health | 33,786 |
| | Nonmajor Governmental Funds | 39,595 |
| | All Others | 587 |
| Public Transportation Enterprise | General Fund | 839 |
| | Nonmajor Governmental Funds | 8,196 |
| Water Quality Enterprise | General Fund | 2,667 |
| | Nonmajor Governmental Funds | 2,134 |
| Solid Waste Enterprise | Nonmajor Governmental Funds | 1,709 |
| | All Others | 82 |
| Nonmajor Enterprise Funds | All Others | 232 |
| Internal Service Funds | Nonmajor Governmental Funds | 9,913 |
| | All Others | 72 |
| Total interfund balances | | $ 125,032 |

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 |
|---|---|---|
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | $ 39,591 |
| Internal Service Funds | Nonmajor Governmental Funds | 47,345 |
| | Internal Service Funds | 2,240 |
| Total advances from/to other funds | | $ 89,176 |

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2022.

**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 | $ 3,991 |
| | Housing & Community Development | 1,414 |
| | Public Health | 27,567 |
| | Nonmajor Governmental Funds | 63,939 |
| | Internal Service Funds | 1,013 |
| Behavioral Health Fund | General Fund | 7,545 |
| | Nonmajor Governmental Funds | 5,829 |
| | All Others | 77 |
| Housing & Community Development | Behavioral Health Fund | 503 |
| | Nonmajor Governmental Funds | 2,062 |
| | Internal Service Funds | 2,352 |
| Public Health | Nonmajor Governmental Funds | 1,121 |
| Nonmajor Governmental Funds | General Fund | 17,624 |
| | Behavioral Health Fund | 14,608 |
| | Housing & Community Development | 32,492 |
| | Public Health | 66,687 |
| | Nonmajor Governmental Funds | 213,481 |
| | Internal Service Funds | 1,075 |
| | All Others | 250 |
| Public Transportation Enterprise | Nonmajor Governmental Funds | 3,791 |
| | All Others | 81 |
| Water Quality Enterprise | Nonmajor Governmental Funds | 1,509 |
| Solid Waste Enterprise | Nonmajor Governmental Funds | 1,381 |
| Nonmajor Enterprise Funds | All Others | 410 |
| Internal Service Funds | Nonmajor Governmental Funds | 24,628 |
| Total interfund transfers | | $ 495,430 |

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 2021, 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 Public Health - Seattle and King County 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 2021, the King County primary government transferred $6.1 million to the CDA. The CDA spent net $900 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 $2.5 million loan (net of repayments) for the Building 4Equity program, a $5.2 million revenue transfer in support of the Building 4Equity program and $289 thousand payment to the CDA for mission-related purposes.

The Public Transportation Enterprise (Metro 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 $51 thousand in 2021.

The King County Regional Homelessness Authority (RHA) is a jointly-governed organization, formed in December 2019 as further discussed in Note 1. In support of this new regional government, the County agreed via Ordinance 19039 to make facilities available to the RHA for its operations. The RHA took occupancy of space in the County's Yesler Building on March 1, 2020 although the COVID-19 pandemic delayed the completion of tenant improvements, hiring of RHA staff, and the start of the RHA's operations into 2021. The County has recorded an in-kind contribution totaling $539 thousand in 2021 for the associated cost of the occupied space.

# 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. Restricted net position for other purposes for the year ended December 31, 2021, was as follows:

| | Governmental Activities | Component Units |
|---|---|---|
| Net position restricted for other purposes: | | |
| General government | $ 55,662 | $ — |
| Law, safety and justice | 171,886 | — |
| Physical environment | 37,845 | — |
| Transportation | 64,823 | — |
| Health and human services - nonexpendable | — | 3,395 |
| Culture and recreation - expendable | 167,939 | — |
| Total net position restricted for other purposes | $ 498,155 | $ 3,395 |

*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, 2021, it had a committed fund balance of $22.0 million.

A summary of governmental fund balances at December 31, 2021, is as follows (in thousands):

| | General Fund | Behavioral Health Fund | Housing and Community Development Fund | Public Health Fund | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|---|
| Nonspendable: | | | | | | |
| Animal Services | $ — | $ — | $ — | $ — | $ 10 | $ 10 |
| Arts and Cultural Development | — | — | — | — | 16,401 | 16,401 |
| Building Repair and Replacement | — | — | — | — | 1,489 | 1,489 |
| Conservation Futures | — | — | — | — | 450 | 450 |
| Dept of Natural Resources and Parks Admin | — | — | — | — | 8 | 8 |
| Emergency Medical Services | — | — | — | — | 190 | 190 |
| General Fund | 43 | — | — | — | — | 43 |
| Grants Fund | — | — | — | — | 236 | 236 |
| Housing and Community Development | — | — | 299,815 | — | — | 299,815 |
| Information and Telecommunication Capital | — | — | — | — | 78 | 78 |
| Long-Term Leases | — | — | — | — | 2,511 | 2,511 |
| Parks Capital Projects | — | — | — | — | 3,612 | 3,612 |
| Parks Operating Levy | — | — | — | — | 35 | 35 |
| Public Health | — | — | — | 733 | — | 733 |
| Total Nonspendable Fund Balance | 43 | — | 299,815 | 733 | 25,020 | 325,611 |
| Restricted for: | | | | | | |
| Animal Services | — | — | — | — | 3,894 | 3,894 |
| Arts and Cultural Development | — | — | — | — | 9,854 | 9,854 |
| Automated Fingerprint Identification System | — | — | — | — | 29,339 | 29,339 |
| Behavioral Health | — | 32,578 | — | — | — | 32,578 |
| Best Starts For Kids Levy | — | — | — | — | 18,451 | 18,451 |
| Building Repair and Replacement | — | — | — | — | 8,420 | 8,420 |
| Community Services Operating | — | — | — | — | 3,885 | 3,885 |
| Conservation Futures | — | — | — | — | 34,012 | 34,012 |
| County Roads Operating | — | — | — | — | 21,106 | 21,106 |
| Crime Victim Compensation Program | 703 | — | — | — | — | 703 |
| Deferred Compensation Admin | 307 | — | — | — | — | 307 |
| Developmental Disabilities | — | — | — | — | 7,972 | 7,972 |
| Dispute Resolution | 21 | — | — | — | — | 21 |
| Drug Enforcement | 1,441 | — | — | — | — | 1,441 |
| Emergency Medical Services | — | — | — | — | 78,752 | 78,752 |
| Employment and Education Resources | — | — | — | — | 1,080 | 1,080 |
| Enhanced 911 Emergency Telephone System | — | — | — | — | 55,529 | 55,529 |
| Environmental Health | — | — | — | — | 13,361 | 13,361 |
| Flood Control District | — | — | — | — | 65,217 | 65,217 |
| Grants Fund | — | — | — | — | 934 | 934 |
| Health Through Housing | — | — | — | — | 55,896 | 55,896 |
| Harborview Health and Safety | — | — | — | — | 21,004 | 21,004 |
| Historical Preservation | — | — | — | — | 585 | 585 |
| Housing and Community Development | — | — | 287,162 | — | — | 287,162 |
| Information and Telecommunication Capital | — | — | — | — | 8,050 | 8,050 |
| King County Flood Control Contract | — | — | — | — | 39 | 39 |
| Law Library | — | — | — | — | 734 | 734 |
| Local Hazardous Waste | — | — | — | — | 16,332 | 16,332 |
| Lodging Tax | — | — | — | — | 25,479 | 25,479 |
| Major Maintenance | — | — | — | — | 17,119 | 17,119 |
| Mental Illness and Drug Dependency | — | — | — | — | 43,847 | 43,847 |
| Noxious Weed Control | — | — | — | — | 2,091 | 2,091 |
| Open Space Acquisition Program | — | — | — | — | 103 | 103 |
| Parks Capital Projects | — | — | — | — | 142,741 | 142,741 |
| Parks Operating Levy | — | — | — | — | 29,183 | 29,183 |
| Permitting and Abatement | — | — | — | — | 1,994 | 1,994 |
| Public Health | — | — | — | 37,919 | — | 37,919 |
| Puget Sound Emergency Radio Network | — | — | — | — | 16,643 | 16,643 |
| Puget Sound Taxpayer Acountability | — | — | — | — | 3,475 | 3,475 |

A summary of governmental fund balances at December 31, 2021, continues (in thousands) (page 2 of 2):

| | General Fund | Behavioral Health Fund | Housing and Community Development Fund | Public Health Fund | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|---|
| Restricted for - continued: | | | | | | |
| Real Estate Excise Tax Capital | — | — | — | — | 54,179 | 54,179 |
| Real Property Title Assurance | 25 | — | — | — | — | 25 |
| Recorder's Operations and Maintenance | — | — | — | — | 3,578 | 3,578 |
| Roads Capital Program | — | — | — | — | 42,555 | 42,555 |
| Road Improvement Districts | — | — | — | — | 15 | 15 |
| Surface Water Program | — | — | — | — | 37,551 | 37,551 |
| Treasurer's Operations and Maintenance | — | — | — | — | 698 | 698 |
| Unlimited GO Bond Redemption | — | — | — | — | 2,454 | 2,454 |
| Urban Reforestation and Habitat Restoration | — | — | — | — | 250 | 250 |
| Veterans' Relief | — | — | — | — | 1,314 | 1,314 |
| Veterans, Seniors and Human Services | — | — | — | — | 24,540 | 24,540 |
| Youth Services Facilities | — | — | — | — | 113 | 113 |
| Youth Amateur Sports | — | — | — | — | 5,850 | 5,850 |
| Total Restricted Fund Balance | 2,497 | 32,578 | 287,162 | 37,919 | 910,218 | 1,270,374 |
| Committed for: | | | | | | |
| Antiprofiteering Program | 69 | — | — | — | — | 69 |
| Housing and Community Development | — | — | 725 | — | — | 725 |
| Rainy Day Reserve | 21,983 | — | — | — | — | 21,983 |
| School District Impact Fees | — | — | — | — | 140 | 140 |
| Transfer of Developer Credit | — | — | — | — | 17,137 | 17,137 |
| Wheelchair Access | 2,565 | — | — | — | — | 2,565 |
| Youth Amateur Sports | — | — | — | — | 1,383 | 1,383 |
| Total Committed Fund Balance | 24,617 | — | 725 | — | 18,660 | 44,002 |
| Assigned for: | | | | | | |
| Behavioral Health | — | 5,001 | — | — | — | 5,001 |
| Dept of Natural Resources and Parks Admin | — | — | — | — | 1,169 | 1,169 |
| District Court | 6,608 | — | — | — | — | 6,608 |
| DLS Admin | — | — | — | — | 1,241 | 1,241 |
| Enhanced 911 Emergency Telephone System | — | — | — | — | 317 | 317 |
| General Government | 443 | — | — | — | — | 443 |
| Housing and Community Development | — | — | 1,400 | — | — | 1,400 |
| Information and Telecommunication Capital | — | — | — | — | 7,576 | 7,576 |
| Inmate Welfare | 2,424 | — | — | — | — | 2,424 |
| Limited GO Bond Redemption | — | — | — | — | 7,275 | 7,275 |
| Major Maintenance | — | — | — | — | 4,128 | 4,128 |
| Mental and Physical Health | 539 | — | — | — | — | 539 |
| Public Health | — | — | — | 66 | — | 66 |
| Public Safety | 1,934 | — | — | — | — | 1,934 |
| Total Assigned Fund Balance | 11,948 | 5,001 | 1,400 | 66 | 21,706 | 40,121 |
| Unassigned for: | | | | | | |
| Arts and Cultural Development | — | — | — | — | (21,089) | (21,089) |
| Building Repair and Replacement | — | — | — | — | (18,998) | (18,998) |
| Dept of Community and Human Services Admin | — | — | — | — | (2,672) | (2,672) |
| Dept of Local Services Capital | — | — | — | — | (37) | (37) |
| General Fund | 222,255 | — | — | — | — | 222,255 |
| Harborview Health and Safety | — | — | — | — | (191) | (191) |
| King County Flood Control Contract | — | — | — | — | (106) | (106) |
| Long-Term Leases | — | — | — | — | (11,056) | (11,056) |
| Permit and Environmental Review | — | — | — | — | (1,179) | (1,179) |
| Risk Abatement | — | — | — | — | — | — |
| Total Unassigned Fund Balance | 222,255 | — | — | — | (55,328) | 166,927 |
| Total Fund Balance | $ 261,360 | $ 37,579 | $ 589,102 | $ 38,718 | $ 920,276 | $ 1,847,035 |

## Restatements of Beginning Balances

Detailed information regarding restatements of beginning balances are below (in thousands):

**GOVERNMENTAL ACTIVITIES**

| Changes in Net Position | Governmental Activities | Internal Service Funds |
|---|---|---|
| Net position - January 1, 2021 | $ 3,697,692 | $ 288,041 |
| Change in capital asset purpose | 14 | — |
| Departmental shifts | 27,596 | (41) |
| Missed loan program | 244,331 | — |
| Accounts receivable for anticipated land sale | (550) | — |
| Net position - January 1, 2021 (Restated) | $ 3,969,083 | $ 288,000 |

| | | Major Funds | | | | |
|---|---|---|---|---|---|---|
| **Changes in Fund Balance** | **Total Governmental Funds** | **General Fund** | **Behavioral Health** | **Housing and Community Development** | **Public Health** | **Nonmajor Governmental Funds** |
| Fund balance - January 1, 2021 | 1,017,502 | $ 200,790 | $ (30,953) | $ — | $ — | $ 847,665 |
| Change in major fund status | — | — | — | 61,014 | 33,865 | (94,879) |
| Departmental shifts | 41 | 168 | — | — | — | (127) |
| Missed loan program | 244,331 | — | — | 244,331 | — | — |
| Accounts receivable for anticipated land sale | (550) | — | — | — | — | (550) |
| Fund balance - January 1, 2021 (Restated) | $ 1,261,324 | $ 200,958 | $ (30,953) | $ 305,345 | $ 33,865 | $ 752,109 |

### Governmental Activities

In 2021, departmental restructuring resulted in the deferred compensation function moving from an internal service fund function to a general government function and internal service fund activities moving from business-type activities to governmental activities. In addition, the reduction in the Nonmajor Governmental Funds and increase in the General Fund was the result of the shift of reporting the Lodging Tax Fund as a special revenue fund.

Following issuance of GASB Technical Bulletin 2020-1, along with subsequent conversations with and research by GASB staff, the County is adjusting the beginning balance of the Housing and Community Development fund by $244.3 million. This represents the principal balance of forgivable low income housing construction loans (Notes Receivable) issued in prior years that have not met the requirements for forgiveness at the balance sheet date.

The County Roads Operating fund rectified an error, in the amount of $536 thousand, in how a single parcel of land was reported on its financial statements in 2020. A $550 thousand adjustment was required to write off Accounts Receivable related to the failed sale and a $14 thousand loss on the sale was unrecognized.

The County reported two additional major funds in 2021. Housing and Community Development and Public Health funds were reported as nonmajor governmental funds in 2020.

**BUSINESS-TYPE ACTIVITIES**

| | | | Major Funds | | | |
|---|---|---|---|---|---|---|
| **Changes in Net Position** | **Business-type Activities** | **Total Enterprise Funds** | **Public Transportation** | **Water Quality** | **Solid Waste** | **Nonmajor Enterprise Funds** |
| Net position - January 1, 2021 | $ 4,273,456 | $ 4,135,712 | $ 3,010,000 | $ 893,645 | $ 13,777 | $ 218,290 |
| Change in fund classification | (27,596) | — | 63,176 | — | — | (63,176) |
| Net position - January 1, 2021 (Restated) | $ 4,245,860 | $ 4,135,712 | $ 3,073,176 | $ 893,645 | $ 13,777 | $ 155,114 |

### Business-type Activities

In 2021, departmental restructuring resulted in the Marine fund, formerly reported as a nonmajor enterprise fund, consolidating with the Public Transportation fund, reported as a major fund. In addition, departmental restructuring resulted internal service fund activities moving from business-type activities to governmental activities.

**COMPONENT UNITS**

| **Changes in Net Position** | | **Component Units** | | **Harborview Medical Center** | | **Cultural Development Authority** | | **NJB Properties** |
|---|---|---|---|---|---|---|---|---|
| Net position - January 1, 2021 | $ | 736,616 | $ | 730,817 | $ | 5,135 | $ | 664 |
| Updated CDA statements after publication | | 405 | | — | | 405 | | — |
| Net position - January 1, 2021 (Restated) | $ | 737,021 | $ | 730,817 | $ | 5,540 | $ | 664 |

Component Units

Cultural Development Authority (CDA) published audited 2020 financial statements after the County released its 2020 financial statements resulting in an increase in the receivable from King County of $1.3 million offset by an increase in payables of $849 thousand for a net impact of $405 thousand increase to its net position.

**Restricted Net Position**

Component Unit - Harborview Medical Center (HMC)

Restricted expendable net position - $10.9 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 $3.4 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 - $4.6 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 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. 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. In addition, the Port of Seattle under administrative order to the Environmental Protection Agency (EPA) has completed the site investigation including a supplemental Remedial Investigation/ Feasibility Study (RI/FS). A three-way agreement with the Port of Seattle, the City of Seattle and King County covers the participation of the City, the Port and the County in the RI/FS process and allocates to the County a one-third pro rata share of the study costs as defined in the agreement. These costs are subject to reallocation among Potentially Responsible Parties (PRP), and the County, City and Port have now begun their efforts to seek contribution from other PRPs for these and future site costs. The County, City and Port are in early discussions with over 20 other parties to begin participation in an alternative dispute resolution process, called an allocation, to determine shares of liability for the costs of the investigation and cleanup. Because the parties do not yet know their respective shares of cleanup costs and no consent decree has been negotiated with EPA, 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 (which has been covering the costs of the County's share to date) will be responsible for the cost of such remediation. EPA's next step is issuance of a Proposal Plan that would select the site remedy.

*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. The last two amendments cover the first two (of three) phases of remedy design. EPA's Record of Decision (ROD), issued in 2014, contains EPA's final plan for cleanup. King County and other parties are participating in an alternative dispute resolution process, called an allocation, to determine shares of liability for the costs of the cleanup. A preliminary result has been issued on party shares, but the parties are awaiting the final result. 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 cleanup. Because the parties do not know their respective shares of cleanup costs and no consent decree has been negotiated, we are unable to determine the extent to which King County and WTD (which has been covering the County's share of costs to date) or other divisions 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 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 2016 and again in 2019 that the County desires to conduct settlement discussions regarding the NRD liability that NOAA attributes to the County. The County is currently in the process of negotiating a settlement with NOAA but cannot predict the amount or likelihood of settlement at this point in time.

*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 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.

*Notice of Intent to Sue under the Clean Water Act* - In July 2020 the Suquamish Tribe submitted a Notice of Intent to Sue (NOI) under the Clean Water Act (CWA) for alleged County discharges of untreated wastewater in violation of the County's discharge permits. The Tribe submitted several Supplemental NOIs in 2021. Civil penalties available under the CWA are a maximum of $63 thousand per violation per day. The County and the Tribe have reached a tentative settlement agreement which is conditioned on King County Council approval. The settlement agreement would require the County to pay close to $5.0 million for Supplemental Environmental Projects and mitigation for the alleged discharge events occurring during the past five years and any possible future discharge events through December 31, 2026. If the settlement agreement is not approved, the County believes that it has some available defenses to a potential CWA lawsuit related to these discharges and would vigorously defend against such an action.

*Georgetown Wet Weather Station* - This project involves construction of a new 70 million gallon per day capacity wet weather treatment station for treating combined sewer overflow wastewater. The contract was awarded at $96.2 million. The contractor seeks approximately $12.0 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, but is anticipated to occur in Spring 2023, after the project obtains substantial completion. Mediation is a condition precedent to litigation. The matter has not been referred to external legal counsel.

*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 at $36.6 million, with $47 thousand paid to date. The contractor has submitted a $8.9 million request for change order from the County for work to address ongoing vibration issues and mechanical failures in the installed pumps. At present, the contractor has left the project and is negotiating a standstill and closeout agreement with the County to avoid the need to terminate the contractor and allow the parties to meaningfully prepare for mandatory mediation. The mediation is scheduled for July 18, 2022. The matter has not been referred to external legal counsel.

*Legal Financial Obligation Refunds* - In *State v. Blake*, 197 Wn.2d 170, 173 (2021), the Washington Supreme Court invalidated Washington's simple drug possession statute. The effect of this decision is to render void all such convictions dating back to 1971. Under due process, all penalties, fines and restitution (legal financial obligations or LFOs) ordered in connection with simple possession convictions must be refunded. Shortly after the *Blake* decision, a putative class action was filed by the Civil Survival Project (CSP) against King County, Snohomish County and the State of Washington seeking a refund of LFOs and other unspecified damages. The obligation to refund LFOs is not disputed, but the question of whether refunds are the responsibility of the County or the State is in dispute. The counties believe that this is exclusively a state liability. The *Blake* decision invalidates at least 54 thousand convictions in superior court dating back to 1971 and implicates at least $9.5 million in refunds of LFOs related to criminal convictions for simple drug possession obtained for the State of Washington out of King County. The State of Washington has rejected a tender of the CSP matter from the counties. In Fall 2021, the CSP class action lawsuit was dismissed with prejudice. Plaintiffs have filed an appeal that is unlikely to be resolved until 2023. King County and numerous other counties along with the Washington Association of Counties has filed a suit against the State to both enforce the tender of any *Blake*-related suits and to ensure that *Blake*-related liabilities belong to the State, not to the counties. The Washington Legislature has provided ample funding thus far for the County to process vacations and refund LFOs on behalf of the State, including additional funding for state fiscal year 2023 and proviso language that suggests an ongoing State responsibility.

*Permitting* - In December 2021 the Department of Ecology issued the Puget Sound Nutrient General Permit (PSNGP) which applies to all 58 wastewater treatment plants in the State. To comply with the permit would potentially require the County to spend over $15.0 million. The County and eight other wastewater utilities have appealed the permit to the Pollution Control Hearings Board (PCHB) and have also obtained a partial stay of the permit's provisions during the pendency of the appeal. A five-week trial before the PCHB is scheduled for May 22, 2023 through June 23, 2023.

*Cedar Hills Landfill* - Since 2008, Solid Waste Division has contracted with Bio Energy Washington (BEW) to convert landfill gas generated through the normal operation of the Cedar Hills Landfill into natural gas. BEW leases property at the landfill and operates a plant that scrubs the landfill of gas of impurities and sells it to Puget Sound Energy (PSE). Solid Waste Division has a separate contract with PSE for the value of the environmental attributes of this renewable source of energy. In 2020, King County initiated a lawsuit against PSE alleging that PSE was not paying the full value for the environment attributes. PSE settled the claim with an agreed payment of $7.0 million to County and the suit was dismissed. The County initially engaged both PSE and BEW in discussions and invoked the dispute resolution procedure under their respective contracts. As part of those initial discussions, BEW also invoked the dispute resolution process specified in the contract with the County. BEW alleged that the County was not employing "good engineering practices" to collect the landfill gas and is delivering a substandard quantity and quality of gas to BEW. The parties had many discussions, but could not reach an agreement. In December 2021, BEW's attorney indicated he would be filing suit against the County in federal court and the damage claim would be approximately $5.5 million, with additional claimed damages every month of approximately $300 thousand. As of April 2022, the County has not been served with a complaint. The County intends to vigorously defend against any claim should BEW file suit.

*Folk v. King County* - This is a class action lawsuit alleging that the King County Department of Adult and Juvenile Detention (DAJD) failed to properly pay contract overtime to approximately 500 current and former members of the King County Corrections Guild. Plaintiffs seek to recover alleged wage underpayments and statutory penalties for the period August 2015 through June 2020. The alleged underpayments began after King County adopted a new payroll system in 2012. The new system, as designed, was capable of paying the Fair Labor Standards Act (FLSA) regular rate of overtime - which consisted of an employee's base rate plus certain premiums - on all hours employees worked in excess of 40 hours per week. The system allegedly was not capable, however, of paying the specified contract overtime rate under a Collective Bargaining Agreement contract provision that required payment of the FLSA rate when employees worked over eight hours per day but less than 40 hours per week. Plaintiffs seek to recoup allegedly underpayments and penalties which could total between $1.5 million and $2.0 million. The evidence to date indicates that contract overtime underpayments did occur. DAJD will contend, however, that any underpayments were due to payroll system deficiencies and were not willful or intentional as required to trigger statutory penalties of two to three times the wages withheld. The parties are continuing to engage in discovery and will seek to settle this case in a mediation scheduled for May 2022. The trial is set for October 17, 2022.

*Emergency Rental Assistance Prevention Program* - A portion of the County's federal COVID-19 relief funds received from United States Treasury have been applied to implement the County's Eviction Prevention Rental Assistance Program (EPRAP). The County's Department of Community and Human Services (DCHS) partnered with various Community Based Organizations (CBOs) and an outside consulting firm to implement the program. As of April 2022, the County has distributed approximately $346.8 million in EPRAP funds. The County has identified multiple cases of waste, abuse and misuse of funds in the EPRAP, which relied on self-attestations by landlords and tenants, based on Treasury guidance. As of April 2022, the County has identified 106 suspected cases, representing approximately $2.4 million in payments (including one $500 thousand payment by the contractor that appears to have been made in error). Suspected cases have reported (or are in the process of being reported) to state or local law enforcement and the Washington State Auditor's Office, and the case over $100 thousand also has been reported to the Treasury Office of Inspector General (OIG). The County has contracted with a firm to investigate the $500 thousand payment and other waste, abuse and misuse in the program. The County expects that additional cases will be identified and will continue to report cases to law enforcement, the State Auditor and, as applicable, the OIG.

**<u>Financial Guarantees</u>**

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 2021, there are 15 contingent loan agreements outstanding totaling $279.5 million. These agreements have maturity dates ranging from 10 to 40 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, 2021 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 DOE could order the County to clean the site. The County would then pursue other potentially liable parties for statutory contribution. There are still on going cleanup studies by the tenant and subtenant at December 31, 2021, and the County believes the scenario wherein it performs the cleanup activities itself to be unlikely.

**Other Commitments**

The Solid Waste Enterprise paid the County General Fund $3.2 million for rent on the Cedar Hills landfill site in 2021. 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

**Long-Term Debt Issuances in 2022**

In March 2022 the County issued $57.0 million in Limited Tax General Obligation and Refunding Bonds, Series 2022A. Proceeds will be used to refund series LTGO 2012C and series LTGO 2012D bonds at more favorable interest rates, and to finance new projects in land conservation, bridge replacement, and information technology.

During the month of February 2022, the Water Quality fund drew down $6.8 million in new state loans to finance capital program activities, including $6.6 million to finance the Joint Ship Canal project and $0.2 million to finance construction of reclaimed water facilities at the Brightwater treatment plant.

During the months of March and April 2022, the Water Quality fund drew down $25.4 million in new state loans to finance capital program activities at the Joint Ship Canal.

**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. Like the State, the County took immediate and aggressive steps to protect residents including declaring a public health emergency on March 1, 2020. On March 22, 2020 the President of the United States declared a major disaster in the state of Washington.

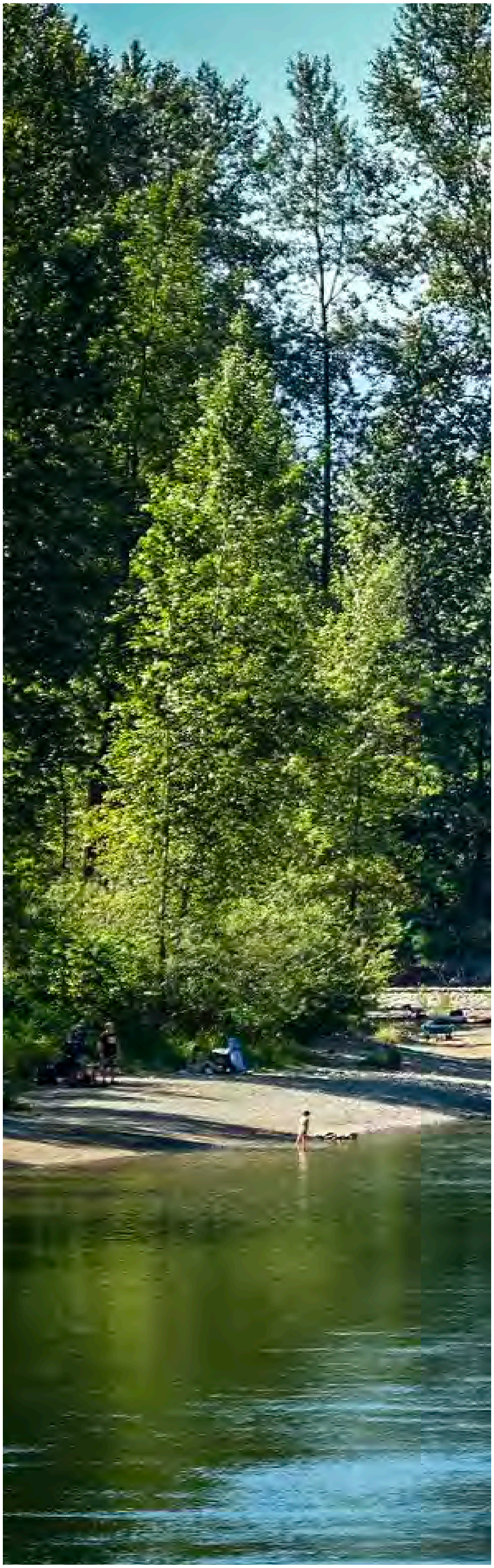
Under the March 20, 2020 Presidential Disaster Declaration, the County became eligible to have certain pandemic-related disaster expenses reimbursed by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act of 1988 (PL 100-707). On March 25, 2021 FEMA issued a bulletin applying a federal participation rate of 100 percent to all eligible emergency protective measure expenses, including direct federal assistance under the Public Assistance grant program. This memo was amended on March 1, 2022 to extend the period covered by enhanced federal participation through July 1, 2022. The County recognized $89.0 million in Public Assistance grant revenue on the Statement of Activities for the year ended December 31, 2021.

The American Rescue Plan (PL 117-2) included a new program to support local governments, the Coronavirus State and Local Fiscal Recovery Fund. The County was allocated a total of $437.6 million to help cover the costs of responding to and recovering from the pandemic, with $218.8 million received in May 2021 and the remainder of the County's allocation received in June 2022. These funds may be used to reimburse County costs incurred to support public health expenditures; address the negative economic impacts caused by the public health emergency; provide government services funded with tax revenue that declined during the pandemic; provide premium pay for essential workers; or invest in water, sewer, or broadband infrastructure through December 31, 2024. For the period ended December 31, 2021 the County recognized $101.7 million in revenues from this program with the remainder of the 2021 allocation being reported as unearned revenue.

**Short-Term Debt Issuances in 2022**

The County's Water Quality Enterprise utilizes a limited tax general obligation commercial paper program to finance certain capital activities and/or to refinance outstanding and future bonds of the County's sewer system. The authorization for this program expires December 15, 2050.

New construction activity financed in 2022 with commercial paper proceeds totaled $39.6 million. Other issues represent refunding of existing commercial paper issuances. Information about transactions that occurred in 2022 may be found on the County's bondholder website: www.kingcountybonds.com.



# Required Supplementary Information

ACFR

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**For the Fiscal Year**
**January 1 through December 31, 2021**

King County, Washington

**KING COUNTY**
**Required Supplementary Information**
**General Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Year Ended December 31, 2021**
(In Thousands)

| | 2021-2022 BUDGETED AMOUNTS (BIENNIAL) | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **REVENUES** | | | | |
| Taxes: | | | | |
| Property taxes | $ 778,599 | $ 782,050 | $ 387,210 | $ (394,840) |
| Retail sales and use taxes | 288,958 | 339,442 | 172,082 | (167,360) |
| Business and other taxes | 7,070 | 7,070 | 3,811 | (3,259) |
| Licenses and permits | 15,988 | 15,488 | 5,514 | (9,974) |
| Intergovernmental revenues | 51,138 | 270,091 | 90,252 | (179,839) |
| Charges for services | 571,672 | 566,928 | 287,482 | (279,446) |
| Fines and forfeits | 54,631 | 54,406 | 31,339 | (23,067) |
| Interest earnings | 13,250 | 12,450 | 6,649 | (5,801) |
| Miscellaneous revenues | 68,836 | 67,809 | 33,608 | (34,201) |
| Sale of capital assets | — | — | 206 | 206 |
| Transfers in | 37,328 | 38,793 | 19,160 | (19,633) |
| Total revenues | 1,887,470 | 2,154,527 | 1,037,313 | (1,117,214) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 349,948 | 457,438 | 166,248 | 291,190 |
| Law, safety and justice | 1,295,798 | 1,382,763 | 648,893 | 733,870 |
| Economic environment | 5,295 | 43,374 | 1,052 | 42,322 |
| Health and human services | 100,571 | 112,853 | 52,997 | 59,856 |
| Debt service: | | | | |
| Principal | 68 | 68 | — | 68 |
| Interest and other debt service costs | 4,407 | 4,407 | 41 | 4,366 |
| Capital outlay | 1,335 | 1,794 | 635 | 1,159 |
| Transfers out | 179,026 | 231,739 | 97,924 | 133,815 |
| Total expenditures | 1,936,448 | 2,234,436 | 967,790 | 1,266,646 |
| Excess (deficiency) of revenues over (under) expenditures | $ (48,978) | $ (79,909) | 69,523 | $ 149,432 |
| Adjustment from budgetary basis to GAAP basis[a] | | | (9,121) | |
| Net change in fund balance | | | 60,402 | |
| Fund balance - Beginning balance (Restated) | | | 200,958 | |
| Fund balance - Ending balance | | | $ 261,360 | |

[a]Elements of adjustment from budgetary basis to GAAP basis:

| | |
|---|---|
| Adjustments to revenues: | |
| Recognition of unrealized gain/loss on investments | $ (6,211) |
| Property taxes collected within 60 day availability period | (48) |
| Intrafund eliminations | (3,060) |
| Other revenue adjustments | (1) |
| Total adjustments to revenue | (9,320) |
| Adjustments to expenditures: | |
| General wage increase accrual | 2,855 |
| Intrafund eliminations | (3,060) |
| Other expenditure adjustments | 6 |
| Total adjustments to expenditures | (199) |
| Adjustment from budgetary basis to GAAP basis | $ (9,121) |

**Behavioral Health Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Year Ended December 31, 2021**
(In Thousands)

| | 2021-2022 BUDGETED AMOUNTS (BIENNIAL) | | | |
|---|---|---|---|---|
| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
| **REVENUES** | | | | |
| Taxes: | | | | |
| Property taxes | $ 7,345 | $ 7,345 | $ 3,658 | $ (3,687) |
| Retail sales and use taxes | 8,640 | 8,640 | — | (8,640) |
| Business and other taxes | — | — | 17 | 17 |
| Intergovernmental revenues | 28,407 | 74,313 | 30,234 | (44,079) |
| Charges for services | 511,268 | 522,268 | 319,666 | (202,602) |
| Interest earnings | 258 | 258 | 48 | (210) |
| Miscellaneous revenues | 2,629 | 2,629 | 4,120 | 1,491 |
| Sale of capital assets | — | — | 2 | 2 |
| Transfers in | 17,211 | 20,508 | 19,102 | (1,406) |
| Total revenues | 575,758 | 635,961 | 376,847 | (259,114) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | — | — | 11,219 | (11,219) |
| Health and human services | 536,330 | 596,016 | 283,440 | 312,576 |
| Debt service: | | | | |
| Interest and other debt service costs | — | — | 4 | (4) |
| Capital outlay | — | 3,800 | — | 3,800 |
| Transfers out | 28,317 | 28,317 | 13,451 | 14,866 |
| Total expenditures | 564,647 | 628,133 | 308,114 | 320,019 |
| Excess (deficiency) of revenues over (under) expenditures | $ 11,111 | $ 7,828 | 68,733 | $ 60,905 |
| Adjustment from budgetary basis to GAAP basis[(a)] | | | (201) | |
| Net change in fund balance | | | 68,532 | |
| Fund balance - Beginning balance | | | (30,953) | |
| Fund balance - Ending balance | | | $ 37,579 | |

[(a)] Elements of adjustment from budgetary basis to GAAP basis:

| | |
|---|---|
| Adjustments to revenues: | |
| Recognition of unrealized gains (losses) on investments | $ (65) |
| Adjustments to expenditures: | |
| Accrued labor for a union agreement to be paid in 2022 | 136 |
| Adjustment from budgetary basis to GAAP basis | $ (201) |

**Housing and Community Development Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Year Ended December 31, 2021**
(In Thousands)

**2021-2022 BUDGETED AMOUNTS (BIENNIAL)**

| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes: | | | | |
| Retail sales and use taxes | $ 305,604 | $ 305,605 | $ 4,067 | $ (301,538) |
| Intergovernmental revenues | 321,406 | 803,477 | 277,804 | (525,673) |
| Charges for services | 40,071 | 40,071 | 28,132 | (11,939) |
| Interest earnings | 2,733 | 2,733 | 830 | (1,903) |
| Miscellaneous revenues | 500 | 4,301 | 1,168 | (3,133) |
| General government bond issued | — | 10,500 | 450,525 | 440,025 |
| Transfers in | 92,398 | 115,444 | 33,857 | (81,587) |
| Total revenues | 762,712 | 1,282,131 | 796,383 | (485,748) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Economic environment | — | 371,828 | 151,224 | 220,604 |
| Health and human services | 639,643 | 853,231 | 199,020 | 654,211 |
| Debt service: | | | | |
| Interest and other debt service costs | 294 | 294 | 130 | 164 |
| Capital outlay | — | 10,960 | 212,700 | (201,740) |
| Transfers out | 3,512 | 3,512 | 5,024 | (1,512) |
| Total expenditures | 643,449 | 1,239,825 | 568,098 | 671,727 |
| Excess (deficiency) of revenues over (under) expenditures | $ 119,263 | $ 42,306 | 228,285 | $ 185,979 |
| Adjustment from budgetary basis to GAAP basis[(a)] | | | 55,472 | |
| Net change in fund balance | | | 283,757 | |
| Fund balance - Beginning balance (Restated) | | | 305,345 | |
| Fund balance - Ending balance | | | $ 589,102 | |

[(a)] Elements of adjustment from budgetary basis to GAAP basis:

| | |
|---|---|
| Adjustments to revenues: | |
| Recognition of unrealized loss on investments | $ (1,117) |
| Interfund transfers | 315 |
| Intrafund eliminations | (108) |
| Total adjustments to revenues | (910) |
| Adjustments to expenditures: | |
| Intrafund eliminations | (108) |
| Loans Advanced (net) are an Expenditure for budget and an Asset under GAAP | (56,274) |
| Total adjustments to expenditures | (56,382) |
| Adjustment from budgetary basis to GAAP basis | $ 55,472 |

**Public Health Fund**
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**
**For the Year Ended December 31, 2021**
(In Thousands)

**2021-2022 BUDGETED AMOUNTS (BIENNIAL)**

| | ORIGINAL | FINAL | ACTUAL | VARIANCE |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Licenses and permits | $ 1,030 | $ 1,030 | $ — | $ (1,030) |
| Intergovernmental revenues | 146,068 | 414,126 | 132,944 | (281,182) |
| Charges for services | 144,216 | 146,946 | 133,881 | (13,065) |
| Fines and forfeits | 6 | 6 | — | (6) |
| Miscellaneous revenues | 5,490 | 5,490 | 3,947 | (1,543) |
| Transfers in | 168,064 | 185,809 | 94,254 | (91,555) |
| Total revenues | 464,874 | 753,407 | 365,026 | (388,381) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Health and human services | 465,295 | 758,895 | 358,246 | 400,649 |
| Debt service: | | | | |
| Interest and other debt service costs | — | — | 31 | (31) |
| Capital outlay | 987 | 987 | 141 | 846 |
| Transfers out | 219 | 219 | 1,122 | (903) |
| Total expenditures | 466,501 | 760,101 | 359,540 | 400,561 |
| Excess (deficiency) of revenues over (under) expenditures | $ (1,627) | $ (6,694) | 5,486 | $ 12,180 |
| Adjustment from budgetary basis to GAAP basis[a] | | | (633) | |
| Net change in fund balance | | | 4,853 | |
| Fund balance - Beginning balance | | | 33,865 | |
| Fund balance - Ending balance | | | $ 38,718 | |

[a] Elements of adjustment from budgetary basis to GAAP basis:

| | |
|---|---|
| Adjustments to revenues: | |
| Elimination of intrafund revenues for financial reporting purposes | $ (3,345) |
| Adjustments to expenditures: | |
| Elimination of intrafund expenditure for financial reporting purposes | (3,345) |
| Accrued labor for a union agreement to be paid in 2022 | 633 |
| Total adjustments to expenditures | (2,712) |
| Adjustment from budgetary basis to GAAP basis | $ (633) |

**KING COUNTY**
**Required Supplementary Information**
**Last Ten Fiscal Years**
**December 31, 2021**

**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)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| County's proportion of the net pension asset/liability | 8.61 % | 8.85 % | 8.25 % | 8.56 % | 8.45 % | 8.90 % | 8.76 % |
| County's proportionate share of the net pension liability | $ 105,126 | $ 312,368 | $ 317,333 | $ 382,129 | $ 400,803 | $ 477,872 | $ 458,477 |
| County's covered payroll** | $ 1,266,269 | $ 1,283,745 | $ 1,196,465 | $ 1,124,434 | $ 1,031,025 | $ 1,007,624 | $ 1,000,211 |
| County's proportionate share of the net pension liability as a percentage of covered payroll | 8.30 % | 24.33 % | 26.52 % | 33.98 % | 38.87 % | 47.43 % | 45.84 % |
| Plan fiduciary net position as a percentage of the total pension liability | 88.74 % | 68.64 % | 67.12 % | 63.22 % | 61.24 % | 57.03 % | 59.10 % |

**Schedule of the County's Proportionate Share of the Net Pension (Asset) Liability**
**Public Employees' Retirement System (PERS) Plan 2/3**
**Measurement Date of June 30***
(dollars in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| County's proportion of the net pension asset/liability | 10.53 % | 10.85 % | 10.06 % | 10.29 % | 10.14 % | 10.52 % | 10.36 % |
| County's proportionate share of the net pension (asset) liability | $ (1,049,145) | $ 138,736 | $ 97,735 | $ 175,728 | $ 352,361 | $ 529,855 | $ 370,294 |
| County's covered payroll** | $ 1,036,103 | $ 1,219,052 | $ 1,144,724 | $ 1,072,968 | $ 995,800 | $ 953,254 | $ 949,860 |
| County's proportionate share of the net pension (asset) liability as a percentage of covered payroll | (101.26)% | 11.38 % | 8.54 % | 16.38 % | 35.38 % | 55.58 % | 38.98 % |
| Plan fiduciary net position as a percentage of the total pension liability | 120.29 % | 97.22 % | 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.

**Schedule of the County's Proportionate Share of the Net Pension (Asset) Liability**
**Public Safety Employees' Retirement System (PSERS) Plan 2**
**Measurement Date of June 30***
(dollars in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| County's proportion of the net pension asset/liability | 7.39 % | 8.22 % | 8.67 % | 9.69 % | 9.92 % | 11.33 % | 9.88 % |
| County's proportionate share of the net pension (asset) liability | $ (16,979) | $ (1,131) | $ (1,127) | $ 120 | $ 1,944 | $ 4,817 | $ 1,803 |
| County's covered payroll** | $ 42,155 | $ 57,291 | $ 41,656 | $ 38,120 | $ 35,210 | $ 35,577 | $ 29,911 |
| County's proportionate share of the net pension (asset) liability as a percentage of covered payroll | (40.28)% | (1.97)% | (2.71)% | 0.31 % | 5.52 % | 13.54 % | 6.03 % |
| Plan fiduciary net position as a percentage of the total pension liability | 123.67 % | 101.68 % | 101.85 % | 99.79 % | 96.26 % | 90.41 % | 95.08 % |

**Schedule of the County's Proportionate Share of the Net Pension Asset**
**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 1**
**Measurement Date of June 30***
(dollars in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| County's proportion of the net pension asset/liability | 0.59 % | 0.59 % | 0.60 % | 0.60 % | 0.60 % | 0.60 % | 0.60 % |
| County's proportionate share of the net pension (asset) | $ (20,344) | $ (11,161) | $ (11,826) | $ (10,894) | $ (9,046) | $ (6,180) | $ (7,275) |
| State's proportionate share of the net pension (asset) associated with King County | (137,609) | (75,495) | (79,988) | (73,684) | (61,188) | (41,801) | (49,209) |
| Total | $ (157,953) | $ (86,656) | $ (91,814) | $ (84,578) | $ (70,234) | $ (47,981) | $ (56,484) |
| Plan fiduciary net position as a percentage of the total pension liability | 187.45 % | 146.88 % | 148.78 % | 144.42 % | 135.96 % | 123.74 % | 127.36 % |

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.

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 has no required contributions for the fiscal years 2015 - 2020; thus, there is no covered payroll.

### Schedule of the County's Proportionate Share of the Net Pension Asset
### Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
### Measurement Date of June 30*

(dollars in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| County's proportion of the net pension asset/liability | 2.93 % | 3.15 % | 2.63 % | 2.88 % | 2.91 % | 3.02 % | 2.90 % |
| County's proportionate share of the net pension (asset) | $ (170,289) | $ (64,158) | $ (60,885) | $ (58,520) | $ (40,429) | $ (17,543) | $ (29,819) |
| State's proportionate share of the net pension (asset) associated with King County | (109,855) | (41,024) | (39,872) | (37,891) | (26,225) | (11,437) | (19,716) |
| Total | $ (280,144) | $ (105,182) | $ (100,757) | $ (96,411) | $ (66,654) | $ (28,980) | $ (49,535) |
| County's covered payroll** | $ 112,875 | $ 119,110 | $ 97,381 | $ 95,210 | $ 91,137 | $ 87,895 | $ 86,131 |
| County's proportionate share of the net pension (asset) as a percentage of covered payroll | (150.87)% | (53.86)% | (62.52)% | (61.46)% | (44.36)% | (19.96)% | (34.62)% |
| Plan fiduciary net position as a percentage of the total pension liability | 142.00 % | 115.83 % | 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)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| County's proportion of the net pension asset/liability | 0.04 % | 0.04 % | 0.05 % | 0.05 % | 0.07 % | 0.09 % | 0.11 % |
| County's proportionate share of the net pension liability | $ 368 | $ 503 | $ 760 | $ 554 | $ 914 | $ 1,169 | $ 1,219 |
| County's covered payroll** | $ 1,386 | $ 1,807 | $ 2,022 | $ 2,429 | $ 3,010 | $ 3,305 | $ 4,332 |
| County's proportionate share of the net pension liability as a percentage of covered payroll | 26.55 % | 27.84 % | 37.57 % | 22.79 % | 30.35 % | 35.37 % | 28.13 % |
| Plan fiduciary net position as a percentage of the total pension liability | 78.81 % | 71.48 % | 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.

**Schedule of Contributions**

**Public Employees' Retirement System (PERS) Plan 1**

**Fiscal Year Ended December 31***

(dollars in thousands)

| | 2021 | | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 56,706 | | $ 60,884 | $ 62,259 | $ 59,366 | $ 54,111 | $ 50,154 | $ 25,283 |
| Contributions in relation to the contractually required contribution | 56,708 | | 60,884 | 62,259 | 59,366 | 54,111 | 50,154 | 25,283 |
| Contribution deficiency (excess) | $ (2) | *** | $ — | $ — | $ — | $ — | $ — | $ — |
| Covered payroll** | $1,316,507 | | $1,306,676 | $ 1,245,598 | $ 1,154,804 | $ 1,082,715 | $ 1,028,598 | $ 507,206 |
| Contributions as a percentage of covered payroll | 4.31 % | | 4.66 % | 5.00 % | 5.14 % | 5.00 % | 4.88 % | 4.98 % |

**Schedule of Contributions**

**Public Employees' Retirement System (PERS) Plan 2/3**

**Fiscal Year Ended December 31***

(dollars in thousands)

| | 2021 | | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 92,418 | | $ 101,390 | $ 93,935 | $ 84,792 | $ 72,763 | $ 62,650 | $ 72,853 |
| Contributions in relation to the contractually required contribution | 92,416 | | 101,390 | 93,935 | 84,792 | 72,763 | 62,650 | 72,853 |
| Contribution deficiency (excess) | $ 2 | *** | $ — | $ — | $ — | $ — | $ — | $ — |
| Covered payroll** | $ 1,264,018 | | $ 1,251,724 | $ 1,188,641 | $ 1,103,984 | $ 1,031,418 | $ 977,342 | $ 933,304 |
| Contributions as a percentage of covered payroll | 7.31 % | | 8.10 % | 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)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 3,393 | $ 3,589 | $ 3,518 | $ 2,777 | $ 2,514 | $ 2,319 | $ 2,924 |
| Contributions in relation to the contractually required contribution | 3,393 | 3,589 | 3,518 | 2,777 | 2,514 | 2,319 | 2,924 |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Covered payroll** | $ 48,264 | $ 48,635 | $ 48,039 | $ 39,458 | $ 36,728 | $ 34,253 | $ 33,102 |
| Contributions as a percentage of covered payroll | 7.03 % | 7.38 % | 7.32 % | 7.04 % | 6.84 % | 6.77 % | 8.83 % |

**Schedule of Contributions**

**Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2**

**Fiscal Year Ended December 31***

(dollars in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 6,094 | $ 6,657 | $ 5,329 | $ 5,219 | $ 4,956 | $ 4,735 | $ 4,505 |
| Contributions in relation to the contractually required contribution | 6,094 | 6,657 | 5,329 | 5,219 | 4,956 | 4,735 | 4,505 |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Covered payroll** | $ 114,654 | $ 124,889 | $ 99,067 | $ 96,106 | $ 92,952 | $ 90,526 | $ 86,131 |
| Contributions as a percentage of covered payroll | 5.32 % | 5.33 % | 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)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 221 | $ 225 | $ 275 | $ 309 | $ 371 | $ 458 | $ 520 |
| Contributions in relation to the contractually required contribution | 221 | 225 | 275 | 309 | 371 | 458 | 520 |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Covered payroll** | $ 1,365 | $ 1,386 | $ 1,807 | $ 2,022 | $ 2,429 | $ 3,010 | $ 3,305 |
| Contributions as a percentage of covered payroll | 16.19 % | 16.23 % | 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.
***The excess contribution in PERS 1 and deficiency in PERS 2 resulted from the employer contributions of King County Flood Control District, a component unit of the County,

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 - 2020; thus, no schedule is required.

For fiscal years 2015-2020, the annual money-weighted rate of return on plan investments for each 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/.

**KING COUNTY**

**Required Supplementary Information**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

King County Retiree Health Plan

For the Year Ended December 31, 2021

Last Ten Fiscal Years

(dollars in thousands)

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| **Total OPEB liability - beginning** | $ 106,619 | $ 111,272 | $ 111,412 | $ 118,120 |
| Service cost | 2,865 | 2,220 | 2,155 | 2,092 |
| Interest | 2,125 | 4,149 | 4,138 | 4,147 |
| Changes in benefit terms | — | — | — | — |
| Differences between expected and actual experience | — | (8,646) | — | 3,332 |
| Changes of assumptions | 1,300 | 3,310 | — | (9,652) |
| Benefit payments | (4,404) | (3,922) | (4,953) | (5,244) |
| Other changes | (2,017) | (1,764) | (1,480) | (1,383) |
| **Total OPEB liability - ending** | $ 106,488 | $ 106,619 | $ 111,272 | $ 111,412 |
| **Covered-employee payroll** | $ 1,370,460 | $ 1,324,116 | $ 1,219,237 | $ 1,217,867 |
| **Total OPEB liability as a % of covered-employee payroll** | 7.77 % | 8.05 % | 9.13 % | 9.15 % |

*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 Statement No. 75.

## Notes to Required Supplementary Information

### Factors that significantly affect trends in OPEB reported

The County receives a full actuarial valuation of retiree health and welfare benefits biannually. The 2021 fiscal year was based on a roll-forward of the valuation produced for the period ending 12/31/2020 by Healthcare Actuaries.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, salary projections, and participation percentages. For the 12/31/2021 fiscal year end the discount rate was decreased to 1.84 percent from 2.00 percent. There were no ad hoc post employment benefit changes to the plan and no changes between the measurement date and the report date that are expected to have a significant effect on the total OPEB liability.

### Significant Methods and Assumptions

<u>Basis of Valuation</u>

Actuarial Cost method – Entry-Age Normal, Level Percentage of Salary

Valuation Date – December 31, 2020

Measurement Date – December 31, 2021

Report Date – December 31, 2021

Discount Rate – A discount rate of 1.84% is used to measure the total OPEB liability. The County's OPEB plan is an unfunded plan, therefore a discount rate was set to the rate of tax-exempt, high quality 20-year municipal bonds as of the valuation date.

Mortality – rates consistent with State of Washington.

a. PERS Healthy – PUB-2010 General Headcount – Weighted healthy Mortality Projected Generationally with MP2020
b. PERS Disabled - PUB-2010 General Headcount – Weighted disabled Mortality Projected Generationally with MP2020
c. LEOFF Healthy – PUB-2010 Safety Headcount-Weighted Healthy Mortality Projected Generationally with MP-2020 Setback 1 for Males
d. LEOFF Disabled – PUB-2010 Safety Headcount-Weighted Disabled Mortality Projected Generationally with MP-2020

Salary increases – 3.50% The salary increase is used to determine the growth in the aggregate payroll.

Participation

a. Current Retirees LEOFF 1 -100% of current retirees continue until no longer eligible for benefits. Current Retirees Non-LEOFF 1 – 3% of current retirees voluntarily drop coverage in first year after retirement
b. Future Retirees LEOFF 1 - 100% of future retirees continue until no longer eligible for benefits. Current Retirees Non-LEOFF 1 – 34% of future retirees voluntarily drop coverage in first year after retirement.
c. Dependent Coverage LEOFF 1 – Spouses not eligible. Non-LEOFF 1 35% of participants cover a spouse at retirement. Actual spouse age is used otherwise assumes males are 3 yrs older than females.

Future Plan Enrollment – No change in plan enrollment at retirement between plans.

Trend Rates – Medical Long-term trends from Society of Actuaries "Long Term Healthcare Costs Trends Model v2021_b" using baseline assumptions are applied to both claims and premiums.

Aging/Morbidity Factors – Based on Society of Actuaries table.

**KING COUNTY**
**Required Supplementary Information**
**Schedule of Condition Assessments and Preservation of Infrastructure Under Modified Approach**
**For the Year Ended December 31, 2021**
(dollars in thousands)

**Road Condition Ratings**

| | 2019-2017 | | 2016-2014 | | 2013-2011 | |
|---|---|---|---|---|---|---|
| | (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 |

**Road 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 |

**Roads Estimated Maintenance and Preservation Costs**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Budgeted | $ 80,705 | $ 72,756 | $ 75,333 | $ 80,615 | $ 72,969 |
| Expended | 49,352 | 53,804 | 57,632 | 57,406 | 59,864 |

| Bridge Sufficiency Rating | Number of Bridges 2021 | 2020 | 2019 |
|---|---|---|---|
| 0 - 20 | 10 | 12 | 9 |
| 21 - 30 | 7 | 4 | 4 |
| 31 - 49 | 24 | 19 | 20 |
| 50 - 100 | 140 | 146 | 145 |
| Totals | 181 | 181 | 178 |

**Bridge Estimated Maintenance and Preservation Costs**

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Budgeted | $ 31,079 | $ 13,653 | $ 12,203 | $ 10,109 | $ 6,605 |
| Expended | 7,973 | 7,236 | 6,082 | 7,906 | 6,221 |

# KING COUNTY

## Notes to Required Supplementary Information
## Condition Assessments and Preservation of Infrastructure Under Modified Approach

1. 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 100 that represents the pavement's functional condition based on the quantity, severity, and type of visual distress, such as pavement cracking. Based on the PCI score, condition rating are assigned as follows:

- PCI < 30 is defined to be in "poor to substandard" with heavy pavement cracking and potholes
- PCI 30 ≥ 50 is defined to be in "fair condition" with noticeable cracks and utility cuts
- PCI 50 ≥ 100 is defined to be in "excellent condition" with relatively smooth roadway

Bridges

King County currently maintains 185 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 to reveal deficiencies in bridges such as steel corrosion, damaged guardrails, rotted timbers, deteriorated bridge decks, bank erosion and cracked concrete. 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 181 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. 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 bridge sufficiency rating scale is defined as:

- 49 ≤ 0 indicates replacement or rehabilitation funding, < 30 are selected for rehabilitation funding
- 50 ≥ 100 indicates a good deal of service life remaining, a bridge capable of carrying traffic

2. Roads

King County's Roads Service Division policy is to maintain at least 50 percent of the road system at a PCI level of 40 or better. Condition assessments are undertaken every three years for local streets and every two years for arterial roads.

Bridges

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.

3. Roads

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.

# APPENDIX C

# SUMMARY OF KING COUNTY'S INVESTMENT POLICY

## 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 had an average asset balance of approximately $8.9 billion during 2022. Assets of County agencies in 2022 averaged approximately 49% of the Investment Pool.

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 in 12 months or less. As of December 31, 2022, the Investment Pool had a balance of $8.8 billion and an effective duration of 0.99 years, and 57.2% of the portfolio had a maturity of 12 months 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 a combined total of 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 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/kcip*

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 D

# FORM OF CONTINUING DISCLOSURE CERTIFICATE

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by King County, Washington (the "County"), in connection with the issuance by the County of its Limited Tax General Obligation and Refunding Bonds, 2023, Series A (the "Bonds"), pursuant to Ordinance 19530 of the County Council, passed on November 15, 2022 (the "Bond Legislation"). Pursuant to the Bond Legislation, the County hereby covenants and agrees as follows:

**Section 1. Purpose of this Certificate.** This Certificate is being executed and delivered by the County for the benefit of the holders and beneficial owners of the Bonds, and in order to assist the Participating Underwriters in complying with the Rule (each as defined below).

**Section 2. Definitions.** In addition to the definitions set forth herein, in the Bond Legislation, or in the Official Statement, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

*Commission* means the Securities and Exchange Commission.

*MSRB* means the Municipal Securities Rulemaking Board.

*Official Statement* means the Official Statement prepared in connection with the issuance of the Bonds.

*Participating Underwriters* means the original underwriter of each series of the Bonds required to comply with the Rule in connection with offering such series of the Bonds.

*Rule* means Section (b)(5) of Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Section 3. Provisions of Annual Information.**

*(a) Annual Disclosure Report.* The County agrees 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 2023 for the fiscal year ended December 31, 2022:

(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 B to the Official Statement, 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.

*(b) 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 the Rule.

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.

**Section 4.** **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 the Rule 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.

**Section 5.** **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 the Rule 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 the Rule, 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 the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, 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.

**Section 6.** **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.

**Section 7.** **Responsible Officer; Dissemination Agent.** The Finance Director (or their designee) is designated to carry out this undertaking in accordance with the Rule. The County may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Certificate, and may discharge any such dissemination agent, with or without appointing a successor dissemination agent.

DATED this ___ day of ____, 2023.

KING COUNTY, WASHINGTON

______________________________

Finance and Business Operations Division

# APPENDIX E

# DEMOGRAPHIC AND ECONOMIC INFORMATION

## DEMOGRAPHIC AND ECONOMIC INFORMATION

King County is the largest county in Washington in 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, 33% 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.

### 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 |
| 2020 (1) | 7,705,281 | 2,269,675 | 737,015 | 151,854 | 246,266 |
| | | | | | |
| 2013 (2) | 6,909,666 | 1,983,550 | 624,045 | 133,169 | 252,217 |
| 2014 (2) | 7,005,504 | 2,021,027 | 638,784 | 136,483 | 247,002 |
| 2015 (2) | 7,106,989 | 2,061,981 | 660,908 | 137,500 | 248,540 |
| 2016 (2) | 7,237,661 | 2,118,958 | 684,136 | 143,053 | 239,858 |
| 2017 (2) | 7,344,589 | 2,149,910 | 694,513 | 143,969 | 241,557 |
| 2018 (2) | 7,464,069 | 2,187,460 | 707,555 | 145,890 | 243,037 |
| 2019 (2) | 7,582,481 | 2,227,755 | 724,144 | 148,105 | 244,977 |
| 2020 (1) | 7,705,281 | 2,269,675 | 737,015 | 151,854 | 246,266 |
| 2021 (2) | 7,766,975 | 2,287,050 | 742,400 | 152,600 | 247,385 |
| 2022 (2) | 7,864,400 | 2,317,700 | 762,500 | 153,900 | 248,160 |

(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**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Seattle MD | $ 74,843 | $ 79,526 | $ 85,348 | $ 90,040 | $ 97,582 |
| King County | 83,192 | 88,499 | 95,083 | 99,734 | 108,212 |
| State of Washington | 57,265 | 60,221 | 64,189 | 68,350 | 73,775 |
| United States | 51,550 | 53,786 | 56,250 | 59,765 | 64,143 |

*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** |
| 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 |
| 2021 | 3,251 | 1,257,561,067 | 16,298 | 2,657,702,046 | 3,915,263,113 |
| 2022 | 2,790 | 1,200,696,793 | 15,905 | 2,578,443,990 | 3,779,140,783 |

*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 |
|---|---|---|
| 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 |
| 2020 | 66,955,895,952 | 24,904,879,115 |
| 2021 | 78,440,949,141 | 30,047,705,303 |
| | | |
| 2021(1) | $57,372,941,684 | $21,961,006,124 |
| 2022(1) | 61,598,222,871 | 24,761,766,724 |

(1) Through third quarter; Quarterly Business Review

*Source: Quarterly Business Review, Washington State Department of Revenue*

## Employment

The following table presents total employment in the State as of December 31, 2021 (unless otherwise noted) for certain major employers in the Puget Sound area. This list of major employers in the Puget Sound region includes several high-technology sector employers, most notably Amazon, Microsoft, Meta (Facebook), and Google. In late 2022 and early 2023, some large-scale layoffs were announced in that sector across the global workforce and others are expected to occur. It is not clear when such reductions will occur or what impact any such actions might have on employment within the region.

**PUGET SOUND**
**MAJOR EMPLOYERS(1)**

| Employer | Employees |
|---|---|
| Amazon.com | 85,000 |
| Microsoft Corp. | 61,305 |
| The Boeing Co. | 55,823 |
| Joint Base Lewis-McChord | 55,000() |
| University of Washington Seattle | 49,921 |
| Providence Swedish | 45,916 |
| Walmart Inc. | 23,123 |
| Costco Wholesale Corp. | 20,788 |
| MultiCare Health System | 19,691 |
| Virginia Mason Franciscan Health | 16,966 |
| King County government | 16,095 |
| Fred Meyer Stores | 15,810 |
| City of Seattle(2) | 15,781 |
| Seattle Public Schools | 12,000 |
| Alaska Air Group Inc. | 10,944 |
| Seattle Children's Foundation | 9,350 |
| Meta (Facebook)) | 8,800 |
| T-Mobile US Inc. | 8,251 |
| Kaiser Permanente | 7,571 |
| Nordstrom Inc. | 7,237 |

(1) In previous years, Safeway (owned by Albertsons Companies) and Starbucks Coffee Company were ranked among the 20 largest employers in the Puget Sound region, but neither firm provided employment data to the Puget Sound Business Journal for 2021.

(2) Source: City of Seattle, as of January 2023.

*Source: Puget Sound Business Journal, Publication Date October 7, 2022*

**KING COUNTY**
**RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT**
**AND NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT[1]**

| | Annual Average | | | | |
|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** |
| Civilian Labor Force | 1,260,655 | 1,285,974 | 1,278,594 | 1,278,003 | 1,320,984 |
| Total Employment | 1,218,696 | 1,250,766 | 1,178,362 | 1,223,432 | 1,284,647 |
| Total Unemployment | 41,959 | 35,208 | 100,232 | 54,571 | 36,337 |
| Percent of Labor Force | 3.3% | 2.7% | 7.8% | 4.3% | 2.8% |

| NAICS INDUSTRY | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|
| Total Nonfarm | 1,432,817 | 1,467,850 | 1,383,033 | 1,407,858 | 1,488,442 |
| Total Private | 1,254,283 | 1,292,300 | 1,211,158 | 1,237,183 | 1,320,475 |
| Goods Producing | 181,550 | 186,058 | 172,467 | 168,533 | 179,550 |
| Mining and Logging | 500 | 500 | 475 | 408 | 408 |
| Construction | 78,108 | 79,533 | 76,675 | 79,258 | 83,783 |
| Manufacturing | 102,925 | 106,000 | 95,267 | 88,850 | 95,358 |
| Service Providing | 1,251,267 | 1,281,792 | 1,210,567 | 1,239,325 | 1,308,892 |
| Trade, Transportation, and Utilities | 274,642 | 280,933 | 276,558 | 282,650 | 290,858 |
| Information | 111,017 | 121,633 | 127,908 | 134,450 | 144,875 |
| Financial Activities | 73,708 | 75,267 | 72,533 | 73,567 | 77,083 |
| Professional and Business Services | 233,092 | 238,875 | 234,558 | 245,675 | 264,942 |
| Educational and Health Services | 185,842 | 189,592 | 179,767 | 182,683 | 189,175 |
| Leisure and Hospitality | 145,050 | 146,833 | 100,675 | 104,417 | 127,000 |
| Other Services | 49,383 | 53,108 | 46,692 | 45,208 | 46,992 |
| Government | 178,533 | 175,550 | 171,875 | 170,675 | 167,967 |
| Workers in Labor/Management Disputes | 0 | 0 | 0 | 0 | 0 |

| | **Dec. 2022** |
|---|---|
| Civilian Labor Force | 1,309,959 |
| Total Employment | 1,272,994 |
| Total Unemployment | 36,965 |
| Percent of Labor Force | 2.8% |

(1) Columns may not add to totals due to rounding.
*Source: Washington State Employment Security Department*

## APPENDIX F

## PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM

## PROVISIONS FOR BOOK-ENTRY ONLY 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).*

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 the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

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*.

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.

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.

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.

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.

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).

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.

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.

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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes tobe reliable, but Issuer takes no responsibility for the accuracy thereof.