ERRATA NOTICE

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 22, 2024

$86,720,000(1)
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2024, SERIES A

There is an error in the Notice of Sale for the above-referenced Bonds, scheduled to sell competitively on April 3, 2024, under the heading "Bidding Information and Award—Delivery." The correct delivery date for the Bonds is on or about April 24, 2024, as shown below.

> **Delivery**
>
> The County will deliver the Bonds (consisting of one certificate per maturity) to DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, prior to the date of closing. Closing will occur within 30 days after the Sale Date. Settlement will be in federal funds available in Seattle, Washington, on the Issue Date. Delivery is expected to be on or about April 24, 2024.

Dated March 26, 2024

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(1) Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 22, 2024

This is a Preliminary Official Statement, subject to correction and change. The County has authorized the distribution of the Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Bonds, the County will complete and deliver an Official Statement substantially in this form.

SALE DATE: APRIL 3, 2024
SALE TIME: 7:45 A.M., PACIFIC TIME

RATINGS
Moody's: Aaa
Fitch: AAA
S&P: AAA
(See "Other Bond Information—Ratings.")

New Issue, Book-Entry Only

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."

$86,720,000(1)

KING COUNTY, WASHINGTON

LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2024, 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, 2024, 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, 2024, 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 F—Provisions for Book-Entry Only System.

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

The Bonds are subject to redemption prior to maturity as described herein. 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 24, 2024.

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: _____________

(1) Preliminary, subject to change.

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 F—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 carefully consider 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.

This Preliminary Official Statement is in a form deemed final as of its date by the County for purposes of paragraph (b)(1) of Securities and Exchange Commission Rule 15c2-12, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, delivery dates, any other terms or provisions required by an issuer to be specified in a competitive bid, and other terms of the Bonds dependent on such matters and the identity of the purchaser.

MATURITY SCHEDULE

$86,720,000[1]
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2024, SERIES A

Due (December 1)	Amounts[1]	Interest Rates	Yields	Prices	CUSIP Numbers
2024	$ 125,000				
2025	5,635,000				
2026	5,920,000				
2027	6,205,000				
2028	6,525,000				
2029	6,845,000				
2030	7,195,000				
2031	7,550,000				
2032	7,170,000				
2033	6,460,000				
2034	6,785,000 (2)				
2035	1,780,000 (2)				
2036	1,870,000 (2)				
2037	1,965,000 (2)				
2038	2,060,000 (2)				
2039	2,160,000 (2)				
2040	2,265,000 (2)				
2041	870,000 (2)				
2042	915,000 (2)				
2043	960,000 (2)				
2044	1,010,000 (2)				
2045	355,000 (2)				
2046	370,000 (2)				
2047	390,000 (2)				
2048	410,000 (2)				
2049	430,000 (2)				
2050	450,000 (2)				
2051	475,000 (2)				
2052	500,000 (2)				
2053	520,000 (2)				
2054	550,000 (2)				

(1) Preliminary, subject to change.

(2) These amounts will constitute principal maturities of the Bonds unless the successful bidder for the Bonds designates some or all of these maturities as Term Bonds, in which case these amounts may constitute mandatory sinking fund redemptions of the Term Bonds.

KING COUNTY, WASHINGTON
500 FOURTH AVENUE
SEATTLE, WASHINGTON 98104

KING COUNTY EXECUTIVE

Dow Constantine	Term Expiration: 2026

METROPOLITAN KING COUNTY COUNCIL

Council Member	Term Expiration
Dave Upthegrove	2026
Reagan Dunn	2026
Jorge L. Baron	2027
Claudia Balducci	2027
Rod Dembowski	2026
Teresa Mosqueda	2027
Sarah Perry	2026
Pete von Reichbauer	2026
Girmay Zahilay	2027

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 Hay

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)

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OFFICIAL NOTICE OF SALE

$86,720,000[(1)]
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2024, SERIES A

Electronic bids for the Limited Tax General Obligation and Refunding Bonds, 2024, Series A (the "Bonds"), of King County, Washington (the "County"), will be received via the PARITY Electronic Bidding System ("Parity") in the manner described below on

APRIL 3, 2024, AT 7:45 A.M., PACIFIC TIME

or at such later date or time as may be established by the Director of the Finance and Business Operations Division of the King County Department of Executive Services (the "Finance Director") and communicated through Parity and i-Deal Prospectus, as described under "Modification, Postponement, Cancellation." All bids received with respect to the Bonds will be considered by the Finance Director. If the Finance Director accepts a bid for the Bonds, the Bonds will be awarded to the successful bidder and the terms of the bid will be approved by the Finance Director through a Certificate of Award.

The Bonds will be sold on an all-or-none basis. Bids for the Bonds must be submitted electronically via Parity in accordance with its Rules of Participation and this notice, and no bid received after the time for receiving bids specified above will be considered. For further information about Parity, potential bidders may contact Parity at (212) 849-5021.

Modification, Postponement, Cancellation

Bidders are advised that the County may modify the terms of this Official Notice of Sale prior to the time for receipt of bids, or postpone or cancel the sale of the Bonds, at its discretion. Any such modification, postponement, or cancellation will be provided to Parity and i-Deal Prospectus on or before 2:00 p.m., Pacific Time, on April 2, 2024. As an accommodation to bidders, telephone, facsimile, or electronic notice of such modification, postponement, or cancellation will be given to any bidder requesting such notice from the County's municipal advisor (the "Municipal Advisor") at the address and phone number provided under "Contact Information" below. Failure of any bidder to receive such notice will not affect the legality of the sale.

A copy of the County's Preliminary Official Statement (including this Official Notice of Sale), dated March 22, 2024, and further information regarding the details of the Bonds may be obtained on the County's investor relations website, currently at *https://www.kingcountybonds.com/king-county-wa-investor-relations-wa/i2489*, from i-Deal Prospectus, a service of i-Deal LLC, at *www.i-dealprospectus.com*, or upon request to the Finance and Business Operations Division or the Municipal Advisor. See "Contact Information."

(1) Preliminary, subject to change.

Contact Information

Finance and Business Operations Division	Nigel Lewis King County (206) 263-2857 *nigel.lewis@kingcounty.gov*
Municipal Advisor	Rob Shelley Piper Sandler & Co. Office: (206) 628-2879 Day of Sale: (206) 462-9331 *robert.shelley@psc.com*
Bond Counsel	Stacey Lewis Pacifica Law Group LLP (206) 245-1714 *stacey.lewis@pacificalawgroup.com*

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of their initial delivery (the "Issue Date"). The Bonds will bear interest payable semiannually on each June 1 and December 1, beginning December 1, 2024, to their maturities or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will mature on the dates and in the amounts set forth on page i of the Preliminary Official Statement.

The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as Bond owner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of $5,000 or any integral multiple thereof within a maturity. Purchasers will not receive certificates representing their interest in the Bonds purchased. The principal of and interest on the Bonds are payable by the fiscal agent for the State of Washington (the "State"), currently U.S. Bank Trust Company, National Association (the "Registrar"), to DTC, which in turn is obligated to remit such principal and interest to the DTC participants for subsequent disbursement to beneficial owners of the Bonds.

Maturities

Principal of the Bonds will be payable on the dates and in the amounts shown below, except as may be adjusted as described herein. Each bidder for the Bonds will designate whether the principal amounts of the Bonds maturing in the years 2034 through 2054 as set forth below will be retired on December 1 of each respective year as serial bonds maturing on such dates or as mandatory sinking fund redemptions of the Bonds maturing in the years specified by the bidder (the "Term Bonds").

Maturity (December 1)	Principal Amounts (1)	Maturity (December 1)	Principal Amounts (1)
2024	$ 125,000	2040	$ 2,265,000 (2)
2025	5,635,000	2041	870,000 (2)
2026	5,920,000	2042	915,000 (2)
2027	6,205,000	2043	960,000 (2)
2028	6,525,000	2044	1,010,000 (2)
2029	6,845,000	2045	355,000 (2)
2030	7,195,000	2046	370,000 (2)
2031	7,550,000	2047	390,000 (2)
2032	7,170,000	2048	410,000 (2)
2033	6,460,000	2049	430,000 (2)
2034	6,785,000 (2)	2050	450,000 (2)
2035	1,780,000 (2)	2051	475,000 (2)
2036	1,870,000 (2)	2052	500,000 (2)
2037	1,965,000 (2)	2053	520,000 (2)
2038	2,060,000 (2)	2054	550,000 (2)
2039	2,160,000 (2)		

(1) Preliminary, subject to change.

(2) These amounts will constitute principal maturities of the Bonds unless the successful bidder designates some or all of these maturities as Term Bonds, in which case these amounts may constitute mandatory sinking fund redemptions of the Term Bonds.

Term Bonds. If the successful bidder for the Bonds designates certain maturities as Term Bonds, the County will retire such Term Bonds by purchase or redemption on December 1 in the years and amounts designated by such successful bidder to be mandatory sinking fund redemptions of such Term Bonds.

Redemption of the Bonds

Optional Redemption. The Bonds maturing on or after December 1, 2034, 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, 2034, 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 any 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 specified by the successful bidder for the Bonds.

If the County redeems Term Bonds under the optional redemption provisions described above or purchases or defeases 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.

Purchase of Bonds

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

Refunding or Defeasance of Bonds

Pursuant to the Ordinance (as defined in the attached Preliminary Official Statement), 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 and premium, if any, and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund, 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 (together with such money, if necessary) sufficient 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 and 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 Corporation, to the extent insured or guaranteed as permitted under any other provision of State law.

See "The Bonds—Refunding or Defeasance of Bonds" in the attached Preliminary Official Statement.

Security

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's authority to collect taxes, including its property tax levy, is subject to various limitations. See "Security and Sources of Payment for the Bonds" and "Property Tax Information" in the attached Preliminary Official Statement. The County may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds. Such funds, however, have not been pledged for such purpose. The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the County. No debt service reserve or property secures the payment of principal of or interest on the Bonds. Bond owners do not have a perfected security interest in or an express statutory lien on particular revenues or assets of the County. 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. State law provides that the payment of general obligation bonds is enforceable in mandamus against the issuer and its officials. 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. 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.

BIDDING INFORMATION AND AWARD

Bidding Information

Bidders are invited to submit bids for the purchase of the Bonds fixing the interest rate that the Bonds will bear. The interest rates bid for the Bonds must be in a multiple of 1/8 of 1.00% or 1/20 of 1.00%. No more than one interest rate may be fixed for any single maturity of the Bonds. The minimum interest rate on the Bonds maturing on December 1 in the years 2034 through and including 2054 is 5.00%. The maximum interest rate for Bonds maturing in any year is 5.25%. Bids must be without condition and may be submitted only electronically via Parity.

Bidders are requested to provide a list of any syndicate members with their bids or within 24 hours after submitting their bids. The County strongly encourages the inclusion of women and minority business enterprise firms in bidding syndicates.

No bid will be considered for the Bonds that is less than an amount equal to 107% of the par value of the Bonds or more than an amount equal to 117.5% of the par value of the Bonds, or for less than the entire offering of the Bonds.

Bidding Process

By submitting an electronic bid for the Bonds, each bidder thereby agrees to the following terms and conditions:

(i) If any provision in this Official Notice of Sale conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any modification or postponement communicated as described under “Modification, Postponement, Cancellation,” will control.

(ii) Bids may be submitted only via Parity. The bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting a bid timely and in compliance with the requirements of this Official Notice of Sale.

(iii) The County has no duty or obligation to provide or assure access to Parity, and will not be responsible for the proper operation of Parity, or have any liability for any delays or interruptions or any damages caused by the use or attempted use of Parity.

(iv) The County is using Parity as a communication mechanism, and not as an agent of the County.

(v) Upon acceptance of a bid by the County, this Official Notice of Sale and the information that is electronically transmitted through Parity will form a contract between the bidder and the County.

If all bids for the Bonds are rejected, the Finance Director may fix a new date and time for the receipt of bids for the Bonds by giving notice under the procedures as described under “Modification, Postponement, Cancellation” on or before the day prior to such new date and time.

Good Faith Deposit

The successful bidder for the Bonds is required to deliver a good faith deposit in the amount of $865,000 by federal funds wire transfer to the Treasury Section of the Finance and Business Operations Division by no later than 90 minutes following the successful bidder’s receipt of the verbal award. Wiring instructions will be provided to the successful bidder at the time of the verbal award.

The good faith deposit of the successful bidder for the Bonds will be retained by the County as security for the performance of such bid, and will be applied to the purchase price of the Bonds on the delivery of the Bonds to the successful bidder. Pending delivery of the Bonds, the good faith deposit may be invested for the sole benefit of the County.

If the Bonds are ready for delivery and the successful bidder fails to complete the purchase of the Bonds within 30 days following the acceptance of its bid, the good faith deposit will be forfeited to the County, and, in that event, the Finance Director may accept the next best bid or call for additional proposals.

Insurance

Bids for the Bonds may not be conditioned upon obtaining insurance or any other credit enhancement. If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of a bidder, any purchase of such insurance or commitment therefor will be at the sole option and expense of the bidder for the Bonds and any increased costs of issuance resulting by reason of such insurance will be paid by the bidder, unless otherwise paid. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued will not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds.

If the successful bidder for the Bonds purchases insurance for all or a portion of the Bonds, the County may require the successful bidder to furnish to the County and Bond Counsel a certificate in form and substance acceptable to Bond Counsel confirming that the insurance premium is less than the present value (calculated using the same yield as the yield on the insured Bonds) of the interest cost savings represented by the comparative differences between interest amounts that would have been payable on the various maturities of the insured Bonds at interest rates on the insured Bonds issued with and without the insurance on the insured Bonds.

Award

The Bonds will be sold to the bidder making a bid that conforms to the terms of the offering and that, on the basis of the lowest true interest cost, is the best bid. For the purpose of comparing bids only, each bid must state the true interest cost of the bid determined by doubling the semiannual interest rate (compounded semiannually) necessary to discount each debt service payment from the payment date to the date of the Bonds and to the price bid.

If there are two or more equal bids for the Bonds and those bids are the best bids received, the Finance Director will determine which bid will be presented to the County Council for its consideration. The County, in its sole discretion, reserves the right to reject any or all bids submitted with respect to the Bonds and to waive any formality in the bidding or bidding process. If all bids for the Bonds are rejected, the Bonds may be re-advertised for sale in the manner provided by law and as described above.

Adjustment of Principal Amount and Bid Price After Bid Opening

The County has reserved the right to increase or decrease the preliminary principal amount of the Bonds by an amount not to exceed 10% of the principal amount of the Bonds following the opening of the bids for the Bonds. The County has also reserved the right to increase or decrease the preliminary principal amount of any maturity of the Bonds by 15% of the principal amount of that maturity; in addition, the preliminary principal amount of the Bonds maturing on December 1, 2024, may be adjusted by up to $50,000.

Effect of Adjustment. The price bid by the successful bidder for the Bonds will be adjusted by the County on a proportionate basis to reflect an increase or decrease in the principal amount of the Bonds. In the event that the County elects to increase or decrease the principal amount of the Bonds after the bid pursuant to this Official Notice of Sale, the underwriter's discount for the Bonds, expressed in dollars per thousand, will be held constant. The County will not be responsible in the event and to the extent that any adjustment affects (i) the net compensation to be realized by the successful bidder, or (ii) the true interest cost of the winning bid or its ranking relative to other bids.

Issue Price Information

Competitive Sale. The County expects to determine the issue price of the Bonds under the special rule for competitive sales provided by Treasury Regulation§ 1.148-1(f)(3)(i) because the sale of the Bonds is expected to meet the following requirements (the "competitive sale requirements"):

(i) the County will disseminate this Official Notice of Sale to potential underwriters of municipal bonds in a manner that is reasonably designed to reach such potential underwriters;

(ii) all bidders will have an equal opportunity to bid for the Bonds;

(iii) the County will receive bids for the Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(iv) the County will award the sale of the Bonds to the bidder who submits a bid in conformance with this Official Notice of Sale to purchase the Bonds at a price that produces the lowest true interest cost to the County, as set forth in this Official Notice of Sale under the heading "Award."

The winning bidder for the Bonds will be required to assist the County in establishing the issue price of the Bonds under the special rule for competitive sales by (i) providing to the Finance Director, in writing, immediately following the award of the sale of the Bonds to the winning bidder, the reasonably expected initial offering price to the public as of the sale date of each maturity of the Bonds on which the price bid by the winning bidder was based; and (ii) executing and delivering to the County on or before the Issue Date an issue price certificate setting forth for each maturity of the Bonds the reasonably expected initial offering price to the public as of the sale date on which the price bid by the winning bidder was based. The issue price certificate shall be substantially in the form of Exhibit 1 attached to this Official Notice of Sale, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the County, and Bond Counsel.

In the event that the competitive sale requirements are not satisfied, the County shall advise the winning bidder for the Bonds that such requirements are not satisfied and the following section will apply:

Hold-the-Offering-Price Rule May Apply. In the event that the competitive sale requirements are not satisfied for the Bonds, the County will so advise the winning bidder. The County will treat the first price at which 10% of a maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity if such maturity satisfies the 10% test as of the date and time of the award of the Bonds. With respect to those maturities that do not meet the 10% test as of the date and time of the award of the Bonds, the County will treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis. The winning bidder for the Bonds shall advise the County if any maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds.

As stated above, the hold-the-offering-price rule will apply to those maturities of the Bonds that do not meet the 10% test as of the sale date. By submitting a bid, the winning bidder for the Bonds shall (i) confirm that the underwriters have offered or will offer the Bonds to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder, and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(i) the close of the fifth (5th) business day after the sale date; or

(ii) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder for the Bonds shall promptly advise the County when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

The County acknowledges that, in making the representation set forth above, such winning bidder will rely on:

(i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires;

(ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and

(iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires.

The County further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid for the Bonds, each bidder confirms that:

(i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule (if applicable), in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and

(ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public, and (B) comply with the hold-the-offering-price rule (if applicable), in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person who is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the County (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public, and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the County to the winning bidder.

Delivery

The County will deliver the Bonds (consisting of one certificate per maturity) to DTC in New York, New York, or to the Registrar on behalf of DTC by Fast Automated Securities Transfer, prior to the date of closing. Closing will occur within 30 days after the Sale Date. Settlement will be in federal funds available in Seattle, Washington, on the Issue Date. Delivery is expected to be on or about April 23, 2024.

If, prior to the delivery of the Bonds, the interest receivable by the owners of the Bonds becomes includable in gross income for federal income tax purposes, or becomes subject to federal income tax other than as described in the Preliminary Official Statement, the successful bidder, at its option, may be relieved of its obligation to purchase the Bonds, and in that case the good faith deposit accompanying its bid will be returned without interest.

Legal Matters

The Purchaser of the Bonds will be provided with the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, at the time of the delivery of the Bonds.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers nor any error with respect thereto will constitute cause for a failure or refusal by the successful bidder for the Bonds to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale.

The County's Municipal Advisor is responsible for obtaining CUSIP numbers for the Bonds. The applicable charge of the CUSIP Service Bureau will be paid by the successful bidder for the Bonds.

OTHER INFORMATION

Ongoing Disclosure Undertaking

To assist bidders in complying with paragraph (b)(5) of Securities and Exchange Commission ("SEC") Rule 15c2–12 ("Rule 15c2-12"), the County will undertake to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in Appendix D to the Preliminary Official Statement, and will also be attached to the final Official Statement.

Preliminary Official Statement

The Preliminary Official Statement is in a form that the County has deemed final for the purpose of paragraph (b)(1) of Rule 15c2-12, but is subject to revision, amendment, and completion in a final Official Statement, which the County will deliver, at the County's expense, to the Purchaser of the Bonds through its designated representative not later than seven business days after the County's acceptance of such Purchaser's bid, in sufficient quantities to permit such Purchaser to comply with Rule 15c2-12.

By submitting the successful proposal, the Purchaser of the Bonds agrees:

(i) to provide to the Finance and Business Operations Division, in writing, within 24 hours after the acceptance of the bid, pricing and other related information, including the Initial Reoffering Price of each maturity of the Bonds, necessary for completion of the final Official Statement;

(ii) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any amendments or supplements prepared by the County;

(iii) to take any and all actions necessary to comply with applicable rules of the SEC and the Municipal Securities Rulemaking Board ("MSRB") governing the offering, sale, and delivery of the Bonds to the ultimate purchasers, including the delivery of a final Official Statement to each investor who purchases the Bonds; and

(iv) to file the final Official Statement or cause it to be filed with the MSRB within one business day following its receipt from the County.

Official Statement

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).

DATED at Seattle, Washington, this 22nd day of March, 2024.

By: /s/ Ken Guy

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

OFFICIAL NOTICE OF SALE—EXHIBIT 1
FORM OF ISSUE PRICE CERTIFICATE

______,000
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2024, SERIES A
ISSUE PRICE CERTIFICATE

____________________, has acted as underwriter (the "Underwriter") in connection with the sale and delivery of the King County, Washington (the "Issuer"), Limited Tax General Obligation and Refunding Bonds, 2024, Series A (the "Bonds"), in the aggregate principal amount of $_________,000. I, the undersigned, hereby certify as follows on behalf of the Underwriter:

1. I am the duly chosen, qualified and acting officer of the Underwriter for the office shown below my signature; as such, I am familiar with the facts herein certified and I am duly authorized to execute and deliver this certificate on behalf of the Underwriter. I am the officer of the Underwriter charged, along with other officers of the Underwriter, with responsibility for the Bonds.

[If competitive sale safe harbors are met:]

2. The Underwriter has purchased the Bonds from the Issuer pursuant to a Certificate of Award dated April 3, 2024 (the "Sale Date").

   a. As of the Sale Date, the Underwriter reasonably expected the initial offering prices of the Bonds to the Public to be the respective prices for each Maturity shown in Schedule A (the "Expected Offering Price"). The Expected Offering Prices are the prices used by the Underwriter in formulating its bid to purchase the Bonds, which is attached as Schedule B (the "Bid").

   b. The Underwriter was not given the opportunity to review other bids prior to submitting its Bid.

   c. The Bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

   d. The aggregate issue price of the Bonds, being the Expected Offering Price of each Maturity, is $________ (the "Issue Price").

[If competitive sale safe harbors are not met:]

2. The Underwriter has purchased the Bonds from the Issuer pursuant to a Certificate of Award dated April 3, 2024 (the "Sale Date").

   a. With respect to the Bonds maturing in ___________ (the "General Rule Maturities"), at least 10% of the principal amount of each Maturity of the Bonds was sold to the Public at the respective price for that Maturity shown in Schedule A (the "Sale Price").

   b. With respect to the Bonds maturing in ___________ (the "Unsold Maturities"), the Underwriter offered the Unsold Maturities to the Public for purchase at the respective initial offering prices listed in the attached schedule (the "Initial Offering Price") on or before the Sale Date. A copy of the pricing wire for the Bonds is attached.

3. As set forth in the Notice of Sale and Certificate of Award, the Underwriter [and all members of the Underwriting Group] agreed in writing that (i) for the Unsold Maturities ("Hold-the-Offering-Price Maturities"), [it] would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the applicable Initial Offering Price during the Holding Period (the "hold-the-offering-price rule"), and (ii) any selling group agreement will contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement will contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. During the Holding Period, no Underwriter (as defined in Treasury Regulation § 1.148-1(f)) has offered or sold any of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price.

"Holding Period" means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the 5th business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Maturity to the Public at prices that are no higher than the applicable Initial Offering Price.

4. The expected aggregate issue price of the Bonds, being the Sale Price of each General Rule Maturity and the Initial Offering Price of each Hold-the-Offering-Price Maturity, is $________ (the “Issue Price”).

[For all transactions:]

Provided that nothing herein represents our interpretation of any laws, and in particular, regulations under Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), the Underwriter hereby authorizes the Issuer to rely on the statements made herein in connection with making the representations set forth in the Federal Tax Certificate to which this certificate is attached and in its efforts to comply with the conditions imposed by the Code on the exclusion of interest on the Bonds from the gross income of their owners. The Underwriter hereby authorizes Pacifica Law Group LLP (“Bond Counsel”) to rely on this certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes. Capitalized terms used herein and not otherwise defined have the meaning ascribed to such terms in the Federal Tax Certificate to which this certificate is attached or, with respect to Paragraph 2, in Treasury Regulation § 1.148-1(f).

[UNDERWRITER]

By: ______________________________

Name: ______________________________

PRELIMINARY OFFICIAL STATEMENT

$86,720,000[1]
KING COUNTY, WASHINGTON
LIMITED TAX GENERAL OBLIGATION AND REFUNDING BONDS, 2024, 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, 2024, Series A (the "Bonds").

The County is issuing the Bonds pursuant to the laws of the State of Washington (the "State"), including chapters 36.67, 39.36, 39.46 and 39.53 of the Revised Code of Washington, as amended ("RCW"); the County Charter; Ordinance 19530, adopted on November 15, 2022, as amended by Ordinance 19624, adopted on June 6, 2023, and Ordinance 19711, passed on December 5, 2023 (together, 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 3, 2024, 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, 2024, 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.

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(1) Preliminary, subject to change.

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, 2034, 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, 2034, 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, ____ (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:

Year	Amount
(1)	

(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

Pursuant to the Ordinance, 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 and 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 and 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, depending on market conditions, certain maturities of the County's Limited Tax General Obligation Bonds, 2014, Series B (Federally Tax-Exempt) (the "Refunding Candidates"), and (iii) to pay the costs of issuing the Bonds and administering the refunding. See "—Refunding Plan."

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	
Reoffering Premium	
Total Sources of Funds	$ -
USES OF FUNDS	
Deposit to Project Subfunds	
Deposit to Escrow	
Payment of Costs of Issuance[1]	
Total Uses of Funds	$ -

(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

Subject to market conditions, a portion of the proceeds from the sale of the Bonds will be used to refund some or all of the Refunding Candidates described below, for the purpose of realizing debt service savings.

TABLE 2
REFUNDING CANDIDATES

Bond Component	Maturity Date	Interest Rate (%)	Par Amount	Redemption Date	Redemption Price (%)	CUSIP Number
Limited Tax General Obligation Bonds, 2014, Series B (Federally Tax-Exempt), Dated 6/29/2014						
Serial	6/1/2025	5.000	$ 805,000	7/22/2024	100	49474F HF0
	6/1/2026	5.000	845,000	7/22/2024	100	49474F HG8
	6/1/2027	5.000	885,000	7/22/2024	100	49474F HH6
	6/1/2028	5.000	935,000	7/22/2024	100	49474F HJ2
	6/1/2029	4.000	975,000	7/22/2024	100	49474F HK9
	6/1/2030	4.000	1,015,000	7/22/2024	100	49474F HL7
	6/1/2031	4.000	1,060,000	7/22/2024	100	49474F HM5
	6/1/2032	4.000	1,100,000	7/22/2024	100	49474F HN3
Total			$ 7,620,000			

Refunding Procedure. Subject to market conditions, 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 all or a portion of the Refunding Candidates (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. (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." The County has not pledged such other funds for this purpose, however.

No debt service reserve 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 The City of 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 according to the U.S. Census Bureau's estimate as of July 1, 2023. See Appendix E—Demographic and Economic Information.

General

As a general purpose government, the County provides roads, solid waste disposal, flood control, certain airport facilities, public health and other human services, park and recreation facilities, courts, law enforcement, agricultural services, property tax assessment and collection, fire inspection, planning, zoning, animal control, and criminal detention and rehabilitative services. In addition, with its assumption of the Municipality of Metropolitan Seattle in 1994, the County provides transit ("Metro Transit") and wastewater treatment services (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 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. The next election for the County Executive will be in November 2025, for a three-year term, in order to align the election cycle on even years. There are no term limits.

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. There are no term limits.

Superior and District Courts. The State Constitution provides for county superior courts as the courts of general jurisdiction. The County currently has 54 superior court judges who are elected to four-year terms and 24 district court judges who are elected to four-year terms.

County's Budget Process

The County uses a biennial budget on a calendar-year basis. 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 transmitted by the County Executive to the County Council on or before September 27 of each year, and the County Council is required to adopt an appropriations ordinance 30 days prior to the start of the next fiscal period. 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 two 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, 2022, and is incorporated into the County's Annual Comprehensive Financial Report (the "Annual Report") for 2022.

The County's 2022 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 2022 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, taxes and intergovernmental revenues, provided approximately 68% of the total revenue in the governmental funds of the County in 2022. The General, Special Revenue, and Debt Service Funds received approximately 99% of the County's taxes and 98% of the County's intergovernmental revenues in 2022. Additional sources of revenue are licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues.

Taxes. The following table lists various taxes collected and deposited in the governmental funds of the County, excluding the Flood Control Zone District. A description of each type of tax follows the table.

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

Source	2018	2019	2020	2021	2022
Real and Personal Property Tax(1)	$ 840,323	$ 865,830	$ 942,669	$ 973,172	$ 1,044,098
Retail Sales and Use Tax(2)	217,625	230,779	222,264	321,988	355,355
Penalty and Interest on Property Taxes	20,857	21,293	20,380	28,056	22,896
Hotel/Motel Tax(3)	-	-	-	18,928	33,058
Real Estate Excise tax	15,994	15,536	17,920	24,633	21,894
E-911 Excise Tax	22,264	22,468	23,357	23,727	26,241
Other Taxes	10,206	10,192	7,065	9,336	16,494
Total	$ 1,127,269	$ 1,166,098	$ 1,233,655	$ 1,399,840	$ 1,520,036

(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 2018 through 2020. See "—Hotel/Motel Tax" below.

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.

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.

Varying slightly due to local city levies, the sales and use tax rate charged on all gross retail sales in the County, effective April 1, 2024, 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 and services, as further described below.

RCW 82.14.530 authorizes counties to impose a 0.1% sales and use tax to fund affordable housing and related services. A county imposing this tax must use at least 60% of the revenues it collects for constructing or acquiring affordable housing or behavioral health-related facilities, or acquiring land for these purposes, or funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers. The remainder of the revenues must be used for the operation, delivery, or evaluation of behavioral health treatment programs and services or housing-related services.

The County imposed this affordable housing and services sales and use tax beginning in January 2021. The County uses a portion of the revenue received from this tax to make debt service payments on County bonds issued in 2022 for purposes permitted under RCW 82.14.530, but such revenue has not been pledged for such purpose.

RCW 82.14.540 authorizes 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. Cities may impose the tax 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%. 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.

Beginning July 29, 2020, the County imposed the tax 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 uses a portion of the revenue derived from this sales and use tax to make debt service payments on County bonds issued for purposes permitted under RCW 82.14.540, but such revenue has not been pledged for such purpose.

HOTEL/MOTEL TAX. As authorized by chapter 67.28 RCW, 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 County may use these tax revenues 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 uses a portion of the revenue received from this lodging tax to make debt service payments on the County bonds issued for purposes authorized under the statute, 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. This 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. The County uses the revenues from the real estate excise tax for capital projects benefiting unincorporated area residents and parks in unincorporated areas of the County. A portion of the County's revenue is used for the payment of the County's prior general obligation bonds, but such revenue has not been pledged for such purpose.

E-911 EXCISE TAX. The County has levied a tax on all telephone access lines and connections since 1984, to provide enhanced emergency telephone service throughout the entire County. The decline in revenue is based on a decline in the use of residential landlines.

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. The following table 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	2018	2019	2020	2021	2022
Grants(1)	$ 145,791	$ 145,700	$ 227,936	$ 493,860	$ 708,757
Coronavirus Relief Fund	-	-	243,688	47,143	-
Revenue Sharing(2)	33,807	31,296	31,983	48,428	49,760
Gas Tax	13,228	12,857	10,996	11,699	11,938
Liquor Tax and Profits	1,478	1,510	1,606	1,685	1,853
Intergovernmental Payments(3)	33,538	22,447	22,593	23,581	19,102
Total	$ 227,842	$ 213,810	$ 538,802	$ 626,396	$ 791,410

(1) Federal grant funding increased significantly in 2020-2022 in response to the COVID-19 pandemic. See "—Grants" below.
(2) "Revenue Sharing" balances from 2018-2021 restated to reflect elimination of "Other Intragovernmental Revenues" reported in these years previously.
(3) Due to a change in State reporting requirements, specific amounts reported in 2019 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 2022, 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 $624.5 million in federal grant revenue to the County. This comprised 88.1% of total 2022 grant revenue received by the County. The remaining $84.2 million in 2022 grant revenue was from the State.

COVID-19 relief funds disbursed under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act and the American Rescue Plan Act accounted for approximately $187 million, or 46%, of the County's total federal grant revenue in 2022. The federal government awarded these funds on a limited, non-recurring basis; the County did not receive further CARES Act or American Rescue Plan Act funds in 2023, and does not anticipate receiving additional disbursements of such funds in the future.

Table 5 lists by source and function the various grants received by the County for the years ended December 31, 2021 and 2022. As noted above, grant revenues received in 2021 and 2022 were substantially larger than in previous years due to the receipt of State and federal relief funds related to COVID-19 assistance—in particular, CARES Act and American Rescue Plan Act funds. Table 4 shows the amounts of grant revenue attributable to these funding sources, which are non-recurring and from which the County does not anticipate receiving additional disbursements in the future.

TABLE 5
2021 AND 2022 GRANT REVENUE BY SOURCE AND FUNCTION
(YEARS ENDED DECEMBER 31) ($000)

	2021		2022	
	Actual	Item as a Percent of Total Actual	Actual	Item as a Percent of Total Actual
Federal				
General Government Services	$ 8,592	1.7%	$ 30,439	4.3%
Law, Safety and Justice	17,659	3.6%	137,032	19.3%
Physical Environment	1,994	0.4%	605	0.1%
Transportation	4,242	0.9%	9,138	1.3%
Economic Environment	245,222	49.7%	21,975	3.1%
Mental and Physical Health	144,813	29.3%	418,805	59.1%
Culture and Recreation	100	0.0%	6,535	0.9%
Total Federal	$ 422,622	85.6%	$ 624,529	88.1%
State:				
General Government Services	$ 491	0.1%	$ -	0.0%
Law, Safety and Justice	7,837	1.6%	9,421	1.3%
Physical Environment	3,555	0.7%	361	0.1%
Transportation	516	0.1%	1,921	0.3%
Economic Environment	44,212	9.0%	15,052	2.1%
Mental and Physical Health	12,585	2.5%	54,840	7.7%
Culture and Recreation	2,042	0.4%	2,633	0.4%
Total State	$ 71,238	14.4%	$ 84,228	11.9%
Total Grants	$ 493,860	100.0%	$ 708,757	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 2022, this legislative allocation generated $12.7 million in revenues for public health purposes in the County, which also includes distributions from the State for criminal justice purposes, foundational public health services, and economic development.

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 based on this formula.

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 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 2022, these payments included amounts related to the County's provision of public health and services to improve educational outcomes.

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)

	2018	2019	2020	2021	2022
ASSETS					
Cash and cash equivalents	$ 109,419	$ 142,666	$ 173,293	$ 165,759	$ 228,457
Taxes receivable - delinquent	8,465	8,760	11,515	12,308	13,107
Accounts receivable net	15,390	8,998	14,759	9,376	20,729
Interest receivable	16,594	19,857	20,517	20,917	14,449
Due from other funds	3,836	278	53	6,163	6,794
Due from other governments, net	60,265	82,987	63,829	110,722	139,566
Due from component unit	-	-	-	20	-
Prepayments	-	6	44	43	725
Advances to other funds	-	3,000	7,150	-	-
Other assets	-	-	911	12,232	34,924
TOTAL ASSETS	$ 213,969	$ 266,552	$ 292,071	$ 337,540	$ 458,751
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	$ 6,485	$ 5,588	$ 29,252	$ 9,031	$ 23,542
Due to other funds	4,266	12,180	2,570	6,513	11,233
Due to other governments	542	1,312	500	176	1,081
Wages payable	24,852	31,882	35,883	36,592	38,541
Taxes payable	122	125	94	237	530
Unearned revenues	-	3	3,396	58	285
Deposits	939	7,340	2,306	896	639
Advances from other funds	-	11,500	-	-	-
Total liabilities	$ 37,206	$ 69,930	$ 74,001	$ 53,503	$ 75,851
Deferred inflows of resources					
Deferred inflows	$ -	$ -	$ -	$ -	$ 26,350
Unavailable revenue	12,682	12,801	17,280	22,677	40,189
Total deferred inflows of resources	$ 12,682	$ 12,801	$ 17,280	$ 22,677	$ 66,539
Fund balance					
Nonspendable	$ -	$ 6	$ 44	$ 43	$ 725
Restricted	1,348	1,807	1,559	2,497	5,233
Committed	26,310	27,038	28,942	24,617	26,626
Assigned	28,578	13,435	37,147	11,948	1,009
Unassigned	107,845	141,535	133,098	222,255	282,768
Total fund balance	$ 164,081	$ 183,821	$ 200,790	$ 261,360	$ 316,361
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCE	$ 213,969	$ 266,552	$ 292,071	$ 337,540	$ 458,751

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)

	2018	2019	2020	2021	2022
REVENUES					
Taxes:					
Property taxes	$ 357,771	$ 366,911	$ 377,248	$ 387,161	$ 400,938
Retail sales and use taxes	144,422	153,118	146,286	172,082	197,022
Business and other taxes	4,034	4,128	3,319	3,811	4,568
Licenses and permits	8,075	7,582	5,017	5,514	6,582
Intergovernmental revenues	28,218	27,350	130,245 (1)	84,243 (1)	166,275 (1)
Charges for services	260,059	287,376	273,960	287,177	301,026
Fines and forfeits	26,888	26,774	22,968	31,339	26,209
Investment gains (losses)	15,562	23,640	14,094	406	(1,538)
Miscellaneous revenues	18,002	19,113	18,410	30,885	23,197
TOTAL REVENUES	$ 863,031	$ 915,992	$ 991,547	$ 1,002,618	$ 1,124,279
EXPENDITURES					
Current:					
General government	$ 142,418	$ 156,562	$ 176,763	$ 165,881	$ 191,390
Law, safety and justice	581,513	620,476	677,151	649,467	760,018
Physical environment	-	-	-	-	384
Economic environment	435	73	9,369	1,052	8,801
Health and human services	43,091	49,199	49,232	52,642	8,787
Debt service:					
Principal	-	-	-	-	5,762
Interest and other debt service costs	5	58	107	11	1,550
Capital outlay	2,635	2,032	2,907	614	6,829
TOTAL EXPENDITURES	$ 770,097	$ 828,400	$ 915,529	$ 869,667	$ 983,521
Excess of revenues over expenditures	$ 92,934	$ 87,592	$ 76,018	$ 132,951	$ 140,758
OTHER FINANCING SOURCES (USES)					
Transfers in	$ 11,797	$ 18,481	$ 20,785	$ 25,169	$ 25,223
Transfers out	(85,421)	(87,277)	(79,978)	(97,924)	(117,333)
Right-to-use lease acquisition	-	-	-	-	6,226
Sale of capital assets	1	944	144	206	127
TOTAL OTHER FINANCING SOURCES (USES)	$ (73,623)	$ (67,852)	$ (59,049)	$ (72,549)	$ (85,757)
Net change in fund balances	$ 19,311	$ 19,740	$ 16,969	$ 60,402	$ 55,001
Fund balances - beginning	144,770	164,081	183,821	200,790	261,360
Prior period adjustment	-	-	-	168	-
Fund balances - ending(2)	164,081	183,821	200,790	261,360	316,361

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)

	2018	2019	2020	2021	2022
REVENUES					
Taxes	$ 1,127,586	$ 1,141,563	$ 1,206,479	$ 1,356,709	$ 1,511,331
Licenses and permits	29,254	28,999	25,379	25,377	28,384
Intergovernmental revenues	190,958	200,903	487,178	601,631	773,492
Charges for services	781,445	791,258	815,738	988,470	977,106
Fines and forfeits	27,662	27,793	23,213	32,146	26,838
Interest earnings	25,828	47,212	32,341	4,407	(8,794)
Miscellaneous revenues	45,043	52,034	52,302	63,993	57,365
TOTAL REVENUES	$ 2,227,776	$ 2,289,762	$ 2,642,630	$ 3,072,733	$ 3,365,722
EXPENDITURES					
General government services(2)	$ 173,021	$ 188,620	$ 241,350	$ 225,371	$ 229,067
Law, safety and justice(3)	719,701	758,684	833,394	815,172	931,696
Physical environment(4)	21,278	24,920	23,072	20,844	24,183
Transportation(5)	69,455	82,077	81,900	82,237	88,007
Economic environment(6)	198,999	194,192	256,788	203,003	255,398
Mental and physical health(7)	715,975	762,885	941,191	1,182,725	1,221,509
Culture and recreation(8)	58,895	65,320	63,183	68,112	90,013
Debt service(9):					
Redemption of long-term debt	64,093	67,990	68,672	73,416	116,139
Interest and other debt service costs	33,231	30,742	29,165	32,605	38,606
Payment to escrow agent	2,329	-	-	-	-
Capital outlay	32,300	18,740	38,454	243,900	135,967
TOTAL EXPENDITURES	$ 2,089,277	$ 2,194,170	$ 2,577,169	$ 2,947,385	$ 3,130,585
Excess of revenues over expenditures	$ 138,499	$ 95,592	$ 65,461	$ 125,348	$ 235,137
OTHER FINANCING SOURCES (USES)					
General government bonds issued	$ 5,845	$ -	$ -	$ 498,565	$ 2,000
Refunding bonds issued	-	55,877	54,065	30,410	15,815
Premium on bonds sold	863	8,248	-	10,905	1,070
Right-to-use lease acquisition					58,674
Sale of capital assets	5,226	982	1,167	2,572	687
Insurance recoveries	-	-	-	1,840	149
Transfers in	206,772	276,047	259,163	314,809	379,556
Transfers out	(295,399)	(350,875)	(347,031)	(412,103)	(507,098)
Payment to refunded bonds escrow agent	-	(63,652)	(54,520)	(33,462)	(16,753)
TOTAL OTHER FINANCING SOURCES (USES)	$ (76,693)	$ (73,373)	$ (87,156)	$ 413,536	$ (65,900)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 61,806	$ 22,219	$ (21,695)	$ 538,884	$ 169,237
Fund balance - January 1, restated	701,888	763,690	786,019	1,008,696	1,547,837
Fund balance - December 31	$ 763,694	$ 785,909	$ 764,324	$ 1,547,580	$ 1,717,074

Totals may not foot due to rounding.

Footnotes to Table 8 are on following page.

FOOTNOTES TO TABLE 8

(1) Includes General Fund, Special Revenue Funds, and Debt Service Funds, and excludes Capital Project, Enterprise, and Internal Service Funds.

(2) Legislative operations; executive operations; licensing; recording; election; special programs; personnel administration; facilities management; appraisal; and assessments; financial accounting and budgeting; purchasing services; and real property management.

(3) Law enforcement; jail operations; prosecution; superior, district, and juvenile courts; judicial administration; public defense; emergency services and probation services.

(4) Surface water management, animal control, flood control, and resource planning.

(5) Road construction and maintenance and traffic planning.

(6) Youth work training, public employment, veteran services, aging, planning and community development, housing, and economic development.

(7) Public health operations; medical examiner services; alcoholism and substance abuse services; and community mental health programs.

(8) Parks and recreation services, park development cooperative extension services, and arts programs.

(9) General long-term principal and interest and other debt services costs.

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

Management Discussion of Financial Results

Revenues and Economic Conditions. As of December 2023, the unemployment rate was 3.5% 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 "—2023 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.

In the 2023 Regular Session, the State Legislature approved and the Governor signed Second Substitute House Bill 1425, amending State law to incentivize further annexation by cities of unincorporated areas. The bill removes 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 changes 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 is 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.

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. Revised figures based on updated revenue and expense projections estimate the undesignated fund balance to remain at 8% at the end of 2024.

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.

2022 Results

The financial results for 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 ended 2022 with a fund balance of $292 million, which was an increase of $53 million over the 2021 ending fund balance. Combined with the additional $24 million in the Rainy Day Reserve Fund, the total General Fund balance for fiscal year 2022 was $316 million. About $48 million of this fund balance is reserved for COVID-19 response spending backed by federal stimulus revenues. The General Fund met the 8% undesignated fund balance target in fiscal year 2022.

2023 Preliminary Results

The General Fund is projected to end 2023 with a fund balance of $169 million, a reduction of $122 million due primarily to increased spending on one-time COVID-19 response programs supported by previously received federal stimulus funding. Combined with the additional $25 million in the Rainy Day Reserve Fund, the total General Fund balance for fiscal year 2023 is estimated to be $195 million. The General Fund is estimated to continue to meet the 8% undesignated fund balance target in fiscal year 2023.

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, but not limited to, 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 2023-2024 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 FEMA and has received approximately $24 million through September 2023, with another $56 million expected by the end of 2023. An additional $250 million is anticipated to be received by the end of 2024.

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.

2023-2024 Revised Budget

The 2023-2024 General Fund budget was adopted in November 2022. While the budget was balanced and maintained reserves in compliance with the County's financial policies, it was understood at the time that the spending levels could not be sustained in 2025 and beyond due to limits on property tax revenue growth imposed by State law. The 2023-2024 Adopted Budget relied on federal COVID funding and one-time salary savings in many departments, neither of which will be available in 2025.

For more than 20 years, State law has limited regular property tax revenue growth for local governments to 1% per year, plus the value of new construction. See "Property Tax Information—Authorized Property Taxes— Regular Property Tax Increase Limitation." In periods of low inflation, this has required finding efficiencies, new revenues, and/or modest expenditure adjustments in most years. However, the high inflation experienced since 2021 has significantly increased County costs for wages, health care benefits, fuel, supplies, and construction. Since property taxes make up nearly 60% of the General Fund's flexible, non-dedicated revenue, the imbalance between large cost increases and limited property tax revenue growth does not allow the County to sustain all of its General Fund services. County leaders, with the support of elected officials from many other local governments, asked the State Legislature to increase the 1% regular property tax revenue growth limit during the 2024 session. Despite receiving more support than in prior years, the legislation was not voted on.

In 2022, County voters approved a Charter amendment to shift County elections from odd-numbered years to even-numbered years to increase turnout. This required shifting the County's budget cycle, so the County will prepare an annual budget for 2025 and resume biennial budgeting for 2026-2027.

Current projections are that continuing current General Fund programs will cost approximately $50 million more than available revenues in 2025. The County Executive began to address the deficit in October 2023, when he submitted proposed amendments to the 2023-2024 budget that were approved by the County Council in November 2023. Combined, the reductions approved by the County are estimated to reduce net General Fund spending by about $13 million in the current biennium. This will be done by eliminating or shrinking certain programs, including public health, human services, court-related services, and general government programs. Approximately 60 jobs were eliminated in January 2024.

Unless circumstances change, larger additional General Fund reductions of approximately $30-$35 million will be included in the 2025 Proposed Budget that the County Executive expects to send to the County Council in September 2024. Planning is already underway for these reductions, which are likely to include closure of many of the County's public health clinics, elimination of the majority of General Fund-supported human services contracts, additional staff reductions in general government agencies, and further cuts to programs that assist individuals in the justice system. Several hundred jobs are likely to be eliminated. The County Executive's goal in making these reductions is to have a stable General Fund budget for the 2026-2027 biennium that meets reserve targets and can maintain programs at the reduced levels set in 2025.

Future General Obligation Financing Plans

The County has previously authorized the issuance of almost $400 million of additional limited tax general obligation ("LTGO") bonds (excluding the Bonds) during 2024 to provide funding for various County capital expenditures, primarily comprised of land acquisitions, facility improvements, affordable housing projects, and the capital program of the Solid Waste Division.

This spring, the County Council will consider an amendment to increase the authorized aggregate par amount of bonds that may be issued under the Ordinance (as amended). The County also is considering implementing a new, not-to-exceed $150 million general government commercial paper program to provide interim financing for certain projects. Legislation authorizing the program is under review; if approved, the County expects to establish the program by mid-year.

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, portions or all of which will be financed through the issuance of LTGO bonds. The County Council will consider these and other potential debt-financed projects from time to time, although the issuance of debt beyond what is described above will require subsequent authorization by the County Council.

In November 2020, voters in the County authorized the issuance of up to $1.74 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 $18.885 million, was sold in 2021, and the second series, in the amount of $91.650 million, was sold in 2023. The remainder of the authorization is expected to be issued in phases over the course of the current decade.

Beyond such new money issuances, when and if market conditions permit, the County will undertake refundings to achieve targeted debt service savings.

Debt Repayment Record

The County has met promptly all principal and interest payments on its outstanding bonds and notes.

King County Investment Pool

The 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 $8.9 billion during 2022. As of December 31, 2023, the Investment Pool had a balance of $9.6 billion and an effective duration of 0.79 years, and 61% of the portfolio had a maturity of 12 months or less, based on unaudited figures. Assets of County agencies in 2023 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, PFM Asset Management LLC ("PFMAM"), a subsidiary of U.S. Bancorp Asset Management, to conduct quarterly reviews of all assets in the Investment Pool. In its most recent assessment, as of December 31, 2023, PFMAM 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

Interfund Loans

If a County operating or capital fund experiences a deficit, that fund is able to borrow from the County's portion of 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.

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 29, 2024, the total amount authorized for interfund loans is $674.4 million (including the $272.5 million interfund loan facility to provide liquidity for maturing commercial paper notes, should the need arise) and, of this amount, the total outstanding balance was $187.3 million.

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
2019	14,360	1,864
2020	14,458	1,616
2021	14,475	1,462
2022	14,480	1,479
2023	15,044	1,261

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 42 unions covering the terms of employment for the County's approximately 12,000 represented employees.

In August 2023, the County reached agreement with the Amalgamated Transit Union ("ATU"), the County's largest union, representing approximately 3,700 employees. The new agreement with ATU covers the period of November 1, 2022, through October 31, 2025, and includes general wage increases of 7.17% on August 5, 2023, 6% on November 1, 2023, and between 2% and 4% on November 1, 2024. In addition, the contract includes ratification and retention bonuses totaling $5,000 and a lump sum payment of 9% on all hours worked from November 1, 2022, through August 4, 2023. The contract was ratified by ATU members and approved by the County Council in September 2023. The County also reached agreement with smaller bargaining units represented by the Washington State Nurses Association and the Technical Employees' Association in 2023.

At the beginning of 2024, the County is under contract with all its major bargaining units; however many labor agreements expire at the end of 2024, including the contract with the coalition of unions, representing approximately 6,500 employees, or roughly 40% of the County's workforce. Negotiations are under way.

There have been no strikes or work stoppages by County employees during the last 30 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, 2023	Retirement System
14,316	State of Washington—Public Employees Retirement System ("PERS")
781	State of Washington—Law Enforcement Officers and Fire Fighters Retirement System ("LEOFF")
461	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, 14 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 ("SCERS").

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, 2013, to June 30, 2023, was 9.7%. The actuarial assumptions used in the most recent rate calculations are summarized in the following table:

TABLE 12
ACTUARIAL ASSUMPTIONS FOR FUNDING CALCULATIONS

Investment return	7.00%
General salary increases	3.25
Inflation	2.75

Source: Washington State 2022 Actuarial Valuation from the Office of the State Actuary (published August 2023)

The County's employer and employee contribution rates and contribution amounts for all WSDRS-administered plans for the fiscal year ended December 31, 2023, and contribution rates for 2024 are shown in the following table:

TABLE 13
COUNTY CONTRIBUTION RATES AND AMOUNTS

	PERS Plan 1	PERS Plan 2	PERS Plan 3	LEOFF Plan 2	PSERS Plan 2
2023 Contribution Rates and Amounts					
Average Employer Contribution Rate (%)(1)	9.94	9.94	9.94	5.31	9.92
Average Employee Contribution Rate (%)	6.00 (2)	6.36 (2)	Varies (2)(3)	8.53	6.59
Employer Contribution Amount ($000)(4)	296	122,921	26,866	7,554	5,766
Employee Contribution Amount ($000)	165	73,012	17,824	11,167	3,450
Total 2023 Contribution Amount ($000)	461	195,933	44,690	18,721	9,216
2024 Contribution Rates					
Employer Contribution Rate (%)(5)	9.39	9.39	9.39	5.32	9.63
Employee Contribution Rate (%)	6.00 (2)	6.36 (2)	Varies (2)(3)	8.53	6.60

Note: Totals may not add due to rounding.

(1) Employer contribution rates include an employer administrative expense fee of 0.18%-0.20%.

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

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

(4) A portion of the employer contribution plans for PERS2, PERS3, and PSERS2 is redirected by the WSDRS to pay down the PERS1 UAL (see Table 14).

(5) Effective September 1, 2023.

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, including the State, 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 impacting the current or any future fiscal year.

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 2022 Actuarial Valuation Report (published August 2023), 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, 2022) is shown in the following table.

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

	Plan Status	2022 Actuarial Accrued Liability(2) (a)	2022 Actuarial Valuation of Assets(3) (b)	2022 UAAL(4) (a-b)	2022 Funded Ratio % (b/a)	2021 Funded Ratio % (b/a)	2020 Funded Ratio % (b/a)
PERS - Plan 1	Closed in 1977	$ 11,047	$ 8,294	2,753	75 %	71 %	69 %
PERS - Plan 2/3	Open	55,247	53,863	1,384	97	95	98
PSERS - Plan 2	Open	1,173	1,180	(7)	101	98	101
LEOFF - Plan 1	Closed in 1977	4,204	6,376	(2,172)	152	146	148
LEOFF - Plan 2	Open	17,336	17,985	(648)	104	104	113

(1) As of June 30, 2022, 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 2022 Actuarial Valuation from the Office of the State Actuary (published August 2023)

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.

The following table 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)
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
2023	5.2

(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, 2022, and the actuarial valuation date on which the total pension liability was based was as of June 30, 2021, 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, 2021, 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. The following table represents the aggregate pension amounts for all pension plans subject to the requirements of GASB 68.

TABLE 16
AGGREGATE PENSION AMOUNTS—ALL PLANS, 2022
($000)

Net pension liabilities	$230,533
Net pension assets	479,882
Deferred outflows of resources	459,786
Deferred inflows of resources	442,514
Pension expense/expenditures	(14,532)

Source: 2022 Annual Report—Note 9

For more information on employee retirement plans, see Appendix B—Excerpts from King County's 2022 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, 2022, the County contributed an actuarially estimated $2.4 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, 2022, the County's net OPEB liability was $92.2 million.

For additional information regarding the County's OPEB liability, see Appendix B—Excerpts from King County's 2022 Annual Comprehensive Financial Report.

Risk Management and Insurance

The County has a 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/medical malpractice liability, police professional liability, and public officials errors and omissions liability. 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 per-occurrence SIR for non-Metro Transit operations. The County maintains $75.0 million in liability limits above the SIRs and $52.5 million in liability limits for medical malpractice claims.

As of March 22, 2024, insurance policies in force covering major exposure areas are as follows:

TABLE 17
INSURANCE POLICIES

Coverage	Limits
Excess Liability Insurance	$75 million excess of SIRs
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)	$279 million
Aviation (Police Helicopter) Liability and Hull Coverage	$50 million
Unmanned Aircraft Liability and Physical Damage Coverage	$5 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	$60 million
Foreign Liability	$1 million per occurrence; $2 million aggregate
Swimming Pool Liability	$7 million per occurrence; $8 million aggregate
Active Assailant Coverage	$2 million per occurrence; $4 million aggregate
Cedar Hill Pollution Legal Liability	$50 million

Source: King County Risk Management Office

The balance of current assets in the Insurance Fund was $85.2 million as of December 31, 2023. The estimated liability for probable self-insurance losses (reported and unreported) recorded in the fund as of December 31, 2023, was $114.8 million.

For additional information, see Appendix B—Excerpts from King County's 2022 Annual Comprehensive Financial Report.

Equity and Social Justice Strategic Plan

The County's operations and decision making are guided by the County's "True North" and by its values. "True North" refers to the County's goal to make the County a welcoming community where every person can thrive. In service of this vision, in 2015 the County adopted its first Equity and Social Justice ("ESJ") Strategic Plan (the "Strategic Plan") for 2016-2022, which includes four County-wide strategies shaped by engagement with community partners and employees: Investing Upstream and Where Needs are Greatest; Investing in Community Partnerships; Investing in Employees; and with Transparent and Accountable Leadership. The Strategic Plan is a blueprint for change, mutually created by County employees and community partners, and sets forth the County's ESJ vision and strategies, pro-equity policy agenda and regional collaborative, and goals, objectives, and strategies. The County reports County-wide by six operational goal areas: (i) leadership, operations, and services; (ii) plans, policies, and budgets; (iii) workplace and workforce; (iv) community partnerships; (v) communications and education; and (vi) facility and system improvements.

On June 11, 2020, the County declared racism a public health crisis. The County is committed to implementing a racially equitable response to this crisis, centering on community. Specific actions include providing COVID-19 recovery funding to grants for community-led organizations, non-profits, groups, or businesses that are dismantling systemic racism, working to undo its harms, and addressing racism as a public health crisis, and investing in community-based diversion programs and a new participatory budgeting process for residents in the County's urban unincorporated areas.

The County provides periodic progress reports on progress in implementing the Strategic Plan and includes a public reporting platform on its website. Engagement with employees and residents is underway to update the Strategic Plan for the future with an anticipated release of the updated plan in 2024. The County also recently updated its Determinants of Equity Report, which tracks whether residents have equitable access to the Determinants of Equity as defined in the County's Equity and Social Justice ordinance. The report, which is now accessible as an online data tool, can be found at *https://kingcounty.gov/en/legacy/elected/executive/equity-social-justice/determinantsofequity*.

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

Non-voted Debt. The County may, without voter approval, incur general obligation indebtedness (such as the Bonds) in an amount not to exceed 1.5% of the assessed value of all taxable property within the County. Of this amount, 0.75% may be incurred for the County's metropolitan functions. The County may also enter into financing leases and conditional sale contracts if the total principal component of the lease and contract payments—together with the other non-voted general obligation indebtedness of the County—does not exceed these limitations.

Voted Debt. Subject to voter approval, the County may incur unlimited tax general obligation indebtedness in an amount not to exceed 2.5% of assessed value for general purposes and an additional 2.5% of assessed value for metropolitan functions (subject to the aggregate limitations described below). To incur such debt and levy excess property taxes to pay debt service thereon, the County must obtain voter authorization at an election in which at least 40% of the number of those voting in the prior general election cast ballots, and at least 60% of those casting ballots, vote to approve the indebtedness and excess levy.

Aggregate Debt Limitations. The County's total general obligation debt—including all voted and non-voted debt—may not exceed 5% of the assessed value of taxable property within the County. Within this total, neither general obligation debt incurred for general County purposes nor general obligation debt incurred for metropolitan functions may exceed 2.5% 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 calculating its total amount of indebtedness outstanding, the County may deduct certain assets, including cash on hand and outstanding, uncollected taxes not delinquent for longer than six years; provided, however, that taxes levied for the current year and cash on hand received for the purpose of carrying on County business for such current year may constitute an asset only as against indebtedness incurred during such current year and payable from such taxes or cash on hand. 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 for new-money purposes.

TABLE 18

AGGREGATE DEBT SERVICE REQUIREMENTS FOR ALL GENERAL OBLIGATION DEBT OF THE COUNTY

(AS OF DECEMBER 31, 2023; FISCAL YEARS ENDING DECEMBER 31)

		LTGO BONDS						
Year	UTGO BONDS	Outstanding[2]	The Bonds[3] Principal	The Bonds[3] Interest	Subtotal[4]	Water Quality Enterprise[5]	Lease Revenue Bonds	Total LTGO Debt Service
2024[1]	$ 8,742,679	$ 137,533,546	$ -	$ 2,402,823	$ 139,936,369	$ 69,316,247	$ 763,621	$ 210,016,237
2025	8,747,075	138,993,466	4,915,000	3,986,250	147,894,716	80,181,066	762,683	228,838,465
2026	8,732,075	126,688,824	5,165,000	3,740,500	135,594,324	87,605,663	765,643	223,965,630
2027	8,733,325	122,359,511	5,415,000	3,482,250	131,256,761	112,327,461	762,226	244,346,448
2028	8,739,950	121,144,769	5,690,000	3,211,500	130,046,269	76,830,136	762,706	207,639,111
2029	8,746,325	117,065,019	5,970,000	2,927,000	125,962,019	66,660,459	766,809	193,389,287
2030	8,746,950	108,959,686	6,275,000	2,628,500	117,863,186	97,654,005	764,259	216,281,450
2031	8,727,075	100,026,133	6,585,000	2,314,750	108,925,883	71,004,042	765,332	180,695,257
2032	8,730,950	96,550,977	6,160,000	1,985,500	104,696,477	172,295,061	764,751	277,756,289
2033	8,742,700	87,924,599	6,460,000	1,677,500	96,062,099	54,338,584	762,518	151,163,200
2034	8,742,400	83,017,580	6,785,000	1,354,500	91,157,080	48,153,177	763,631	140,073,888
2035	8,744,650	79,082,109	1,780,000	1,015,250	81,877,359	33,326,894	762,816	115,967,069
2036	8,743,850	79,048,981	1,870,000	926,250	81,845,231	40,880,878	770,073	123,496,182
2037	8,749,400	68,231,667	1,965,000	832,750	71,029,417	41,571,550	-	112,600,967
2038	8,750,450	67,781,181	2,060,000	734,500	70,575,681	38,644,050	-	109,219,731
2039	8,727,000	67,308,947	2,160,000	631,500	70,100,447	7,689,325	-	77,789,772
2040	8,747,800	65,809,588	2,265,000	523,500	68,598,088	7,689,325	-	76,287,413
2041	8,746,850	46,231,199	870,000	410,250	47,511,449	7,689,325	-	55,200,774
2042	7,337,250	15,941,949	915,000	366,750	17,223,699	7,689,325	-	24,913,024
2043	7,339,500	15,108,941	960,000	321,000	16,389,941	47,833,325	-	64,223,266
2044	-	5,468,650	1,010,000	273,000	6,751,650	6,233,325	-	12,984,975
2045	-	5,465,850	355,000	222,500	6,043,350	6,233,325	-	12,276,675
2046	-	5,469,650	370,000	204,750	6,044,400	149,145,000	-	155,189,400
2047	-	5,469,300	390,000	186,250	6,045,550	1,050,000	-	7,095,550
2048	-	5,459,500	410,000	166,750	6,036,250	1,050,000	-	7,086,250
2049	-	5,460,250	430,000	146,250	6,036,500	1,050,000	-	7,086,500
2050	-	5,465,650	450,000	124,750	6,040,400	31,050,000	-	37,090,400
2051	-	3,069,900	475,000	102,250	3,647,150	-	-	3,647,150
2052	-	2,247,500	500,000	78,500	2,826,000	-	-	2,826,000
2053	-	2,037,000	520,000	53,500	2,610,500	-	-	2,610,500
2054	-	-	550,000	27,500	577,500	-	-	577,500
Total	$ 172,018,254	$ 1,790,421,924	$ 79,725,000	$ 37,058,823	$ 1,907,205,747	$ 1,365,191,546	$ 9,937,066	$ 3,282,334,359

Notes to Table 18 are on the following page.

NOTES TO TABLE 18:

(1) Remaining debt service payments for the year as of March 22, 2024.

(2) Includes the Refunding Candidates.

(3) Preliminary, subject to change. New-money portion only; assumes 5% coupons.

(4) Total for all County LTGO bonds except LTGO bonds secured by an additional pledge of net revenues of the County's Water Quality Enterprise. See note 5 below. 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 below.

(5) 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 below. 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[(1)]

(AS OF DECEMBER 31, 2023, ADJUSTED FOR SUBSEQUENT TRANSACTIONS)

2023 Assessed Value (for 2024 Tax Year)	$ 833,036,264,377
Limited Tax General Obligation Debt Capacity for County Purposes and Metropolitan Functions	
1.5% of Assessed Value	$ 12,495,543,966
County Purposes	
Outstanding LTGO Bonds for County Purposes[(1)]	$ 1,374,929,866
The Bonds[(2)]	79,725,000
Outstanding LTGO Notes for County Purposes	1,333,333
General Obligation Lease Revenue Bonds for County Purposes[(3)]	206,004,903
County Credit Enhancement Program for Housing[(4)]	274,636,000
General Obligation Long-Term Liabilities for County Purposes	136,460,000
Less: Amount Legally Available for Payment of All LTGO Indebtedness for County Purposes	(5,151,374)
Net LTGO Debt for County Purposes	$ 2,067,937,728
Metropolitan Functions	
Outstanding LTGO Bonds for Metropolitan Functions	$ 66,894,147
Outstanding LTGO Commercial Paper Notes (Payable from Sewer Revenues)	168,600,000
Outstanding LTGO Bonds and Notes (Payable from Sewer Revenues)[(5)]	861,360,904
General Obligation Long-Term Liabilities for Metropolitan Functions	76,213,000
Leases Payable for Metropolitan Functions	55,724,000
Less: Amount Legally Available for Payment of all LTGO Indebtedness for Metropolitan Functions	(29,815,819)
Net LTGO Debt for Metropolitan Functions	$ 1,198,976,232
Total Net LTGO Debt for County Purposes and Metropolitan Functions	$ 3,266,913,960
Remaining Capacity: LTGO Debt for County Purposes and Metropolitan Functions	$ 9,228,630,006
Total General Obligation Debt Capacity for County Purposes	
2.5% of Assessed Value	$ 20,825,906,609
Outstanding UTGO Debt for County Purposes[(6)]	109,420,000
Less: Amount Legally Available for Payment of all UTGO Indebtedness for County Purposes	(2,583,834)
Net UTGO Debt for County Purposes	$ 106,836,166
Net LTGO Debt for County Purposes (from above)	2,067,937,728
Total Net General Obligation Debt for County Purposes	$ 2,174,773,894
Remaining Capacity: General Obligation Debt for County Purposes	$ 18,651,132,715
Total General Obligation Debt Capacity for Metropolitan Functions	
2.5% of Assessed Value	$ 20,825,906,609
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)	1,198,976,232
Total Net General Obligation Debt for Metropolitan Functions	$ 1,198,976,232
Remaining Capacity: General Obligation Debt for Metropolitan Functions	$ 19,626,930,377

Notes to Table 19 are on the following page.

NOTES TO TABLE 19:

(1) Includes the Refunding Candidates.

(2) Preliminary, subject to change. New-money portion of the Bonds only.

(3) NJB Properties, a Washington nonprofit corporation treated as a component unit of the County, is discretely presented for financial reporting. The liability of the NJB Properties Lease Revenue Bonds (King County, Washington Project), 2006 Series A and 2006 Series B, is reported with the component unit. Under the lease agreements, the County's obligation to pay rent to NJB Properties, Inc. is a limited tax general obligation.

(4) Reflects the outstanding principal amount plus accrued interest as of December 31, 2023, under contingent loan agreements authorized by the County Credit Enhancement Programs. See "—Contingent Loan Agreements" below.

(5) Includes $198,600,000, representing the outstanding balance as of January 31, 2024, 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.

(6) 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, and the County's Unlimited Tax General Obligation Bonds, 2023, which were issued on December 18, 2023, represented the second issuance, leaving $1.611 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, 2023, ADJUSTED FOR SUBSEQUENT COUNTY TRANSACTIONS)

Total Net General Obligation Debt for County Purposes(1)	$ 2,174,773,894
Total Net General Obligation Debt for Metropolitan Functions(2)	1,198,976,232
Total Net General Obligation Debt	$ 3,373,750,126
General Obligation Debt Serviced by Proprietary-Type Funds(2)	(249,995,750)
General Obligation Debt Issued for Affordable Housing and Transit-Oriented Development Financed from Hotel-Motel Tax and Housing-Related Service(2)(3)	(554,166,063)
General Obligation Debt Issued for Component Units(2)	(129,748,936)
General Obligation Debt Issued for Metropolitan Functions(2)	(1,198,976,232)
County Credit Enhancement Program(4)	(274,636,000)
Net Direct Debt	$ 966,227,146

(1) Includes the Refunding Candidates and the new-money portion of 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, 2023, 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, 2023, ADJUSTED FOR SUBSEQUENT COUNTY TRANSACTIONS)

2023 Assessed Value (for 2024 Tax Year)	$ 833,036,264,377
Net Direct Debt[1]	$ 966,227,146
Estimated Overlapping Debt	
School Districts	$ 5,070,908,000
City of Seattle	927,420,000
Other Cities and Towns	840,179,000
Port of Seattle	315,360,000
Hospital Districts	23,957,000
Fire Districts	58,308,000
Sewer Districts	-
Park Districts	16,848,000
King County Library System	13,675,000
Library Capital Facilities	-
Parks and Recreation Service District	-
Total Estimated Overlapping Debt	$ 7,266,655,000
Total Net Direct and Estimated Overlapping Debt	$ 8,232,882,146
County Debt Ratios	
Net Direct Debt to Assessed Value	0.12%
Net Direct and Overlapping Debt to Assessed Value	0.99%
2023 Population (estimated)	2,347,800
Per Capita Net Direct Debt	$412
Per Capita Net Direct and Overlapping Debt	$3,507
Per Capita Assessed Value	$354,816

(1) Includes the Refunding Candidates and the new-money portion of 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 $274,636,000 as of December 31, 2023.

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 the following table.

TABLE 22
SUMMARY OF BANK AGREEMENTS

Series	Amount Outstanding as of 12/31/2023	Type of Facility	Provider	Expiration	Term-Out Provision(1)
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) Subject to conditions under the agreement.

The County currently intends to keep these bonds outstanding until their stated maturity date of January 1, 2046. The County is in the process of extending 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 has lawful authority to levy "regular property taxes," which are subject to constitutional and statutory limitations as to rate and amount, and "excess property taxes," which are not.

Regular Property Taxes. The County may levy regular property taxes, which do not require voter approval, 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 $1.21549 per $1,000 of assessed value for the 2024 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 $1.43195 per $1,000 of assessed value for the 2024 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 fifth-year rate is $0.22678 per $1,000 of assessed value for 2024. The County's levy rate for conservation futures in 2024 is $0.0625 per $1,000 of assessed value, and its levy rate for transportation-related purposes in 2024 is $0.04035 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.

Pursuant to RCW 84.36.381), cities and counties may 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 2023 and 2024 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 2024 tax rate is $0.02905 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 2024 tax year rate is the fifth year of this levy, at a rate of $0.19426 per $1,000 of assessed value. This lid lift is exempt for taxpayers in the Senior Exemption Program.

(iii) In 2023, voters approved a six-year renewal of the Veterans, Seniors, and Human Services Levy lid lift, with collection beginning in 2024 at a rate of $0.10 per $1,000 of assessed value.

(iv) In 2015, voters approved the Puget Sound Emergency Radio Network replacement levy lid lift for nine years, beginning in 2016. The rate for 2024 is $0.04476 per $1,000 of assessed value.

(v) In 2021, voters renewed the Best Starts for Kids levy for 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 2024 is $0.17992 per $1,000 of assessed value. This lid lift is exempt for taxpayers in the Senior Exemption Program.

(vi) In 2023, voters approved the Crisis Care Centers levy. This property tax levy extends for nine years, beginning in 2024 at a rate of $0.145 per $1,000 of assessed value. This lid lift is exempt for taxpayers in the Senior Exemption Program.

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.

Tax Increment Financing. Chapter 39.114 RCW enables counties, cities and port districts, or any combination thereof ("sponsoring jurisdictions") to designate tax increment areas, subject to conditions, and to use the tax allocation revenues to pay public improvement costs. A sponsoring jurisdiction may designate only two active, non-overlapping increment areas at any time, and the increment area (or combined areas) may not have an assessed value of more than $200 million or more than 20% of the sponsoring jurisdiction's total assessed value. Tax increment areas are subject to a 25-year sunset date.

Once a sponsoring jurisdiction forms an 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 district on the assessed value of real property located within the increment area for taxes imposed in the year in which the increment area was designated. The sponsoring jurisdiction will also receive the amount derived from the regular property taxes levied by or for each taxing district on any increase in property values in the increment area after its formation. 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 property taxes allocated to the County as a sponsoring jurisdiction (including taxes that are levied for the other taxing districts). Additionally, the Port of Seattle or any city within the County could form up to two increment areas and the city or port would receive the property tax revenues allocated to such city or port as sponsoring jurisdiction (including taxes that are levied for the County and other taxing districts). The City of Kirkland has formed a tax increment financing area within the County, which is effective as of 2024. The City of Federal Way is also in the process of establishing a tax increment financing area within the County, which would come into effect in 2025.

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 levies regular property taxes at rates of $0.07067 and $0.00845 per $1,000 of assessed value, respectively, for the 2024 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 ferry district is a County agency within the Metro Transit Department.

Allocation of Tax Levies

The following table sets forth the allocation of the County-wide, EMS, and unincorporated County (road district) levies.

TABLE 23
ALLOCATION OF 2023 AND 2024 TAX LEVIES

County-Wide Levy Assessed Value[1] $833,036,264,377	2023 Original Taxes Levied ($000)	2023 Levy Rate ($ per $1,000)	2024 Original Taxes Levied ($000)	2024 Levy Rate ($ per $1,000)
Items Within Operating Levy[2]				
General Fund	$ 411,213	0.46916	$ 421,133	0.50884
Veteran's Relief	3,452	0.00393	3,487	0.00421
Human Services	7,748	0.00883	7,825	0.00945
Automated Fingerprint Identification System[3]	23,504	0.02681	24,050	0.02905
Parks[3]	149,483	0.17143	160,076	0.19426
Veterans, Seniors, and Human Services[3]	68,709	0.07879	82,400	0.10000
Puget Sound Emergency Radio Network[3]	36,209	0.04131	37,050	0.04476
Best Starts for Kids[3]	142,102	0.16297	148,254	0.17992
Crisis Care Center	-	0.00000	119,480	0.14500
Total Operating Levy	$ 842,420	0.96323	$1,003,756	1.21549
Conservation Futures Levy[4]	$ 23,013	0.02625	$ 23,976	0.02896
Conservation Futures Lid Lift	31,608	0.03625	27,637	0.03354
Unlimited Tax G.O. Bonds				
(Voter-approved Excess Levy)	17,020	0.01951	9,180	0.01113
Transportation[5]	32,620	0.03721	33,396	0.04035
Marine Operating (Ferry)	6,820	0.00778	7,000	0.00845
Flood Control Zone	58,880	0.06717	58,496	0.07067
Total County-wide Levy	$1,012,381	1.15740	$1,163,440	1.40859
EMS Assessed Value[1]				
$527,688,129,833				
EMS Levy[6]	$ 118,896	0.20922	$ 119,694	0.22678
Unincorporated County Levy Assessed Value[1]				
$69,988,472,580				
Unincorporated County Levy (Road District)[7]	98,706	1.24031	100,221	1.43195
Total County Tax Levies	$1,229,983		$1,383,355	

(1) 2023 assessed value for taxes payable in 2024.
(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.

The following table presents the assessed value of the taxable property within the County for the current year and the last five tax years.

TABLE 25
KING COUNTY
ASSESSED VALUE

Tax Year	Amount	Percentage Change From Previous Year
2024	$ 833,036,264,377	-5.33%
2023	879,895,419,279	21.78%
2022	722,527,903,972	9.55%
2021	659,534,881,337	2.65%
2020	642,490,492,044	5.91%
2019	606,623,698,132	13.46%

Source: King County Department of Assessments

Property Tax Collection

Property Tax Collection Procedures. 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). Delinquent property tax payments are subject to interest accruing at a rate of 9% annually for residential properties with four or fewer units, and 12% annually for all other properties. Interest on delinquent taxes is credited to the County's General Fund. Delinquent taxpayers are also assessed penalties of up to 11% annually. These penalties do not apply to residential properties with four or fewer units.

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 in 2020, extending the first-half 2020 property tax deadline from April 30 to June 1, 2020. 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.

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, exceptions, and tax appeals and refunds, are covered by detailed statutes. A taxing district may levy to recapture amounts paid for refunds to taxpayers (including refunds resulting from successful tax appeals), or to be paid to taxpayers, including interest.

The following table shows the County's property tax collection record as of December 31, 2023.

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 12/31/2023 ($000)	Percent of Total Levy Collected as of 12/31/2023
2023	$ 1,229,983	$ 1,207,767	98.19%	$ 1,207,767	98.19%
2022	1,150,208	1,128,890	98.15%	1,138,484	98.98%
2021	1,075,480	1,056,321	98.22%	1,068,416	99.34%
2020	1,045,440	1,026,741	98.21%	1,040,830	99.56%
2019	964,779	950,103	98.48%	960,629	99.57%
2018	929,813	915,950	98.51%	927,543	99.76%

(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

Property Tax Liens. 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 Homestead Law (chapter 6.13 RCW) provides that a judgment against the owner of a "homestead," meaning property the owner uses as a residence, is a lien on the value of such property in excess of the greater of (i) $125,000 or (ii) the county median sale price of a single-family home in the preceding calendar year (the "homestead exemption"). Homesteads are exempt from attachment and execution or forced sale for the debts of the owner up to the exemption amount. The State's courts have not determined whether the homestead exemption applies to liens that secure property taxes. *See Algona v. Sharp*, 638 P.2d 627, 628, n. 3 (Wash. Ct. App. 1982) (holding that the homestead exemption prevents the forced sale of real property to satisfy a local improvement district assessment lien, but "express[ing] no opinion . . . as to the effect of a declaration of homestead against a lien for general taxes"). The United States Bankruptcy Court for the Western District of Washington has held that the exemption applies under these circumstances. *See In re Cunningham*, 163 B.R. 593, 596 (Bankr. W.D. Wash. 1994) ("In Washington, the homestead exemption is available against a surplus fund arising from a tax foreclosure sale."). The State Attorney General has taken the position that it does not. *See* Wash. Att'y Gen. Op. 1996 No. 6, at 5 (1996) ("the homestead exemption does not apply to debts for unpaid real property taxes").

Principal Taxpayers

The following table lists the ten largest taxpayers in the County and the assessed value of their real and personal property for the 2024 tax collection year.

TABLE 27
TEN LARGEST TAXPAYERS IN THE COUNTY
2024 TAX COLLECTION YEAR

Taxpayer	Assessed Value	AV as Percentage of County's Total AV
Microsoft	$ 5,398,518,587	0.65%
Puget Sound Energy	3,830,464,356	0.46%
Amazon.com	3,570,565,778	0.43%
Boeing	2,883,146,441	0.35%
Essex Property Trust	2,380,648,900	0.29%
C/O Prologis - RE Tax	1,443,362,366	0.17%
Smith Kendra	1,166,840,100	0.14%
AvalonBay Communties Inc.	955,821,843	0.11%
Kemper Development	951,473,401	0.11%
Union Square Limited Liability	916,592,689	0.11%
Total Assessed Value of Top Ten Taxpayers	$ 23,497,434,461	2.82%
Total Assessed Value of All Other Taxpayers	809,538,829,916	97.18%
2023 Assessed Value (for 2024 Tax Year)	$ 833,036,264,377	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.

General

The U.S. economy is unpredictable. Economic downturns and other unfavorable economic conditions have previously affected and may affect the financial condition and revenues of the County. Broad economic factors, such as inflation, unemployment rates, or instabilities in consumer demand and consumer spending, may adversely affect the revenues of the County. Other economic conditions that from time to time may adversely affect the revenues of the County include, without limitation: (i) increased business failures and consumer and business bankruptcies; (ii) volatility in banking and financial markets; (iii) unavailability of liquidity during periods of economic distress; and (iv) increased costs of goods and services. Federal and State statutory and regulatory changes, administrative rulings, interpretations of policy, and funding restrictions, whether taken as part of federal or State budgetary actions or otherwise, may also reduce funds made available to the County to support certain programs and operations. At the same time, the federal or State government may maintain or increase the responsibilities of the County in certain areas, notwithstanding reductions in federal or State funding for such activities. The County carefully monitors economic and financial conditions as well as federal and State statutory and regulatory changes. However, it is difficult for the County to predict the occurrence of such economic or federal or state government changes or the potential effect on the finances and operations of the County and its revenues.

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.

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 and consequently faces the threat of cybersecurity incidents. To reduce and mitigate the risk of business operations impact and/or damage from cybersecurity incidents, 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 to address potential cybersecurity threats, including, but not limited to hacking, viruses, malware, and other attacks on computers and other sensitive digital networks and systems. Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the County's information technology systems to misappropriate assets or information or to cause operational disruption and damage. Notwithstanding these and other cybersecurity measures, a cybersecurity breach could damage County systems and cause material disruption to operations and services. The cost to remedy such damage or protect against future attacks could be substantial. Security breaches could expose the County to litigation and other legal risks, which could cause the County to incur costs related to legal or regulatory claims. Since 2015, the County has maintained cyber liability insurance to help offset these financial risks. The County has confirmed that there have been no cybersecurity breaches that resulted in protected data being compromised. See "King County—Risk Management and Insurance."

The County is working on a generative artificial intelligence ("AI") guidance document as well as specific assessments to review any generative AI introduced into the County environment.

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.

Strategic Climate Action Plan. 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 update was written as a collaborative effort by staff across the County, as well as representatives from external partners. A list of primary contributors can be found on page 2 of the 2020 SCAP (*www.kingcounty.gov/climate*; this link is provided for convenience and is not incorporated herein by reference). In addition to that list, oversight was provided by a Climate Leadership Team, which included leaders from most County departments, as well as the Office of Performance, Strategy, and Budget.

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.

In the County's 2023-2024 Adopted Budget, a new Climate Office was created to lead the County's response to the emergency created by human-caused climate change. The office's purpose is to elevate the priority of addressing climate and enhance collaboration across departments and with external partners. Part of the office's task is providing cross-departmental policy support and leadership in the implementation of the 2020 SCAP. The other main role is looking forward to new actions and innovations the County should be pursuing to mitigate climate change. As part of the creation of the Climate Office, a Climate Director has been hired and will lead future SCAP updates. 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*.

Comprehensive Plan Updates. The State's Growth Management Act ("GMA"), codified in chapter 36.70A RCW, is the comprehensive land use planning framework for the State's counties and cities. The GMA establishes land use and environmental protection requirements for all counties and cities in the State, and requires certain counties (and the cities within them) to adopt comprehensive land use plans that satisfy all of the GMA's planning requirements. These comprehensive plans must contain statutorily-defined elements, including a transportation element, land use element, and capital facilities plan element, among others.

In 2023, the State Governor signed into law Engrossed Second Substitute House Bill 1181 ("ESSHB 1181"), which amends the GMA's comprehensive plan element requirements in order to strengthen community resilience and reduce GHG emissions. Among other provisions, the new law mandates that all comprehensive plans include a new climate change and resilience element, which consists of resilience and GHG emissions reduction sub-elements. The resilience sub-element requires all planning jurisdictions to develop goals, programs, and policies designed to address natural hazards created or aggravated by climate change, and to identify, protect, and enhance natural areas and communities to foster resilience to climate impacts. The GHG emissions reduction sub-element—which applies only to the State's 11 most populous counties and their cities—requires jurisdictions to adopt actions to reduce overall GHG emissions and per capita vehicle miles traveled.

The County is subject to ESSHB 1181, including the resilience and GHG emissions reduction sub-elements described above, which must be implemented by December 2029. The County currently anticipates addressing these requirements as part of the midpoint Comprehensive Plan update that is expected to be adopted in June 2029.

County Impacts. 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

COVID-19 and variants of such may continue to affect commerce, financial markets, and the Puget Sound region, including as a result of new variants. The dynamic nature of 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. 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 2022 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 2022 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 filed suit on these claims, and the County has filed counterclaims. See Note 19. BEW also made a series of 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 disputed the extent of potential penalties. The Court ruled that the appropriate penalty for the Public Records Act violations was $65,880 and reasonable attorney's fees, which will be determined at a later hearing. BEW has appealed the penalty ruling.

In December 2021, the State Department of Ecology ("Ecology") issued the Puget Sound Nutrient General Permit ("PSNGP"), applicable to all 58 wastewater treatments plants in the State, including the County's. The County and eight other wastewater utilities filed appeals of the PSNGP before the Washington State Pollution Control Hearings Board ("PCHB"). The appeals were consolidated and implementation of the PSNGP was partially stayed, although the Permittee Appellants agreed to comply with certain provisions of the PSNGP, pending resolution of the consolidated PCHB appeals. In August 2022, the PCHB stayed the consolidated PCHB appeals pending resolution of separate litigation challenging Ecology's regulatory authority. That separate litigation had been brought by five wastewater utilities (not including the County) prior to the issuance of the PSNGP. On September 15, 2023, the court of appeals ruled that several requirements that Ecology placed in the PSNGP are unlawful rulemaking, thereby invalidating the PSNGP. Ecology filed a petition for discretionary review with the State Supreme Court and the Court accepted review. Oral argument is scheduled for May 30, 2024. All parties to the PCHB appeal stipulated to a continuation of the stay of the PCHB proceedings until a final decision by the Supreme Court.

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, including as underwriter's counsel on bond issues other than the County's.

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. 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.

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.

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, 2023, 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, although financial information regarding the water quality enterprise was included in the County's Annual Comprehensive Financial Report that was timely filed on July 14, 2022. The County linked the 2021 Water Quality Enterprise Annual Financial Statements to the additional CUSIP numbers on June 21, 2023.

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 __________ (the "Purchaser") at a price of $________, and will be reoffered at a price of $__________. 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.

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: ______________________________

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

APPENDIX A

FORM OF BOND COUNSEL'S OPINION

_______________, 2024

King County, Washington

Re: King County, Washington, Limited Tax General Obligation and Refunding Bonds, 2024, Series A - $__________

To the Addressee:

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, 2024, Series A, in the principal amount of $__________ (the "Bonds") issued pursuant to Ordinance 19530, passed on November 15, 2022, as amended by Ordinance 19624, passed on June 6, 2023, and Ordinance 19711, passed on December 5, 2023 (collectively, the "Bond Ordinance"), to finance various capital projects, to refund certain outstanding 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 prepared in connection with the issuance of the Bonds. 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. 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 2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Basic Financial Statements

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the financial section of our report.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Public Transportation, Water Quality, or Solid Waste funds, which in aggregate represent 95 percent, 95 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87*, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 as listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining financial statements and schedules are presented for 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information comprises the Introductory and Statistical Sections but does not include the basic 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 an opinion or provide any assurance thereon.

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated June 29, 2023, 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 29, 2023

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, 2022. 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, 2022, the assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources by $10.22 billion (referred to as *net position* of the primary government). Of this amount, $2.39 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 7 percent or $0.69 billion over last year. Key contributors to net position include recognition of federal pandemic-era stimulus funds ($0.19 billion) and emergency rental assistance program ($0.20 billion), continued health of the net pension asset ($0.51 billion), and a recovering local economy emerging from the global pandemic which resulted in higher retail sales and use tax and property tax collections.

- The governmental activities component of net position increased 11 percent or $519 million over last year while the business-type activities component increased 4 percent or $170 million.

- The County's governmental funds reported combined fund balances of $2.00 billion, an increase of 9 percent or $0.16 billion from the prior year. Approximately 11 percent or $214 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 $310 million, or approximately 32 percent of total annual General Fund expenditures. Total fund balance for the General Fund increased 21 percent or $55 million from the prior year.

- Total liabilities of the County increased by 1 percent or $53 million in 2022. The largest percentage change to liabilities was unearned revenues which decreased 28 percent or $98 million in the governmental activities from last year due to recognizing the 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 remained about the same declining $11 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 fund financial 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, 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 financial statements, described further below.

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 $10.22 billion at December 31, 2022 as shown in the table below.

King County's Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Assets						
Current and other assets[a]	$ 3,517,928	$ 3,746,179	$ 3,994,499	$ 4,010,888	$ 7,512,427	$ 7,757,067
Capital assets	4,263,643	3,895,388	6,114,775	6,128,577	10,378,418	10,023,965
Total Assets	7,781,571	7,641,567	10,109,274	10,139,465	17,890,845	17,781,032
Deferred Outflows of Resources	313,467	110,130	329,121	222,895	642,588	333,025
Liabilities						
Long-term liabilities	1,761,968	1,603,158	4,553,478	4,601,093	6,315,446	6,204,251
Other liabilities[a]	630,869	693,778	425,307	420,141	1,056,176	1,113,919
Total Liabilities	2,392,837	2,296,936	4,978,785	5,021,234	7,371,622	7,318,170
Deferred Inflows of Resources	469,263	741,049	474,073	525,349	943,336	1,266,398
Net Position						
Net investment in capital assets	3,216,838	3,010,293	2,118,470	2,194,694	5,335,308	5,204,987
Restricted[a]	2,073,003	1,578,767	420,389	325,505	2,493,392	1,904,272
Unrestricted	(56,903)	124,652	2,446,678	2,295,578	2,389,775	2,420,230
Total Net Position	$ 5,232,938	$ 4,713,712	$ 4,985,537	$ 4,815,777	$ 10,218,475	$ 9,529,489

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

The largest portion of King County's net position, 53 percent or $5.34 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, 24 percent or $2.49 billion, represents resources that are subject to external restrictions on how they may be used. The remaining balance of $2.39 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 7 percent or $0.69 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.

<u>Governmental Activities</u> During the current year, net position for the governmental activities increased 11 percent or $0.52 billion for an ending balance of $5.23 billion. Net position invested in capital assets comprised 61 percent of total net position in the governmental activities, or $3.22 billion, an increase from the prior year of 7 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 $2.07 billion including $1.07 billion for health and human services; $0.34 billion for pensions; $0.32 billion for capital projects; $0.10 billion for economic environment; and, $0.18 billion for law, safety, and justice. Other restrictions, each individually less than $0.10 billion, constituted the remaining $0.06 billion.

Governmental activities accounted for 75 percent of the total improvement in net position of the County. The total revenues for governmental activities were $3.41 billion, a net increase of 5 percent or $0.17 billion from the prior year. Revenue increases were primarily driven by pandemic-related federal mitigation and stimulus payments and recovering retail sales and use taxes. The County earned pandemic revenues through two existing programs this year, totaling $0.39 billion. The programs were administered by US Treasury, the Coronavirus State and Local Fiscal Recovery Fund ($0.19 billion) and the Washington State Department of Commerce, the Emergency Rental Assistance program ($0.20 billion). These revenues are reported in the operating grants and contributions column in the Statement of Activities which, in total for the governmental activities, increased 20 percent or $0.13 billion from last year. The second largest contributor to revenue growth was retail sales and use taxes, which increased 15 percent or $0.06 billion. The increase in retail sales and use taxes was from the recovering local economy due to the influx of pandemic-related support and the recovery of local businesses and spending.

Expenses for governmental activities saw escalation during the year, increasing by 16 percent or $394 million from the prior year. Every function experienced an increase, though the larger expense increases occurred mostly in law, safety and justice, economic environment and health and human services (HHS) due to pandemic impacts related to salaries and wages, pension expense and service contracts. Law, safety and justice expenses increased by 24 percent or $178 million from last year; economic environment expenses increased by 32 percent or $63 million; and, HHS expenses overall increased 7 percent or $76 million from last year.

<u>Business-type Activities</u> King County's business-type activities reported a net position of $4.99 billion, increasing by 4 percent or $0.17 billion from the prior year. Of the total net position for business-type activities, 42 percent or $2.12 billion was invested in capital assets net of the related debt used to finance the acquisition or construction of these capital assets. Another 8 percent or $0.42 billion 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 50 percent or $2.45 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 $4.99 billion comprised 49 percent of the total County net position at the end of 2022. Business-type activities accounted for 25 percent of the total increase in the County's aggregate net position during the year. This growth in net position was due primarily to positive results in the Public Transportation Enterprise by $0.08 billion and Water Quality Enterprise by $0.09 billion.

Total revenues of business-type activities were $2.10 billion, a decrease of 5 percent or $0.11 billion from last year. The largest reduction came from operating grants and contributions, which dropped 66 percent or $0.29 billion 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 in charges for services in all functions totaling $0.09 billion, mainly due to increased ridership, service activity and rate increases. The second 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 $0.83 billion in retail sales and use tax revenues in 2022, an increase of 10 percent or $0.08 billion.

Business-type activity expenses increased 18 percent or $287 million over the prior year for all business-type activities taken together. The Public Transportation Enterprise had the largest increase in expense on an absolute basis, increasing 24 percent or $239 million. The increase was mainly due to increases in personal services via contractual agreements and increased ridership.

Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services[b]	$ 1,039,907	$ 1,061,611	$ 1,058,321	$ 966,859	$ 2,098,228	$ 2,028,470
Operating grants and contributions	783,749	654,846	147,797	434,058	931,546	1,088,904
Capital grants and contributions	27,446	41,176	63,171	31,469	90,617	72,645
General revenues						
Property taxes	1,103,724	1,032,397	38,302	37,347	1,142,026	1,069,744
Retail sales and use taxes	424,122	368,327	825,036	749,616	1,249,158	1,117,943
Other taxes	29,235	30,571	—	—	29,235	30,571
Coronavirus relief funds	—	50,104	—	—	—	50,104
Opioid settlement	25,553	—	—	—	25,553	—
Unrestricted interest earnings	(24,112)	2,415	(34,184)	(7,639)	(58,296)	(5,224)
Total revenues	3,409,624	3,241,447	2,098,443	2,211,710	5,508,067	5,453,157
Expenses[a]						
General government	224,965	203,142	—	—	224,965	203,142
Law, safety and justice	903,385	725,732	—	—	903,385	725,732
Physical environment	28,030	25,590	—	—	28,030	25,590
Transportation	109,900	99,902	—	—	109,900	99,902
Economic environment	263,155	199,899	—	—	263,155	199,899
Health and human services[b]	1,212,056	1,136,316	—	—	1,212,056	1,136,316
Culture and recreation	124,164	89,839	—	—	124,164	89,839
Interest and other debt service costs	33,163	24,435	—	—	33,163	24,435
Airport	—	—	35,559	30,980	35,559	30,980
Public transportation	—	—	1,240,368	1,001,312	1,240,368	1,001,312
Solid waste	—	—	165,131	125,740	165,131	125,740
Water quality	—	—	471,087	468,551	471,087	468,551
Other enterprise activities	—	—	8,118	7,173	8,118	7,173
Total expenses	2,898,818	2,504,855	1,920,263	1,633,756	4,819,081	4,138,611
Increase in net position before transfers	510,806	736,592	178,180	577,954	688,986	1,314,546
Transfers	8,420	8,037	(8,420)	(8,037)	—	—
Increase in net position	519,226	744,629	169,760	569,917	688,986	1,314,546
Net position, beginning of year[c]	4,713,712	3,969,083	4,815,777	4,245,860	9,529,489	8,214,943
Net position, end of year	$ 5,232,938	$ 4,713,712	$ 4,985,537	$ 4,815,777	$ 10,218,475	$ 9,529,489

(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 $225 million in general government expense consists of $285 million in direct program expenses reduced by indirect charges of $60 million that was charged to the other benefiting functions.

(b) 2021 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 Net Position and Fund Balance, Restrictions and Restatements*.

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, 2022, the County's governmental funds reported a combined fund balance of $2.00 billion, an increase of 9 percent or $0.16 billion in comparison with the prior year. Approximately 11 percent or $0.21 billion 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, $0.37 billion, 2) restricted for particular purposes, $1.35 billion, 3) committed for particular purposes, $0.04 billion, or 4) assigned for particular purposes, $0.03 billion.

The **General Fund** is the chief operating fund of the County. At the end of the 2022 fiscal year, total fund balance for the General Fund was $316 million. Unassigned fund balance totaled $283 million, an increase of 27 percent or $61 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 $984 million. The unassigned fund balance of $283 million represents 29 percent of total General Fund expenditures, an increase of 3 percent from 2021 while the total fund balance of $316 million represents 32 percent of total expenditures in 2022, an increase from 30 percent in 2021.

Fund balance of the General Fund increased by 21 percent or $55 million during 2022. The increase in fund balance was due to a larger increase in revenues over the increase in expenditures from the prior year. The notable revenue streams contributing to the increase of fund balance are property taxes at 36 percent of total revenues, charges for services at 27 percent of total revenues, retail sales and use taxes at 18 percent of total revenues, and intergovernmental revenues at 15 percent of total revenues. Property taxes are budgeted on a biennial basis at the level needed but subject to limitations as discussed in *Note 6 - Tax Revenues*. Charges for services are mostly comprised of contracts with other jurisdictions to provide legal, law enforcement and rehabilitation, and detention services. Total expenditures increased by 13 percent or $114 million. The main expenditures are law, safety and justice at 77 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.

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 2022, it had a total fund balance of $114 million, an increase from a total fund balance of $38 million last year.

The increase in fund balance in the current year was caused by earning more revenues, $380 million, than incurring costs on programs, $305 million. Charges for services revenue increased by $28 million over the prior year due to increased revenue from Medicaid and managed care organizations.

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 2022, it had a total fund balance of $557 million, a decrease from a total fund balance of $589 million last year.

The decrease in fund balance in the current year was caused by earning less revenues, $324 million, than incurring costs, $420 million, due to construction costs of $34 million covered by bond proceeds from the previous year.

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 2022, it had a total fund balance of $71 million, an increase from a total fund balance of $38 million last year.

The increase in fund balance in the current year was due to an increase in revenues for Federal Emergency Management Agency reimbursement, increases in the Medicaid Administrative Claiming program (MAC) for increased pandemic-eligible reimbursements, and additional Foundational Public Health Service funding.

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, 2022, the County's proprietary funds reported a combined net position of $4,986 million, an increase of 4 percent or $170 million compared to the prior year. The Public Transportation Enterprise net position increased 2 percent or $79 million; the Solid Waste Enterprise net position decreased by 6 percent or $2 million; and the Water Quality Enterprise net position increased by 9 percent or $86 million.

The **Public Transportation Enterprise** accounts for the operations, maintenance and capital improvements of the County's public transportation system. At the end of 2022, the Public Transportation Enterprise had total net position of $3,639 million of which 41 percent or $1,474 million was invested in capital assets net of associated debt; 4 percent or $136 million was restricted for capital projects and pensions; and, 55 percent or $2,029 million was unrestricted. Unrestricted net position increased from the prior year by 6 percent or $112 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 $825 million or 64 percent of total revenue; intergovernmental revenue at $144 million or 11 percent of total revenue; service contracts at $170 million or 13 percent of total revenue and passenger fares at $74 million or 6 percent of total revenue. Total operating expenses increased by $225 million from the prior year, with personal services experiencing the largest increase of $141 million. Prior year personal service expenses were low due to pension expense credits.

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 2022, the Solid Waste Enterprise reported total net position of $32 million of which $122 million was invested in capital assets net of the related debt; $12 million was restricted for pensions; and the remainder (a deficit of $102 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 decreased by $2 million over the prior year. The Enterprise reported $148 million in solid waste disposal charges, an increase of $15 million from the prior year. The Enterprise incurred $158 million in total operating expenses, mainly comprised of personal services of $52 million, contract services and other charges of $38 million and depreciation of $22 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 2022, the Water Quality Enterprise reported total net position of $1,069 million of which 41 percent or $441 million was invested in capital assets net of the related debt; 25 percent or $270 million was restricted for debt service, pensions and regulatory assets and environmental liabilities; and the remaining 34 percent or $358 million was unrestricted. Total net position improved by $86 million due to continually posting positive results from operations. The Enterprise reported $443 million in sewage disposal fees, an increase of $23 million or 6 percent from the prior year. Remaining operating revenues of $124 million increased by $10 million or 8 percent. The Enterprise incurred $350 million in total operating expenses, mainly comprised of $172 million in depreciation and amortization expenses, personal services of $54 million and internal services of $40 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 second 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 $352 million in expenditures due to supplemental budget appropriations, which included programs designed to mitigate the impacts of the COVID-19 pandemic. The largest increases to estimated revenues are for intergovernmental revenues and retail sales and use 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 $119 million (principally from Office of Performance, Strategy and Budget; Office of Equity and Racial and Social Justice); Law, safety and justice by $133 million (principally from Prosecuting Attorney; Superior Court; Jail Health Services; Adult and Juvenile Detention; Public Defense); Economic environment by $33 million (Jobs and Housing Program); and transfers by $64 million (i.e. Transfers to Department of Health and Human Services; Transfers to Department of Public Health).

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 $217 million less than the final appropriation, due to not completing some programs designed to mitigate the effects of the COVID-19 pandemic as expected. Law, safety, and justice and general government comprise the largest amounts of expenditures at 69 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, 2022, amounted to $4.26 billion for governmental activities and $6.11 billion for business-type activities totaling $10.38 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 $128.4 million, net of depreciation.

Major capital asset events during 2022 included the following:

- Public Transportation Enterprise brought 25 new buses into service during the year at a cost of $31 million. Also, the ORCA Replacement project went into service with a capitalized cost of $22 million.
- Water Quality Enterprise brought new facilities into service during the year at a cost of $318 million. This includes buildings at a cost of $126 million and infrastructure at a cost of $90 million.
- Puget Sound Emergency Radio Network (PSERN) is 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 $303 million; $215 million has been spent through December 31, 2022. The radio network is anticipated to be operational in 2023.
- Solid Waste Enterprise has completed 100 percent design and is beginning the implementation phase of the South County Recycling and Transfer Station (SCRTS). The purpose of this transfer station is to replace the 1960's-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 three 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 $132 million.

A summary of the 2022 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	
	2022	2021	2022	2021	2022	2021
Land and land rights	$ 1,304.2	$ 1,244.5	$ 482.6	$ 479.4	$ 1,786.8	$ 1,723.9
Buildings[(a)]	848.8	829.8	1,665.3	1,593.3	2,514.1	2,423.1
Leasehold Improvements[(a)(b)]	37.5	39.8	0.6	0.6	38.1	40.4
Improvements other than buildings[(a)]	167.7	124.8	295.9	332.4	463.6	457.2
Infrastructure - roads and bridges	1,176.7	1,161.7	—	—	1,176.7	1,161.7
Infrastructure - other[(a)]	55.4	46.0	1,732.2	1,693.4	1,787.6	1,739.4
Equipment, software and art collection[(a)]	174.5	149.7	1,119.3	1,127.6	1,293.8	1,277.3
Construction in progress	296.1	299.1	758.9	900.2	1,055.0	1,199.3
Lease assets[(a)]	202.7	162.9	60.0	64.8	262.7	227.7
Total	$ 4,263.6	$ 4,058.3	$ 6,114.8	$ 6,191.7	$ 10,378.4	$ 10,250.0

(a) Net of depreciation and amortization

(b) 2021 Business-type activities balance is 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 vehicular 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. It is the policy of the King County Road Services Division is to maintain bridges in such a manner that no more than 12 bridges can have a sufficiency rating of 20 or less in one complete assessment cycle. The most current complete assessment showed only 9 bridges at or below this threshold.

The amount budgeted for 2022 roads preservation and maintenance was $83 million, but the actual amount expended was $50 million. For maintenance and preservation of bridges, the amount budgeted for 2022 was $27 million, but the actual expended amount was $9 million. The variance between budget and actual expenditures is due to supplemental budget and remaining work under contract to be completed in 2023.

Debt Administration

At the end of 2022, King County had a total of $5.19 billion in debt outstanding. Of this amount, $2.20 billion comprises of debt backed by the full faith and credit of the County and $2.59 billion represents bonds secured by revenues generated by the debt-financed capital assets. The remainder of the County's long-term obligations is comprised of state revolving loans, notes and leases payable. Below is a summary of the County's debt by type and activity.

Outstanding Debt
(in millions)

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	$ 1,032.5	$ 1,124.1	$ 1,164.3	$ 1,248.2	$ 2,196.8	$ 2,372.3
General obligation capital leases[(a)]	—	7.4	—	—	—	7.4
General obligation notes payable	1.7	—	—	—	1.7	—
Leases payable	202.8	—	55.7	—	258.5	—
Revenue bonds	—	—	2,591.9	2,720.0	2,591.9	2,720.0
State revolving loans	—	—	144.3	104.2	144.3	104.2
Total	$ 1,237.0	$ 1,131.5	$ 3,956.2	$ 4,072.4	$ 5,193.2	$ 5,203.9

(a) Due to the implementation of GASB No. 87 Leases, general obligation capital leases has been reclassified to leases payable.
Bond amounts are presented inclusive of associated premiums and discounts. See *Note 15 - Liabilities* for details.

Total debt remained about the same over the previous year, declining by $11 million (a 9 percent or $105 million increase for governmental activities and a 3 percent or $116 million decrease for business-type activities). Governmental activities' outstanding debt increased primarily due to an increase of $203 million in leases payable offset by the reductions of $101 million for debt service payments and $16 million for defeasance of bonds and increases for the issuance of $33 million in new limited tax general obligation bonds and refunding general obligation bonds, with related net premiums of $3 million.

Business-type activities' outstanding debt decrease primarily due to reductions of $177 million in debt service payments and the defeasance of $28 million in refunded bonds offset by the issuance of $24 million in new limited tax general obligation bonds, with related net premiums of $4 million and an increased of $56 million in leases payable. State revolving loans increased by 38 percent or $40 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 $22.00 billion, significantly higher than the County’s outstanding net general obligation long-term liabilities of $0.43 billion. For metropolitan functions the debt limitation is also $22.00 billion and the County’s outstanding net general obligation debt for metropolitan functions is $1.08 billion.

Additional information on King County’s long-term debt can be found in *Note 15 - Liabilities* of the Basic Financial Statements.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

Items of note within King County:

- King County’s unemployment rate was 2.8 percent in December 2022 (non-seasonally-adjusted), lower than state and national unemployment rates, which were 4.0 percent and 3.5 percent, respectively. King County average employment increased by 5.7 percent in 2022. The aerospace manufacturing sector reversed course and added 4,500 jobs by year's end. Two of the region’s prominent private employers, Amazon and Microsoft, announced company-wide headcount reductions throughout 2022 after several years of heady growth. A post-pandemic hangover has been a common theme in the information technology sector; layoff and additional announcements may continue in 2023. 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 led to a substantial fall in employment, which has not returned to pre-pandemic levels by the end of 2022. 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 4 percent in 2019, then *declined* 4 percent in 2020 due to the pandemic before growing 17 percent in 2021 and 11 percent in 2022. Taxable sales have strongly rebounded in most sectors except for leisure and hospitality.

- High inflation was an unpleasant feature of 2022. The Seattle Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W-STB) increased by a staggering 8.8 percent, up from an already high 4.8 percent in 2021. The national CPI for All Urban Consumers (CPI-U-US) increased 8.0 percent during the same period. With inflation at 40-year highs, the Federal Reserve raised rates 450 basis points (4.5 percent) in 2022 and has signaled two or three additional rate hikes in 2023. Market expectations are that higher-than-normal inflation will persist throughout 2023 before returning to long-run levels in 2024.

In addition to managing the public health side of the pandemic, King County will continue to face numerous challenges, including high demand for mental health and housing services, volatile energy prices, rising employee and programmatic health care costs, and the need to raise sufficient revenues to support utilities, the transit system, and general government operations. The County is committed to building reserves in times of economic prosperity. Over the years prior to the pandemic, the County increased its undesignated reserve for the General Fund from 6 percent to 8 percent of estimated annual revenues adjusted for intergovernmental receipts and interfund transfers[1], which is the maximum amount under County policy. These reserves buffered the effects of the pandemic on the County budget, which mitigated the number of General Fund service reductions. Due to higher than initially forecast sales tax revenues and under-expenditures, the County maintained an 8 percent undesignated reserve through 2022. The County is willing to make difficult decisions to reduce expenditures to match revenue levels while

[1] 2022 Comprehensive Financial Management Policies, Motion 16041

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 to help.genacctg@kingcounty.gov or as below.

King County Chief Accountant
201 S Jackson St, Ste 0714
Seattle, WA 98104-3854

STATEMENT OF NET POSITION
DECEMBER 31, 2022
(IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 2,084,841	$ 2,332,424	$ 4,417,265	$ 401,893
Investments	—	14,064	14,064	—
Receivables, net	617,556	805,758	1,423,314	234,463
Internal balances	(86,239)	86,239	—	—
Due from component unit	145,313	—	145,313	—
Due from primary government	—	—	—	6,801
Inventories	4,147	36,707	40,854	10,714
Prepayments and other assets	40,741	1,232	41,973	19,181
Net pension asset	317,982	161,900	479,882	692
Nondepreciable capital assets	2,788,039	1,240,703	4,028,742	14,953
Amortizable and depreciable capital assets, net	1,475,604	4,874,072	6,349,676	411,791
Net investment in finance lease with primary government	—	—	—	7,016
Deposits with other governments	—	—	—	4,399
Regulatory assets - environmental remediation	—	170,726	170,726	—
Other assets	393,587	385,449	779,036	52,669
Total assets	7,781,571	10,109,274	17,890,845	1,164,572
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on refunding	12,527	149,747	162,274	—
Deferred outflows on pensions	289,895	169,891	459,786	755
Deferred outflows on other post employment benefits	7,898	2,641	10,539	11
Deferred outflows on asset retirement obligations	3,147	6,842	9,989	—
Total deferred outflows of resources	313,467	329,121	642,588	766
LIABILITIES				
Accounts payable and other current liabilities	292,057	304,465	596,522	74,597
Accrued liabilities	76,714	112,669	189,383	61,490
Due to component unit	3,543	—	3,543	—
Due to primary government	—	—	—	176,497
Unearned revenues	248,242	8,173	256,415	33,092
Lease payable to component unit	10,313	—	10,313	—
Noncurrent liabilities:				
Due within one year	197,406	162,458	359,864	8,524
Due in more than one year	1,564,562	4,391,020	5,955,582	32,376
Total liabilities	2,392,837	4,978,785	7,371,622	386,576
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on forgivable loans	10,127	—	10,127	—
Deferred inflows on refunding	—	1,415	1,415	—
Deferred inflows on pensions	274,240	168,274	442,514	715
Rate stabilization	—	46,250	46,250	—
Deferred inflows on other post employment benefits	20,884	6,983	27,867	—
Deferred inflows on leases	164,012	251,151	415,163	36,915
Total deferred inflows of resources	469,263	474,073	943,336	37,630
NET POSITION				
Net investment in capital assets	3,216,838	2,118,470	5,335,308	257,933
Restricted for:				
Capital projects	322,779	6,380	329,159	—
Debt service	1,448	129,744	131,192	—
Pensions	338,474	167,597	506,071	—
Health and human services - expendable	1,068,100	—	1,068,100	10,137
Other purposes	342,202	—	342,202	12,254
Regulatory assets and environmental liabilities	—	116,668	116,668	—
Unrestricted	(56,903)	2,446,678	2,389,775	460,808
Total net position	$ 5,232,938	$ 4,985,537	$ 10,218,475	$ 741,132

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	$ 285,416	$ (60,451)	$ 234,715	$ 41,537	$ 200	$ 51,487	$ —	$ 51,487	$ —
Law, safety and justice	901,314	2,071	139,230	150,139	2,683	(611,333)	—	(611,333)	—
Physical environment	27,250	780	68,025	1,035	—	41,030	—	41,030	—
Transportation	106,978	2,922	9,112	25,297	17,688	(57,803)	—	(57,803)	—
Economic environment	259,046	4,109	57,559	45,057	4,191	(156,348)	—	(156,348)	—
Health and human services	1,202,450	9,606	525,577	514,200	—	(172,279)	—	(172,279)	—
Culture and recreation	122,366	1,798	5,689	6,484	2,684	(109,307)	—	(109,307)	—
Interest and other debt service costs	33,163	—	—	—	—	(33,163)	—	(33,163)	—
Total governmental activities	2,937,983	(39,165)	1,039,907	783,749	27,446	(1,047,716)	—	(1,047,716)	—
Business-type activities:									
Airport	34,843	716	43,211	2,975	67	—	10,694	10,694	—
Public Transportation	1,210,665	29,703	270,899	144,348	62,576	—	(762,545)	(762,545)	—
Solid Waste	161,625	3,506	165,526	428	—	—	823	823	—
Water Quality	465,947	5,140	569,111	46	528	—	98,598	98,598	—
Institutional Network	2,383	70	3,691	—	—	—	1,238	1,238	—
Radio Communications Services	5,635	30	5,883	—	—	—	218	218	—
Total business-type activities	1,881,098	39,165	1,058,321	147,797	63,171	—	(650,974)	(650,974)	—
Total primary government	$ 4,819,081	$ —	$ 2,098,228	$ 931,546	$ 90,617	$ (1,047,716)	$ (650,974)	$(1,698,690)	$ —
Component Units	$ 1,235,305		$ 1,193,822	$ 37,946	$ 124				$ (3,413)
General revenues:									
Property taxes						$ 1,103,724	$ 38,302	$ 1,142,026	$ —
Retail sales and use taxes						424,122	825,036	1,249,158	—
Business and other taxes						29,235	—	29,235	—
Opioid settlement						25,553	—	25,553	—
Investment gains (losses)						(24,112)	(34,184)	(58,296)	3,703
Transfers						8,420	(8,420)	—	—
Total general revenues and transfers						1,566,942	820,734	2,387,676	3,703
Change in net position						519,226	169,760	688,986	290
Net position - January 1, 2022 (Restated)						4,713,712	4,815,777	9,529,489	740,842
Net position - December 31, 2022						$ 5,232,938	$ 4,985,537	$10,218,475	$ 741,132

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(IN THOUSANDS)
(PAGE 1 OF 2)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	HOUSING AND COMMUNITY DEVELOPMENT FUND
ASSETS			
Cash and cash equivalents	$ 228,457	$ 109,582	$ 218,349
Taxes receivable-delinquent	13,107	71	—
Accounts receivable, net	20,729	6,573	—
Interest receivable	14,449	—	818
Due from other funds	6,794	3,583	4,712
Interfund short-term loans receivable	—	—	—
Due from other governments, net	139,566	21,772	39,513
Due from component unit	—	—	—
Inventory	—	—	—
Prepayments	725	—	—
Advances to other funds	—	—	—
Other assets	34,924	—	350,985
Total assets	$ 458,751	$ 141,581	$ 614,377
LIABILITIES			
Accounts payable	$ 23,542	$ 19,954	$ 45,390
Due to other funds	11,233	166	—
Interfund short-term loans payable	—	—	—
Due to other governments	1,081	3,494	1,198
Due to component unit	—	451	18
Wages payable	38,541	1,080	575
Taxes payable	530	—	—
Unearned revenues	285	2,402	—
Deposits	639	—	363
Advances from other funds	—	—	—
Total liabilities	75,851	27,547	47,544
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on leases	26,350	—	—
Deferred inflows on forgivable loans	—	—	10,127
Unavailable revenue-property taxes	11,452	55	—
Unavailable revenue-other receivables	28,737	—	—
Total deferred inflows of resources	66,539	55	10,127
FUND BALANCES (DEFICITS)			
Nonspendable	725	—	340,858
Restricted	5,233	108,768	213,909
Committed	26,626	—	539
Assigned	1,009	5,211	1,400
Unassigned (deficits)	282,768	—	—
Total fund balances	316,361	113,979	556,706
Total liabilities, deferred inflows of resources and fund balances	$ 458,751	$ 141,581	$ 614,377

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

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022
(IN THOUSANDS)
(PAGE 2 OF 2)

	PUBLIC HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	$ 5,717	$ 1,219,298	$ 1,781,403
Taxes receivable-delinquent	—	13,551	26,729
Accounts receivable, net	1,960	7,694	36,956
Interest receivable	—	2	15,269
Due from other funds	2,797	21,302	39,188
Interfund short-term loans receivable	—	55,165	55,165
Due from other governments, net	167,417	148,041	516,309
Due from component unit	473	144,840	145,313
Inventory	478	147	625
Prepayments	58	26,021	26,804
Advances to other funds	—	12,077	12,077
Other assets	—	477	386,386
Total assets	$ 178,900	$ 1,648,615	$ 3,042,224
LIABILITIES			
Accounts payable	$ 35,485	$ 90,081	$ 214,452
Due to other funds	396	45,555	57,350
Interfund short-term loans payable	19,692	106,390	126,082
Due to other governments	10,867	32,350	48,990
Due to component unit	2,774	300	3,543
Wages payable	8,138	16,162	64,496
Taxes payable	3	17	550
Unearned revenues	1,931	242,642	247,260
Deposits	—	4,236	5,238
Advances from other funds	—	12,077	12,077
Total liabilities	79,286	549,810	780,038
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on leases	—	134,911	161,261
Deferred inflows on forgivable loans	—	—	10,127
Unavailable revenue-property taxes	—	10,715	22,222
Unavailable revenue-other receivables	28,359	7,637	64,733
Total deferred inflows of resources	28,359	153,263	258,343
FUND BALANCES (DEFICITS)			
Nonspendable	536	26,168	368,287
Restricted	66,487	956,187	1,350,584
Committed	—	15,846	43,011
Assigned	4,232	15,651	27,503
Unassigned (deficits)	—	(68,310)	214,458
Total fund balances	71,255	945,542	2,003,843
Total liabilities, deferred inflows of resources and fund balances	$ 178,900	$ 1,648,615	$ 3,042,224

Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances - governmental funds	$ 2,003,843
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	4,191,457
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	568,360
Governmental activities internal service funds assets and liabilities are included in the governmental activities in the statement of net position.	167,272
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,697,994)
Net position of governmental activities	$ 5,232,938

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, 2022
(IN THOUSANDS)
(PAGE 1 OF 2)

	GENERAL FUND	BEHAVIORAL HEALTH FUND	HOUSING AND COMMUNITY DEVELOPMENT FUND
REVENUES			
Taxes:			
Property taxes	$ 400,938	$ 3,756	$ —
Retail sales and use taxes	197,022	—	4,473
Business and other taxes	4,568	20	—
Licenses and permits	6,582	—	—
Intergovernmental revenues	166,275	29,368	303,528
Charges for services	301,026	347,478	15,710
Fines and forfeits	26,209	—	—
Investment gains (losses)	(1,538)	(1,923)	(2,062)
Miscellaneous revenues	23,197	1,776	2,831
Total revenues	1,124,279	380,475	324,480
EXPENDITURES			
Current:			
General government	191,390	10,710	—
Law, safety and justice	760,018	—	—
Physical environment	384	—	—
Transportation	—	—	—
Economic environment	8,801	—	55,481
Health and human services	8,787	294,643	294,122
Culture and recreation	—	—	—
Debt service:			
Principal	5,762	—	4,107
Interest and other debt service costs	1,550	—	155
Capital outlay	6,829	—	66,028
Total expenditures	983,521	305,353	419,893
Excess (deficiency) of revenues over (under) expenditures	140,758	75,122	(95,413)
OTHER FINANCING SOURCES (USES)			
Transfers in	25,223	23,577	34,444
Transfers out	(117,333)	(22,300)	(5,325)
General government debt issued	—	—	—
Refunding bonds issued	—	—	—
Premium on general government bonds issued	—	—	—
Premium on refunding bonds issued	—	—	—
Payment to refunding bonds escrow agent	—	—	—
Right-to-use lease acquisition	6,226	—	33,898
Sale of capital assets	127	1	—
Insurance recoveries	—	—	—
Total other financing sources (uses)	(85,757)	1,278	63,017
Net change in fund balances	55,001	76,400	(32,396)
Fund balances - beginning (Restated)	261,360	37,579	589,102
Fund balances - ending	$ 316,361	$ 113,979	$ 556,706

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, 2022
(IN THOUSANDS)
(PAGE 2 OF 2)

	PUBLIC HEALTH FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes:			
Property taxes	$ —	$ 697,673	$ 1,102,367
Retail sales and use taxes	—	222,626	424,121
Business and other taxes	—	24,646	29,234
Licenses and permits	500	21,302	28,384
Intergovernmental revenues	171,837	120,402	791,410
Charges for services	98,280	217,082	979,576
Fines and forfeits	—	630	26,839
Investment gains (losses)	—	(8,164)	(13,687)
Miscellaneous revenues	1,949	29,300	59,053
Total revenues	272,566	1,325,497	3,427,297
EXPENDITURES			
Current:			
General government	—	34,997	237,097
Law, safety and justice	—	179,111	939,129
Physical environment	—	23,917	24,301
Transportation	—	113,374	113,374
Economic environment	—	201,315	265,597
Health and human services	332,020	294,566	1,224,138
Culture and recreation	—	118,791	118,791
Debt service:			
Principal	1,355	105,554	116,778
Interest and other debt service costs	552	37,223	39,480
Capital outlay	1,070	221,872	295,799
Total expenditures	334,997	1,330,720	3,374,484
Excess (deficiency) of revenues over (under) expenditures	(62,431)	(5,223)	52,813
OTHER FINANCING SOURCES (USES)			
Transfers in	96,478	382,513	562,235
Transfers out	(1,475)	(391,581)	(538,014)
General government debt issued	—	18,790	18,790
Refunding bonds issued	—	15,815	15,815
Premium on general government bonds issued	—	2,258	2,258
Premium on refunding bonds issued	—	1,070	1,070
Payment to refunding bonds escrow agent	—	(16,753)	(16,753)
Right-to-use lease acquisition	813	17,821	58,758
Sale of capital assets	—	566	694
Insurance recoveries	—	149	149
Total other financing sources (uses)	95,816	30,648	105,002
Net change in fund balances	33,385	25,425	157,815
Fund balances - beginning (Restated)	37,870	920,117	1,846,028
Fund balances - ending	$ 71,255	$ 945,542	$ 2,003,843

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, 2022

(IN THOUSANDS)

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	157,815
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.		215,759
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins, and donations) is to increase net position.		14,972
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		11,304
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.		36,840
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.		89,817
The net revenues and expenses of certain activities of internal service funds are reported with governmental activities.		(7,281)
Change in net position of governmental activities	$	519,226

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(IN THOUSANDS)
(PAGE 1 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	**SOLID WASTE**	**WATER QUALITY**
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,442,268	$ 140,483	$ 462,369
Restricted cash and cash equivalents	262	3,177	1,026
Receivables, net	6,022	20,679	46,822
Due from other funds	10,846	2,016	6,084
Interfund short-term loans receivable	—	—	—
Property tax receivable-delinquent	716	—	—
Due from other governments, net	703,586	1,120	3,465
Inventory of supplies	23,701	1,723	10,802
Prepayments and other assets	—	571	13
Total current assets	2,187,401	169,769	530,581
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	6,349	19,380	171,388
Investments	—	—	14,064
Due from other governments	31	—	—
Net pension asset	125,112	11,921	22,657
Total restricted assets	131,492	31,301	208,109
Capital assets:			
Nondepreciable assets	392,922	68,409	760,245
Depreciable assets, net	1,220,856	222,324	3,365,355
Total capital assets	1,613,778	290,733	4,125,600
Other noncurrent assets:			
Receivables	141,215	4,643	5,185
Regulatory assets, net of amortization	—	—	170,726
Total other noncurrent assets	141,215	4,643	175,911
Total noncurrent assets	1,886,485	326,677	4,509,620
Total assets	4,073,886	496,446	5,040,201
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	615	1,175	147,957
Deferred outflows on pensions	134,188	11,569	21,989
Deferred outflows on other post employment benefits	2,145	181	279
Deferred outflows on asset retirement obligations	5,927	446	409
Total deferred outflows of resources	142,875	13,371	170,634

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(IN THOUSANDS)
(PAGE 2 OF 4 - CONTINUED)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS			
Current assets			
Cash and cash equivalents	$ 84,613	$ 2,129,733	$ 303,032
Restricted cash and cash equivalents	465	4,930	406
Receivables, net	19,400	92,923	1,163
Due from other funds	795	19,741	1,077
Interfund short-term loans receivable	—	—	72,564
Property tax receivable-delinquent	—	716	—
Due from other governments, net	3,917	712,088	21,131
Inventory of supplies	481	36,707	3,521
Prepayments and other assets	648	1,232	13,937
Total current assets	110,319	2,998,070	416,831
Noncurrent assets			
Restricted assets:			
Cash and cash equivalents	644	197,761	—
Investments	—	14,064	—
Due from other governments	—	31	—
Net pension asset	2,210	161,900	33,113
Total restricted assets	2,854	373,756	33,113
Capital assets:			
Nondepreciable assets	19,127	1,240,703	1,957
Depreciable assets, net	65,537	4,874,072	70,229
Total capital assets	84,664	6,114,775	72,186
Other noncurrent assets:			
Receivables	234,406	385,449	2,596
Regulatory assets, net of amortization	—	170,726	—
Total other noncurrent assets	234,406	556,175	2,596
Total noncurrent assets	321,924	7,044,706	107,895
Total assets	432,243	10,042,776	524,726
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on refunding	—	149,747	—
Deferred outflows on pensions	2,145	169,891	34,124
Deferred outflows on other post employment benefits	36	2,641	458
Deferred outflows on asset retirement obligations	60	6,842	—
Total deferred outflows of resources	2,241	329,121	34,582

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(IN THOUSANDS)
(PAGE 3 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	SOLID WASTE	WATER QUALITY
LIABILITIES			
Current liabilities			
Accounts payable	$ 83,953	$ 14,243	$ 52,071
Estimated claim settlements	—	—	—
Due to other funds	—	—	52
Interfund short-term loans payable	—	—	—
Interest payable	814	549	59,796
Wages payable	40,607	3,304	6,035
Compensated absences payable	13,265	164	600
Other postemployment benefits	1,283	109	167
Unearned revenues	5,145	44	2,796
Pollution remediation	—	—	5,708
Bonds payable	3,340	9,020	107,085
Leases payable	3,720	945	226
State revolving loan payable	—	176	5,189
Landfill closure and post-closure care	—	10,722	—
Other liabilities	48	—	151,247
Total current liabilities	152,175	39,276	390,972
Noncurrent liabilities			
Compensated absences payable	43,152	4,948	13,040
Other postemployment benefits	17,475	1,478	2,274
Net pension liability	101,637	—	—
Bonds payable	67,865	168,741	3,400,160
Leases payable	46,078	2,283	1,203
State revolving loans payable	—	3,417	135,537
Landfill closure and post-closure care	—	237,227	—
Estimated claim settlements	—	—	—
Pollution remediation	708	1,194	48,351
Other liabilities	9,300	850	80,858
Total noncurrent liabilities	286,215	420,138	3,681,423
Total liabilities	438,390	459,414	4,072,395
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on rate stabilization	—	—	46,250
Deferred inflows on refunding	—	—	1,415
Deferred inflows on pensions	133,865	11,150	21,192
Deferred inflows on leases	261	6,651	58
Deferred inflows on other postemployment benefits	5,672	480	738
Total deferred inflows of resources	139,798	18,281	69,653
NET POSITION			
Net investment in capital assets	1,473,674	122,186	440,733
Restricted for:			
Capital projects	6,380	—	—
Debt service	—	—	129,744
Pensions	129,515	12,340	23,454
Regulatory assets and environmental liabilities	—	—	116,668
Unrestricted (deficit)	2,029,004	(102,404)	358,188
Total net position	$ 3,638,573	$ 32,122	$ 1,068,787

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022
(IN THOUSANDS)
(PAGE 4 OF 4 - CONCLUDED)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
LIABILITIES			
Current liabilities			
Accounts payable	$ 2,995	$ 153,262	$ 21,105
Estimated claim settlements	—	—	78,615
Due to other funds	—	52	2,604
Interfund short-term loans payable	—	—	1,647
Interest payable	1	61,160	34
Wages payable	612	50,558	8,523
Compensated absences payable	102	14,131	1,006
Other postemployment benefits	21	1,580	274
Unearned revenues	188	8,173	982
Pollution remediation	—	5,708	—
Bonds payable	—	119,445	—
Leases payable	396	5,287	4,202
State revolving loan payable	—	5,365	—
Landfill closure and post-closure care	—	10,722	—
Other liabilities	1,079	152,374	2,320
Total current liabilities	5,394	587,817	121,312
Noncurrent liabilities			
Compensated absences payable	942	62,082	19,734
Other postemployment benefits	290	21,517	3,730
Net pension liability	—	101,637	14,744
Bonds payable	—	3,636,766	—
Leases payable	873	50,437	12,608
State revolving loans payable	—	138,954	—
Landfill closure and post-closure care	—	237,227	—
Estimated claim settlements	—	—	115,923
Pollution remediation	245	50,498	—
Other liabilities	894	91,902	—
Total noncurrent liabilities	3,244	4,391,020	166,739
Total liabilities	8,638	4,978,837	288,051
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on rate stabilization	—	46,250	—
Deferred inflows on refunding	—	1,415	—
Deferred inflows on pensions	2,067	168,274	33,473
Deferred inflows on leases	244,181	251,151	2,751
Deferred inflows on other postemployment benefits	93	6,983	1,211
Total deferred inflows of resources	246,341	474,073	37,435
NET POSITION			
Net investment in capital assets	81,877	2,118,470	55,376
Restricted for:			
Capital projects	—	6,380	—
Debt service	—	129,744	—
Pensions	2,288	167,597	34,278
Regulatory assets and environmental liabilities	—	116,668	—
Unrestricted (deficit)	95,340	2,380,128	144,168
Total net position	$ 179,505	4,918,987	$ 233,822
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		66,550	
Net position of business-type activities		$ 4,985,537	

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, 2022
(IN THOUSANDS)
(PAGE 1 OF 2)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	SOLID WASTE	WATER QUALITY
OPERATING REVENUES			
I-Net fees	$ —	$ —	$ —
Radio services	—	—	—
Solid waste disposal charges	—	148,271	—
Airfield fees	—	—	—
Hangar, building, and site rentals and leases	—	—	—
Passenger	73,850	—	—
Service contracts	170,050	—	—
Sewage disposal fees	—	—	442,908
Capacity charges	—	—	98,193
Other operating revenues	18,029	10,937	26,227
Total operating revenues	261,929	159,208	567,328
OPERATING EXPENSES			
Personal services	601,842	51,912	54,252
Materials and supplies	96,547	10,779	23,890
Contract services and other charges	62,056	37,509	21,410
Utilities	6,090	1,482	19,118
Purchased transportation	67,023	—	—
Internal services	126,433	19,247	40,146
Landfill closure and post-closure care	—	15,337	—
Depreciation and amortization	184,253	21,766	171,819
Other operating expenses	1,923	105	19,578
Total operating expenses	1,146,167	158,137	350,213
Operating income (loss)	(884,238)	1,071	217,115
NONOPERATING REVENUES (EXPENSES)			
Sales tax	825,036	—	—
Property tax	38,302	—	—
Intergovernmental revenues	144,348	428	46
Investment gains (losses)	(21,470)	(1,970)	(9,589)
Miscellaneous revenues	8,970	6,318	1,783
Interest expense	(2,891)	(5,523)	(105,767)
Gain (loss) on disposal of capital assets	1,551	133	(1,544)
Miscellaneous expenses	(88,573)	(1,439)	(15,282)
Total nonoperating revenues (expenses)	905,273	(2,053)	(130,353)
Income (loss) before contributions, transfers and special item	21,035	(982)	86,762
Capital grants and contributions	62,576	—	528
Transfers in	—	—	250
Transfers out	(4,653)	(1,151)	(1,158)
Change in net position	78,958	(2,133)	86,382
Net position - January 1, 2022 (Restated)	3,559,615	34,255	982,405
Net position - December 31, 2022	$ 3,638,573	$ 32,122	$ 1,068,787

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, 2022
(IN THOUSANDS)
(PAGE 2 OF 2)

	BUSINESS-TYPE ACTIVITIES		
	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES			
I-Net fees	$ 3,691	$ 3,691	$ —
Radio services	5,187	5,187	—
Solid waste disposal charges	—	148,271	—
Airfield fees	3,359	3,359	—
Hangar, building, and site rentals and leases	26,545	26,545	—
Passenger	—	73,850	—
Service contracts	—	170,050	—
Sewage disposal fees	—	442,908	—
Capacity charges	—	98,193	—
Other operating revenues	487	55,680	667,895
Total operating revenues	39,269	1,027,734	667,895
OPERATING EXPENSES			
Personal services	10,121	718,127	142,970
Materials and supplies	1,800	133,016	8,223
Contract services and other charges	9,415	130,390	466,725
Utilities	3,149	29,839	—
Purchased transportation	—	67,023	—
Internal services	10,198	196,024	30,952
Landfill closure and post-closure care	—	15,337	—
Depreciation and amortization	7,562	385,400	20,271
Other operating expenses	50	21,656	—
Total operating expenses	42,295	1,696,812	669,141
Operating income (loss)	(3,026)	(669,078)	(1,246)
NONOPERATING REVENUES (EXPENSES)			
Sales tax	—	825,036	—
Property tax	—	38,302	—
Intergovernmental revenues	2,975	147,797	6,618
Investment gains (losses)	(1,155)	(34,184)	(2,184)
Miscellaneous revenues	13,516	30,587	426
Interest expense	(13)	(114,194)	(381)
Gain (loss) on disposal of capital assets	—	140	1,639
Miscellaneous expenses	(1,483)	(106,777)	(324)
Total nonoperating revenues (expenses)	13,840	786,707	5,794
Income (loss) before contributions, transfers and special item	10,814	117,629	4,548
Capital grants and contributions	67	63,171	1,352
Transfers in	—	250	7,422
Transfers out	(1,166)	(8,128)	(23,765)
Change in net position	9,715	172,922	(10,443)
Net position - January 1, 2022 (Restated)	169,790		244,265
Net position - December 31, 2022	$ 179,505		$ 233,822
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds.		(3,162)	
Change in net position of business-type activities		$ 169,760	

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, 2022
(IN THOUSANDS)
(PAGE 1 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	SOLID WASTE	WATER QUALITY
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 289,665	$ 150,767	$ 558,503
Cash received from other funds - internal services	404	4,895	1,069
Cash payments to suppliers for goods and services	(238,653)	(53,416)	(62,006)
Cash payments to other funds - internal services	(126,433)	(19,247)	(40,153)
Cash payments for employee services	(641,914)	(58,356)	(66,523)
Other receipts	3,118	6,071	1,718
Other payments	—	(1,476)	(25,093)
Net cash provided (used) by operating activities	(713,813)	29,238	367,515
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and subsidies received	941,955	389	—
Interfund short-term loan principal loaned to other funds	—	—	—
Interfund short-term loan principal repayments from other funds	—	—	—
Interfund advance principal repayments from other funds	—	—	—
Assistance to other agencies	(1,577)	—	(2,364)
Transfers in	—	—	250
Transfers out	(4,653)	(1,151)	(1,158)
Net cash provided (used) by noncapital financing activities	935,725	(762)	(3,272)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(157,426)	(22,870)	(215,300)
Proceeds from capital debt	—	296	107,147
Principal paid on capital financing	(7,436)	(9,722)	(214,114)
Interest paid on capital financing	(2,887)	(6,946)	(145,318)
Capital grants and contributions	16,545	—	—
Subsidies and other receipts	236	—	63
Proceeds from disposal of capital assets	1,812	199	54
Net cash used by capital and related financing activities	(149,156)	(39,043)	(467,468)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	—	—	(1,552)
Proceeds from sales and maturities of investments	—	—	1,532
Loss on investments	(23,211)	(2,158)	(8,597)
Net cash used by investing activities	(23,211)	(2,158)	(8,617)
Net increase (decrease) in cash and cash equivalents	49,545	(12,725)	(111,842)
Cash and cash equivalents - January 1, 2022	1,399,334	175,765	746,625
Cash and cash equivalents - December 31, 2022	$ 1,448,879	$ 163,040	$ 634,783

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, 2022
(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	$ 35,610	$ 1,034,545	$ 9,729
Cash received from other funds - internal services	4,503	10,871	664,860
Cash payments to suppliers for goods and services	(13,900)	(367,975)	(470,007)
Cash payments to other funds - internal services	(9,988)	(195,821)	(41,237)
Cash payments for employee services	(11,240)	(778,033)	(160,126)
Other receipts	4,982	15,889	4,096
Other payments	(1,483)	(28,052)	—
Net cash provided (used) by operating activities	8,484	(308,576)	7,315
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grants and subsidies received	4,882	947,226	6,618
Interfund short-term loan principal loaned to other funds	—	—	(74,804)
Interfund short-term loan principal repayments from other funds	—	—	10,398
Interfund advance principal repayments from other funds	—	—	49,585
Assistance to other agencies	—	(3,941)	—
Transfers in	—	250	7,422
Transfers out	(1,166)	(8,128)	(23,765)
Net cash provided (used) by noncapital financing activities	3,716	935,407	(24,546)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(6,085)	(401,681)	(8,520)
Proceeds from capital debt	—	107,443	—
Principal paid on capital financing	(210)	(231,482)	(6,047)
Interest paid on capital financing	(12)	(155,163)	(219)
Capital grants and contributions	978	17,523	—
Subsidies and other receipts	—	299	—
Proceeds from disposal of capital assets	1,183	3,248	1,646
Net cash used by capital and related financing activities	(4,146)	(659,813)	(13,140)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment purchases	—	(1,552)	—
Proceeds from sales and maturities of investments	—	1,532	—
Loss on investments	(1,757)	(35,723)	(2,462)
Net cash used by investing activities	(1,757)	(35,743)	(2,462)
Net increase (decrease) in cash and cash equivalents	6,297	(68,725)	(32,833)
Cash and cash equivalents - January 1, 2022	79,425	2,401,149	336,271
Cash and cash equivalents - December 31, 2022	$ 85,722	$ 2,332,424	$ 303,438

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, 2022
(IN THOUSANDS)
(PAGE 3 OF 4)

	BUSINESS-TYPE ACTIVITIES		
	PUBLIC TRANSPORTATION	SOLID WASTE	WATER QUALITY
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (884,238)	$ 1,071	$ 217,115
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization - capital assets	184,253	21,766	171,819
Nonoperating miscellaneous revenues (expenses)	8,806	4,879	1,720
(Increases) decreases in assets:			
Accounts receivable, net	5,894	(1,390)	(7,099)
Due from other funds	(583)	(37)	(169)
Due from other governments, net	26,694	(100)	—
Inventory	1,096	(173)	(1,076)
Prepayments	29	(449)	—
Net pension asset	233,066	20,602	38,613
Other assets	53	—	(5,198)
(Increases) decreases in deferred outflows of resources:			
Deferred outflows on pensions, refunding, OPEB and ARO	(95,982)	(8,665)	(16,540)
Increases (decreases) in liabilities:			
Accounts payable	(7,697)	6,730	3,480
Due to other funds	—	—	(7)
Wages payable	5,722	(284)	(332)
Unearned revenues	(9,311)	—	(141)
Estimated claim settlements	—	—	—
Compensated absences payable	(492)	194	448
Other postemployment benefits	4,574	383	590
Net pension liability	54,552	—	—
Customer deposits and other liabilities	5,455	—	(752)
Landfill closure and post-closure care	—	5,582	—
Increases (decreases) in deferred inflows of resources:			
Deferred inflows on pensions and OPEB	(245,704)	(20,871)	(34,956)
Total adjustments	170,425	28,167	150,400
Net cash provided (used) by operating activities	$ (713,813)	$ 29,238	$ 367,515

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Public Transportation capital grants on account increased by $46.0 million in 2022.

Water Quality issued commercial paper in 2022 to refund debt issued from 2012 to 2013. The $23.2 million of commercial paper proceeds were placed in escrow for the defeasance of $22.6 million of outstanding bond principal and $600 thousand of interest.

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, 2022
(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)	$ (3,026)	$ (669,078)	$ (1,246)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization - capital assets	7,562	385,400	20,271
Nonoperating miscellaneous revenues (expenses)	12,243	27,648	422
(Increases) decreases in assets:			
Accounts receivable, net	14,244	11,649	409
Due from other funds	39	(750)	157
Due from other governments, net	41	26,635	(1,092)
Inventory	23	(130)	(472)
Prepayments	(648)	(1,068)	(1,217)
Net pension asset	3,771	296,052	57,848
Other assets	—	(5,145)	—
(Increases) decreases in deferred outflows of resources:			
Deferred outflows on pensions, refunding, OPEB and ARO	(1,583)	(122,770)	(24,190)
Increases (decreases) in liabilities:			
Accounts payable	534	3,047	2,568
Due to other funds	—	(7)	2,298
Wages payable	44	5,150	(799)
Unearned revenues	—	(9,452)	569
Estimated claim settlements	—	—	2,048
Compensated absences payable	21	171	908
Other postemployment benefits	73	5,620	922
Net pension liability	—	54,552	6,751
Customer deposits and other liabilities	516	5,219	(244)
Landfill closure and post-closure care	—	5,582	—
Increases (decreases) in deferred inflows of resources:			
Deferred inflows on pensions and OPEB	(25,370)	(326,901)	(58,596)
Total adjustments	11,510	360,502	8,561
Net cash provided (used) by operating activities	$ 8,484	$ (308,576)	$ 7,315

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

Internal Service Funds received $1.4 million of capital assets from other funds and transferred $320 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, 2022
(IN THOUSANDS)

	CUSTODIAL FUNDS	
	EXTERNAL INVESTMENT POOL FUNDS	**OTHER CUSTODIAL FUNDS**
ASSETS		
Cash and cash equivalents	$ —	$ 128,703
Investments at fair value:		
Repurchase agreements	84,892	—
Commercial paper	370,416	—
U.S. agency discount notes	107,270	—
Corporate notes	67,936	—
U.S. Treasury notes	1,456,862	22,820
U.S. agency notes	618,235	—
U.S. agency collateralized mortgage obligations	600	—
Supranational coupon notes	806,036	—
State Treasurer's investment pool	275,704	—
Total investments	3,787,951	22,820
Taxes receivable for other governments	—	113,883
Accounts receivable	—	17,457
Interest receivable	6,352	—
Assessments receivable for other governments	—	1,174
Notes and contracts receivable	—	51
Total assets	3,794,303	284,088
LIABILITIES		
Accounts payable and other liabilities	—	101,888
Due to beneficiaries	—	78,341
Due to other governments	—	32,339
Total liabilities	—	212,568
NET POSITION		
Restricted for:		
Individuals, organizations and other governments	3,794,303	85,014
Unrestricted deficit	—	(13,494)
Total net position	$ 3,794,303	$ 71,520

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, 2022
(IN THOUSANDS)

	CUSTODIAL FUNDS	
	EXTERNAL INVESTMENT POOL FUNDS	OTHER CUSTODIAL FUNDS
ADDITIONS		
Property taxes collected for other governments	$ —	$ 13,176,450
State apportionment	—	4,119,431
Real estate excise taxes collected for other governments	—	1,059,055
Bond proceeds	—	69,323
Utility charges	—	349,003
Local support non-tax receipts	—	408,879
Member contributions	—	271,823
Drainage utility charges collected for other governments	—	250,056
Pool participant contributions	5,888,795	5,892,010
Line of credit receipts	—	30,300
Investment earnings:		
Interest, dividends and other	44,063	8
Net increase (decrease) in fair value of investments	(95,305)	(43)
Total investment earnings (losses)	(51,242)	(35)
Less investment costs:		
Investment activity costs	(1,275)	—
Net investment earnings (losses)	(52,517)	(35)
Charges for fire protection services	—	44,082
Receipts from other governments	—	160,467
Court fees collected for other governments	—	10,524
Lease contributions	—	12,740
Regulatory fees	—	12,102
Recording fees collected for other governments	—	36,561
Other taxes collected for other governments	—	1,442,722
Charges for emergency medical services	—	8,774
Impact fees collected for other governments	—	1,612
Food services receipts	—	2,582
Forest funds	—	1,826
Fines and forfeits collected for other governments	—	635
Licensing fees collected for other governments	—	246
Other fees collected for other governments	—	877
Miscellaneous receipts	—	268,854
Total additions	5,836,278	27,630,899
DEDUCTIONS		
Payments to vendors	—	10,557,940
Taxes distributed to other governments	—	9,916,322
Principal payments	—	447,080
Interest and other debt service costs	—	249,671
Other receipts distributed to other governments	—	354,616
Pool participant distributions	5,892,010	5,888,795
Line of credit payments	—	31,300
Election costs	—	12,046
Payments to escrow	—	661
Treasurer collection fees	—	3,197
Cash management fees	—	75
Miscellaneous payments	—	170,329
Total deductions	5,892,010	27,632,032
Net increase (decrease) in fiduciary net position	(55,732)	(1,133)
Net position - beginning	3,850,035	72,653
Net position - ending	$ 3,794,303	$ 71,520

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

STATEMENT OF NET POSITION
COMPONENT UNITS
DECEMBER 31, 2022
(IN THOUSANDS)

	Harborview Medical Center	Cultural Development Authority	NJB Properties	Total
ASSETS				
Cash and cash equivalents	$ 366,723	$ 35,170	$ —	$ 401,893
Receivables, net	234,453	—	10	234,463
Due from primary government	4,065	2,736	—	6,801
Inventories	10,714	—	—	10,714
Prepayments	18,954	212	15	19,181
Net pension asset	—	692	—	692
Nondepreciable assets	14,953	—	—	14,953
Depreciable assets, net of depreciation	409,644	2,147	—	411,791
Net investment in finance lease with primary government	—	—	7,016	7,016
Deposits with other governments	4,399	—	—	4,399
Other assets	51,676	101	892	52,669
Total assets	1,115,581	41,058	7,933	1,164,572
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows on pensions	—	755	—	755
Deferred outflows on other postemployment benefits	—	11	—	11
Total deferred outflows of resources	—	766	—	766
LIABILITIES				
Accounts payable and other current liabilities	73,326	1,261	10	74,597
Accrued liabilities	61,456	—	34	61,490
Due to primary government	168,422	8,075	—	176,497
Unearned revenues	16,032	17,060	—	33,092
Noncurrent liabilities:				
Due within one year	5,756	2,408	360	8,524
Due in more than one year	21,841	3,570	6,965	32,376
Total liabilities	346,833	32,374	7,369	386,576
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows on pensions	—	715	—	715
Deferred inflows on leases	36,915	—	—	36,915
Total deferred inflows of resources	36,915	715	—	37,630
NET POSITION				
Net investment in capital assets	257,933	—	—	257,933
Restricted for:				
Health and human services				
Expendable	10,137	—	—	10,137
Nonexpendable	3,519	—	—	3,519
Culture and recreation				
Expendable	—	8,735	—	8,735
Unrestricted	460,244	—	564	460,808
Total net position	$ 731,833	$ 8,735	$ 564	$ 741,132

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

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	$ 1,218,072	$ 1,193,669	$ 17,724	$ 124	$ (6,555)	$ —	$ —	$ (6,555)
Cultural Development Authority	16,663	—	20,222	—	—	3,559	—	3,559
NJB Properties	570	153	—	—	—	—	(417)	(417)
Total component units	$ 1,235,305	$ 1,193,822	$ 37,946	$ 124	$ (6,555)	$ 3,559	$ (417)	$ (3,413)
	General revenues:							
	Interest earnings				$ 2,797	$ 537	$ 369	$ 3,703
	Total general revenues				2,797	537	369	3,703
	Change in net position				(3,758)	4,096	(48)	290
	Net position - January 1, 2022 (Restated)				735,591	4,639	612	740,842
	Net position - December 31, 2022				$ 731,833	$ 8,735	$ 564	$ 741,132

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

Notes to the Financial Statements

For the Year Ended December 31, 2022

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 2022, FCD reimbursed the County $86.3 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 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, 2022, including bonds reported by HMC as of June 30, 2022.

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 359415, 4333 Brooklyn Ave., Seattle, Washington, 98195.

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 - $5.9 million and $12.2 million in 2021 and 2022 respectively - 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 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, 2022, 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 2022, the WDC reimbursed King County approximately $1.0 million for the Employment and Education Resource Program in eligible program costs. King County has a $429 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

Seattle Convention Center Public Facilities District (formerly Washington State Convention Center Public Facilities District)

The Washington State Convention Center Public Facilities District (WSCC) was officially formed by King County Ordinance 16883 in July 2010, and is directed by a nine-member board of community members appointed by the State of Washington, King County, and the City of Seattle. In 2022, WSCC changed its business name to Seattle Convention Center Public Facilities District (SCC). 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; therefore, the District 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 three 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 2022, HMC reported $4.1 million receivable from the County and $168.4 million payable on June 30, 2022. Due to the differing fiscal years, County funds are reporting a total payable to HMC of $3.5 million and receivable of $137.4 million on December 31, 2022.

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, entitlements and shared revenues, charges for services, Best Start for Kids levy, General fund transfers, 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 and state 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 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. 87, *Leases*, covers accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. King County implemented the Statement in 2022. The required changes are reflected in the County’s financial statements and notes to those statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations and eliminates a diversity in practices associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. King County implemented the Statement in 2022; it did not have a material impact on the financial statements.

GASB Statement No. 92, *Omnibus 2020* (paragraphs 6-10 and 12), covers comparability in accounting and financial reporting by improving the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. King County implemented the paragraphs of the Statement that were applicable for 2022. The portions implemented did not have a material impact on the financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (paragraphs 6-9), clarifies rules related to reporting of fiduciary activities, mitigates costs for defined contribution plans, and enhances the comparability of the accounting and financial reporting of Code section 457 plans that meet the definition of a pension plan. King County implemented the paragraphs of the Statement that were applicable for 2022. They did not have a material impact on the financial statements.

GASB Statement No. 99, *Omnibus 2022* (paragraphs 26-32), enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified in previous GASB Statements. King County implemented the paragraphs of the Statement that were applicable for 2022; additional requirements in this Statement will be implemented in the County's future financial reports. The portions implemented did not have a material impact on the financial statements.

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 and Jobs and Housing Program.

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, Lease obligation payable, 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.

Investments (See Note 4 - "Deposits and Investments")

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, leases receivable, 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.

Restricted Assets and Liabilities (See Note 8 – "Restricted Assets" and Note 15 - "Liabilities")

These accounts contain resources for construction and debt service, including current and delinquent special assessments receivable, in enterprise funds. Specific debt service reserve requirements are described in Note 15 – Liabilities. Restricted assets for the proprietary funds and component units can be found in Note 8 - Restricted Assets.

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

Leases

Lessee: The County is a lessee for noncancelable leases. The County recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The County recognized lease liabilities with an initial value of $223.6 million.

At the commencement of a lease, the County initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as debt service principal and debt service interest expenditures.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The future lease payments are discounted using the interest rate implicit in the lease contract. If the interest rate is not available, the County generally uses its incremental borrowing rate for lease terms (including options to extend which are likely to be exercised) of less than 15 years and the US Treasury Securities-State and Local Government Series (SLGS) rate for leases with terms of 15 years or more.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the County is reasonably certain to exercise.

The County monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lessor: The County is a lessor for noncancelable leases. The County recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the County initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the effective interest method.

Key estimates and judgments related to leases include how the County determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The future lease payments are discounted using the interest rate implicit in the lease contract. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The County monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 - 11	$50,000
February 12 - March 1	$100,000
March 2 - April 17	$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 Expenditures of State Financial Assistance (SESFA) 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, 2021 through October 31, 2022 reveals only an immaterial arbitrage liability at December 31, 2022.

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. B-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 on 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 on leases* is reported on the government-wide Statement of Net Position, the governmental funds Balance Sheet, the proprietary funds Statement of Net Position, and the component unit Statement of Net Position. This deferred inflow is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. 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.

<u>Revenues and Expenditures/Expenses</u>

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Allocating Indirect Expense to Functions

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses that have been allocated from general government to various functional activities are reported in a separate column.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. User fees (sewage fees, passenger fares, disposal charges, etc.) charged by the County's enterprise funds for the use of its business-type facilities and charges for services of internal service funds are classified as operating revenues. Rental income is operating revenue to the Airport enterprise, whose principal operation is leasing real property. The corresponding costs of service provision and delivery, including direct administration costs, depreciation or amortization of capital assets, and other allocations of future costs to current year operations (e.g., landfill post-closure, other postemployment benefits), comprise operating expenses. All other revenues and expenses not meeting this definition are reported as nonoperating.

Note 2

Reconciliation of Government-wide and Fund Financial Statements

Explanation of certain differences between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position (in thousands): The governmental funds balance sheet includes reconciliation between *fund balance - total governmental funds* and *net position* - governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation explains, "Long-term 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 and other debt	$ (982,574)
Plus: Unamortized premiums on bonds sold	(51,620)
Accrued interest payable	(5,069)
Leases payable	(185,967)
Compensated absences	(113,711)
Net pension liability	(114,152)
Total other post employment benefits	(65,057)
Pollution remediation	(2,603)
Asset retirement obligations	(3,756)
Earned but unavailable fines and penalties and abatements	1,394
Earned but unavailable taxes	22,222
Earned but unavailable grants	41,172
Earned but unavailable opioid settlement	22,167
Deferred inflows on pensions	(240,767)
Deferred inflows on other post employment benefits	(19,673)
Total adjustments related to long-term liabilities and deferred inflows	$ (1,697,994)

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	$ 2,788,039
Amortizable and depreciable assets	1,475,604
Less: Capital and right-to-use assets in internal service funds	(72,186)
Total adjustments related capital assets	$ 4,191,457

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	$ 284,869
Assets constructed for others	4,606
Deferred outflows on refunding (to be amortized as interest expense)	12,527
Deferred outflows on pensions	255,771
Deferred outflows on other post employment benefits	7,440
Deferred outflows on asset retirement obligation	3,147
Total adjustments related to long-term assets and deferred outflows	$ 568,360

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	$ 233,822
Internal payable representing charges in excess of cost to the enterprise funds by the governmental activities internal service funds - prior years	(69,712)
Internal payable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	3,162
Total adjustments related to internal service funds	$ 167,272

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	$ 295,799
Depreciation expense	(80,040)
Total adjustments related to capital outlay	$ 215,759

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 loss on the disposal of capital assets while gross proceeds increase financial resources in the governmental funds. The difference is the net book value of capital assets sold.	$ (2,479)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds.	17,451
Total adjustments related to miscellaneous capital asset transactions	$ 14,972

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	$ 1,356
Unavailable revenue-grants	(14,460)
Unavailable revenue-charges for services	(1,199)
Unavailable revenue-fines and forfeits	(535)
Unavailable revenue-opioid settlement	22,372
LEOFF special funding	3,770
Total adjustments related to revenues	$ 11,304

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	$ (18,790)
Issuance of refunding bonds	(15,815)
Premium on bonds sold	(3,328)
Principal repayments	116,778
Payment to escrow agent	16,753
Lease proceeds	(58,758)
Total adjustments related to debt issuance or refundings	$ 36,840

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	$ (2,801)
Other postemployment benefits	13,967
Interest on long-term debt	6,706
Lease amortization	(10,474)
Pension expense	77,636
Asset retirement obligations amortization	(149)
Pollution remediation	326
Project expenditures for others	4,606
Total adjustments related to expenses	$ 89,817

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	$ (2,184)
Intergovernmental revenues	6,618
Revenues related to services provided to outside parties	11,486
Expenses related to services provided to outside parties	(11,507)
Miscellaneous nonoperating revenue	426
Miscellaneous nonoperating expense	(324)
Gain on disposal of capital assets	1,639
Interest expense	(381)
Capital contributions	1,352
Transfers in	7,422
Transfers out	(23,765)
Internal service fund gains allocated to governmental activities	1,937
Total adjustments related to internal service funds	$ (7,281)

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	$ 69,712
Internal receivable representing the amount overcharged to the enterprise funds by the governmental activities internal service funds - current year	(3,162)
Total adjustments related to internal service fund activities related to enterprise funds	$ 66,550

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, with some exceptions. Exceptions include lease payments, which are budgeted on the cash basis, and the transfer of bond proceeds to projects in the same fund, which are not budgeted. 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 County views expenditures in excess of $50 thousand over appropriation to be significant. Appropriation Units with this situation at December 31, 2022 are discussed below.

The Developmental Disabilities appropriation unit exceeded appropriations by $140 thousand. The overage is a result of expenditures from the unbudgeted emergent program for the Afghan refugees.

The Flood District Administration appropriation unit from the Flood Control District exceeded appropriations by $340 thousand. The District may over spend appropriations in the instances where no specific limit is identified. Services that have been appropriately authorized are considered to be eligible for payment and revenue is available to pay for service.

Deficit Fund Equity

Nonmajor Governmental Funds

The Department of Community and Human Services Administration fund reports a total fund balance deficit of $3.1 million. The deficit is a result of Coronavirus Disease (COVID) isolation and quarantine program expenditures. The deficit is anticipated to be resolved by future reimbursements.

The KC Flood Control Contract fund reports a total fund balance deficit of $964 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 $4.3 million, which is due to both COVID-related lease expenditures and non COVID-related 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 2023. 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 fund reports a total fund deficit of $18.6 million. The deficit is mostly caused by the Children and Family Justice Center (CFJC) project and COVID-related expenditures. For the CFJC project, the expenditures occurred faster than tax revenues were collected, plus proceeds from a property sale are expected to decrease the deficit for the project. The timing to resolve the COVID-related fund deficit is dependent on the amount and timing of reimbursements from federal grants. Currently, an interfund loan is approved to cover the expenditures.

The Department of Local Services Capital fund reports a total fund balance deficit of $102 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.

The KCIT Capital Projects fund reports a total fund balance deficit of $12.5 million. This is mainly due to the Property Tax Assessment System Capital Project. The deficit will be resolved by a bond issuance in 2023.

The Open Space Acquisitions fund reports a total fund balance deficit of $65 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 the expenditures.

Internal Service Funds

The Insurance Fund has a deficit net position of $23.5 million caused by the current nationwide 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, 2022, the County’s total deposits, including certificates of deposits, were $69.4 million in carrying amount and $18.8 million in bank balance, of which $9.2 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, 2022, 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 Statement No, 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 safekeeping bank. If a security is not priced by the County's safekeeping bank, prices are obtained from the County's investment accounting system vendor 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 $8.6 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 $231.3 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, 2022 (dollars in thousands):

KING COUNTY INVESTMENT POOL

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)
Repurchase Agreements	$ 193,000	$ 193,000	4.24 %	0.011
Commercial Paper	840,165	850,000	4.18 %	0.253
U.S. Agency Discount Notes	243,875	247,000	2.82 %	0.287
Corporate Notes	154,425	158,697	2.53 %	1.115
U.S. Treasury Notes	3,267,343	3,404,500	1.84 %	1.357
U.S. Agency Notes	1,405,530	1,451,983	1.38 %	0.973
U.S. Agency Collateralized Mortgage Obligations	1,364	1,392	4.31 %	2.482
Supranational Coupon Notes	1,832,448	1,917,553	0.76 %	1.229
State Treasurer's Investment Pool (LGIP)	626,804	626,804	4.28 %	0.011
Total investments in Pool	$ 8,564,954	$ 8,850,929	2.02 %	0.995

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 5.0 percent in the following issuers: Inter-American Development Bank, 8.5 percent; Asian Development Bank, 6.6 percent; Federal Home Loan Banks, 6.4 percent; and Federal Home Loan Mortgage Corporation, 6.0 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, 2022, the effective duration of the main Pool was 0.995 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	$ 193,000	$ —	$ —	$ —	$ 193,000
Commercial Paper	840,165	—	—	—	840,165
U.S. Agency Discount Notes	243,875	—	—	—	243,875
Corporate Notes	6,555	96,405	51,465	—	154,425
U.S. Agency Notes	—	1,405,530	—	—	1,405,530
U.S. Agency Collateralized Mortgage Obligations	—	1,364	—	—	1,364
Supranational Coupon Notes	1,832,448	—	—	—	1,832,448
State Treasurer's Investment Pool	—	—	—	626,804	626,804
Total investments	$ 3,116,043	$ 1,503,299	$ 51,465	$ 626,804	$ 5,297,611

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, 2.3 percent; Commercial Paper, 9.8 percent; U.S. Agency Discount Notes, 2.9 percent; Corporate Notes, 1.8 percent; U.S. Treasury Notes, 38.1 percent; U.S. Agency Notes, 16.4 percent; Supranational Coupon Notes, 21.4 percent; and the State Treasurer's Investment Pool (LGIP), 7.3 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, 2022 (in thousands):

		Fair Value Measurements Using		
Investments by fair value level	**Fair Value 12/31/2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Unobservable Inputs (Level 3)**
Commercial Paper	$ 840,165	$ —	$ 840,165	$ —
U.S. Agency Discount Notes	243,875	243,875	—	—
Corporate Notes	154,425	—	154,425	—
U.S. Treasury Notes	3,267,343	3,267,343	—	—
U.S. Agency Notes	1,405,530	—	1,405,530	—
U.S. Agency Collateralized Mortgage Obligations	1,364	—	1,364	—
Supranational Coupon Notes	1,832,448	—	1,832,448	—
Subtotal investments measured at fair value	7,745,150	$ 3,511,218	$ 4,233,932	$ —
Investments measured at amortized cost (not subject to fair value hierarchy)				
Repurchase Agreements	193,000			
State Treasurer's Investment Pool	626,804			
Subtotal investments measured at cost	819,804			
Total investments in Investment Pool	$ 8,564,954			

U.S. Treasury Notes and U.S Agency Discount Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

Commercial Paper, Corporate Notes, U.S. Agency Notes, U.S. Agency Collateralized Mortgage Obligations and Supranational Coupon Notes are valued using standard inputs including benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Interactive Data also monitors market indicators, industry and economic events and corroborating market data and are classified in Level 2 of the fair value hierarchy.

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, 2022, was $1.5 million and the book value was $2.7 million. The remaining investment in the impaired investment pool is associated with VFNC Trust (Victoria). VFNC Trust continues to make monthly cash distributions. During 2022, VFNC Trust distributed a total of $452 thousand to the County. Including all the receipts to date, the cash recovery rate on the original Victoria investment is 95 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 the small balance remaining, the County chose not to discount these future cash flows.

VFNC Trust (Victoria) is recorded at fair value of $1.5 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, 2022, 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, 2022 (in thousands) are as follows:

Condensed Statement of Net Position

	Total	King County Investment Pool	Impaired Investment Pool
Assets			
Current and other assets	$ 8,574,250	$ 8,572,758	$ 1,492
Total Assets	$ 8,574,250	$ 8,572,758	$ 1,492
Net Position			
Equity of internal pool participants	$ 4,799,129	$ 4,798,501	$ 628
Equity of external pool participants	3,775,121	3,774,257	864
Total net position	$ 8,574,250	$ 8,572,758	$ 1,492

Condensed Statement of Changes in Net Position

	Total	King County Investment Pool	Impaired Investment Pool
Net position, beginning of year	$ 8,720,813	$ 8,718,844	$ 1,969
Net change in investments by pool participants	(146,563)	(146,086)	(477)
Net position, end of year	$ 8,574,250	$ 8,572,758	$ 1,492

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 $14.0 million for County agencies and $19.0 million for districts. The following schedule shows a summary of the characteristics of the assets in the Pool Plus program at December 31, 2022 (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	$ 13,995	$ 15,271	2.30 %	3.91
U.S. Treasury Notes - District funds	7,756	8,475	3.36 %	4.48
U.S. Treasury Notes - District funds	6,689	7,146	2.50 %	3.08
U.S. Treasury Notes - District funds	4,565	5,044	2.16 %	4.39

Individual Investment Accounts

Under the Pool Plus Program, 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, 2022, 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 is shown in the following table (in thousands):

Harborview Medical Center
As of June 30, 2022

	Carrying Amount	Bank Balance	Uninsured and Uncollateralized
Cash in other banks	$ 3,962	$ —	$ —
Equity in Investment Pool	362,761	362,930	—
Total deposits	$ 366,723	$ 362,930	$ —

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, excluding investments in the WA State LGIP, were $1.4 million in carrying amount and $1.7 million of bank balance, of which $730 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. CDA's investments in the State Treasurer's Investment Pool (LGIP) are recorded at amortized cost.

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, 2022 (in thousands):

Cultural Development Authority
Investments By Type

Investment Type	Fair Value	Principal	Average Interest Rate	Effective Duration (Years)	Concentration
Investments measured at amortized cost (not subject to fair value hierarchy)					
State Treasurer's Investment Pool	$ 33,798	$ 33,798	4.12 %	0.003	100.00 %
Less: State Treasurer's Investment Pool (Cash Equivalent)	(33,798)				
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, 2022, 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, 2022, 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, 2022, the CDA's investments were fully concentrated in the WA State Local Government Investment Pool.

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):

	2022
Non-bond Proceeds	$ 28
Revenue Fund	825
Bond Fund	39
	$ 892

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	$ 43,664	$ 6,573	$ —	$ 3,821	$ 15,974	$ 70,032
Leases receivable	2,377	—	—	—	112	2,489
Subtotal	46,041	6,573	—	3,821	16,086	72,521
Estimated uncollectible	(25,312)	—	—	(1,861)	(8,392)	(35,565)
Accounts receivable, net	$ 20,729	$ 6,573	$ —	$ 1,960	$ 7,694	$ 36,956
Due from other governments:						
Due from other governments	$ 140,487	$ 21,772	$ 39,513	$ 167,484	$ 151,228	$ 520,484
Estimated uncollectible	(921)	—	—	(67)	(3,187)	(4,175)
Due from other governments, net	$ 139,566	$ 21,772	$ 39,513	$ 167,417	$ 148,041	$ 516,309
Due from component units:						
Due from component units	$ —	$ —	$ —	$ 473	$ 145,002	$ 145,475
Estimated uncollectible	—	—	—	—	(162)	(162)
Due from component units, net	$ —	$ —	$ —	$ 473	$ 144,840	$ 145,313
Other assets:						
Notes receivable	$ 10,713	$ —	$ 357,919	$ —	$ 72	$ 368,704
Leases receivable, noncurrent	24,211	—	—	—	405	24,616
Subtotal	34,924	—	357,919	—	477	393,320
Estimated uncollectible	—	—	(6,934)	—	—	(6,934)
Other assets, net	$ 34,924	$ —	$ 350,985	$ —	$ 477	$ 386,386

Proprietary	**Public Transportation**	**Solid Waste**	**Water Quality**	**Nonmajor Enterprise Funds**	**Total Enterprise Funds**	**Internal Service Funds**
Current assets:						
Receivables:						
Accounts receivable	$ 7,804	$ 18,654	$ 46,780	$ 1,379	$ 74,617	$ 828
Interest receivable	1	19	—	2,708	2,728	30
Leases receivable	67	2,233	42	15,640	17,982	305
Subtotal	7,872	20,906	46,822	19,727	95,327	1,163
Estimated uncollectible	(1,850)	(227)	—	(327)	(2,404)	—
Total receivables, net	$ 6,022	$ 20,679	$ 46,822	$ 19,400	$ 92,923	$ 1,163
Due from other governments:						
Due from other governments	$ 703,586	$ 1,120	$ 3,465	$ 3,929	$ 712,100	$ 21,131
Estimated uncollectible	—	—	—	(12)	(12)	—
Due from other governments, net	$ 703,586	$ 1,120	$ 3,465	$ 3,917	$ 712,088	$ 21,131
Noncurrent assets:						
Due from other governments	$ 31	$ —	$ —	$ —	$ 31	$ —
Receivables:						
Leases receivable	$ 201	$ 4,643	$ 18	$ 234,406	$ 239,268	$ 2,596
Notes receivable	141,014	—	5,167	—	146,181	—
Total receivables	$ 141,215	$ 4,643	$ 5,185	$ 234,406	$ 385,449	$ 2,596

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 and for road district purposes. 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 $1.12195 per $1,000 of assessed value for the 2022 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 $1.60120 per $1,000 of assessed value for the 2022 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 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) 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 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 2022, the county-wide flood control zone district levy rate was $0.08146 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.

<u>Allocation of Tax Levies</u>

The table on the following page compares the allocation of the 2022 and 2021 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 2022 countywide assessed valuation was $722.5 billion, a $63.0 billion increase from 2021; the assessed valuation for the unincorporated area levy was $60.8 billion, an increase of $8.6 billion from 2021.

ALLOCATION OF 2021 AND 2022 TAX LEVIES

	2021 Original Taxes Levied (in thousands)	2021 Levy Rate (per thousand)	2022 Original Taxes Levied (in thousands)	2022 Levy Rate (per thousand)
Countywide Levy				
Assessed Value:				
$722,527,903,972[(a)]				
Items Within Operating Levy:[(b)]				
General Fund	$ 389,634	0.59354	$ 401,638	0.55836
Veterans' Relief	3,281	0.00500	3,368	0.00468
Human Services	7,367	0.01122	7,552	0.01050
Automated Fingerprint Identification System	22,358	0.03406	22,924	0.03187
Parks Levy	121,719	0.18620	133,000	0.18584
Veterans, Seniors and Human Services	62,477	0.09557	65,547	0.09159
Children and Family Justice Center	27,320	0.04162	—	—
Best Starts for Kids	75,846	0.11554	136,668	0.19000
Radio Communications	34,445	0.05247	35,327	0.04911
Marine Operating	6,460	0.00984	6,523	0.00907
Total Operating Levy	750,907	1.14506	812,547	1.13102
Conservation Futures Levy[(c)]	21,855	0.03329	22,422	0.03117
Unlimited Tax GO Bonds (Voter-approved Excess Levy)	13,944	0.02133	15,667	0.02189
Transportation Levy[(d)]	30,985	0.04720	31,786	0.04419
Total Countywide Levy	817,691	1.24688	882,422	1.22827
Emergency Medical Services Levy				
Assessed Value:				
$722,303,848,032[(a)]				
Emergency Medical Services Levy[(e)]	104,730	0.26499	110,274	0.24841
Unincorporated County Levy				
Assessed Value:				
$60,751,158,777[(a)]				
County Road Fund[(f)]	94,573	1.82588	96,531	1.60120
Total County Tax Levies	$ 1,016,994		$ 1,089,227	

(a) Assessed value for taxes payable in 2022

(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 2021 and 2022 the tax rate was $0.03406 and $0.03187 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 2021 and 2022 tax year rate for the Parks levy lid lift is $0.18620 and $0.18584 per $1,000 of assessed value, respectively. This lid lift is exempt for taxpayers in the Senior Exemption Program.

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 2021 and 2022 tax rate is $0.09557 and $0.09159 per $1,000 of assessed value, respectively.

The Children and Family Justice Center was a nine-year temporary levy lid lift approved by voters in 2012 at a rate of $0.07 per $1,000 of assessed value for the first year (2013). The rate for 2021 was $0.04162 per $1,000 of assessed value and it is no longer being levied. The Children and Family Justice Center levy was levied for a limited purpose that included 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.

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 2021 and 2022 is $0.05247 and $0.04911 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 2021 and 2022 is $0.11554 and $0.19000 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 $0.04419 per $1,000 of assessed value, and its levy rate for conservation futures is $0.03117 per $1,000 of assessed value in 2022.

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 2021 and 2022 is $0.26499 and $0.24841 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 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 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.

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 have applied by April 30, 2021, and county treasurers must have processed all applications by June 30, 2021. The bill expired 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
May 2	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, 2022, 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, 2022 (in thousands):

Tax Abatement Program	**Total Amount of Taxes Abated**
Current Use	$ 2,541
Historical Preservation	790
Single-family Dwelling Improvement	45
Multifamily Housing Property Tax Exemption	62

State of Washington Tax Abatements

The information provided by Washington State is based upon calendar 2021 as a proxy for fiscal year 2022. The State's fiscal year end is June 30, 2022. 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.

Machinery and Equipment Used to Generate Solar Electricity

RCW 82.08.962(1)(c)(i)(B) grants taxpayers a remittance for 50 percent of the state and local sales tax paid in connection with the purchase of machinery and equipment – and the labor and services rendered in connection to installing such machinery and equipment – that is used directly in the generation of electricity by a solar energy system. The system is required to be capable of producing more than 100 kilowatts alternating current (AC) but no more than 500 kilowatts AC of electricity. Further, the Department of Labor and Industries must certify that the project includes: the procurement from and contracts with women, minority, or veteran-owned businesses – all who have a history of complying with state and federal wage and hour laws and regulations; apprenticeship utilization; and preferred entry for workers living in the area where the project is being constructed.

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, 2022 (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	$ 721
Multi-Unit Urban Housing Exemption	14,817
Multi-Purpose Sports and Entertainment Facility Deferral	D*
Sale of Machinery and Equipment Used to Generate Solar Electricity	D*
Aerospace incentives: Computer Hardware, Software and Peripherals sales and use tax exemption	58

*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 01/01/2022	Additions	Retirements / WIP Deductions	Transfers / Reclassifications	Balance 12/31/2022
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 748,937	$ 43,934	$ (479)	$ 2,600	$ 794,992
Rights-of-way and easements	495,548	16,274	—	(2,600)	509,222
Infrastructure – roads and bridges	1,161,720	15,010	—	—	1,176,730
Art collections	11,112	—	(151)	6	10,967
Work in progress	299,076	153,921	(1,199)	(155,670)	296,128
Total capital assets not being depreciated	2,716,393	229,139	(1,829)	(155,664)	2,788,039
Capital assets being depreciated:					
Buildings	1,426,450	22,371	(3,731)	38,445	1,483,535
Leasehold improvements	51,568	1	—	873	52,442
Improvements other than buildings	174,357	1,533	—	50,878	226,768
Infrastructure – levees	54,068	—	—	11,519	65,587
Furniture, machinery and equipment	290,513	8,477	(8,729)	46,819	337,080
Software	165,713	244	(42)	7,130	173,045
Total capital assets being depreciated	2,162,669	32,626	(12,502)	155,664	2,338,457
Less accumulated depreciation for:					
Buildings	(596,691)	(41,788)	3,731	(4)	(634,752)
Leasehold improvements	(11,782)	(3,173)	—	—	(14,955)
Improvements other than buildings	(49,545)	(9,543)	—	4	(59,084)
Infrastructure – levees	(8,071)	(2,150)	—	—	(10,221)
Furniture, machinery and equipment	(195,789)	(24,430)	8,706	—	(211,513)
Software	(121,796)	(13,278)	42	—	(135,032)
Total accumulated depreciation	(983,674)	(94,362)	12,479	—	(1,065,557)
Total capital assets being depreciated, net	1,178,995	(61,736)	(23)	155,664	1,272,900
Lease assets, net (see Note 12 for detail)	162,872	40,766	(934)	—	202,704
Governmental activities capital assets, net	$ 4,058,260	$ 208,169	$ (2,786)	$ —	$ 4,263,643

Beginning Balance Adjustment

The beginning balance for governmental activities capital assets, net was restated to include the net right-to-use asset balance under Statement No. 87 of the Governmental Accounting Standards Board (Leases).

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

	Balance 01/01/2022	Additions	Retirements / WIP Deductions	Transfers / Reclassifications	Balance 12/31/2022
Business-type Activities:					
Capital assets not being depreciated:					
Land	$ 442,982	$ 3,290	$ (56)	$ —	$ 446,216
Rights-of-way and easements	31,033	—	—	166	31,199
Art collections	4,394	—	—	—	4,394
Work in progress	900,144	294,376	—	(435,626)	758,894
Total capital assets not being depreciated	1,378,553	297,666	(56)	(435,460)	1,240,703
Capital assets being depreciated:					
Buildings	3,565,157	5,364	(2,976)	155,779	3,723,324
*Leasehold Improvements	2,426	—	—	—	2,426
Improvements other than buildings	593,796	—	(29)	(10,458)	583,309
Rights-of-way – temporary easement	7,635	—	—	—	7,635
Infrastructure – water quality	2,515,984	—	(396)	91,504	2,607,092
Furniture, machinery and equipment	3,007,019	5,029	(55,692)	181,185	3,137,541
Software	152,586	—	(30,792)	17,450	139,244
Total capital assets being depreciated	9,844,603	10,393	(89,885)	435,460	10,200,571
Less accumulated depreciation for:					
Buildings	(1,971,858)	(88,067)	1,971	—	(2,057,954)
*Leasehold Improvements	(1,796)	(50)	—	—	(1,846)
Improvements other than buildings	(261,377)	(26,055)	12	—	(287,420)
Rights-of-way – temporary easement	(2,235)	(218)	—	—	(2,453)
Infrastructure – water quality	(822,549)	(52,654)	305	—	(874,898)
Furniture, machinery and equipment	(1,907,441)	(200,175)	54,936	—	(2,052,680)
Software	(128,980)	(11,016)	30,792	—	(109,204)
Total accumulated depreciation	(5,096,236)	(378,235)	88,016	—	(5,386,455)
Total capital assets being depreciated, net	4,748,367	(367,842)	(1,869)	435,460	4,814,116
Lease assets, net (see Note 12 for detail)	64,797	(4,841)	—	—	59,956
Business-type activities capital assets, net	$ 6,191,717	$ (75,017)	$ (1,925)	$ —	$ 6,114,775

Beginning Balance Adjustment

The beginning balance for business-type activities capital assets, net was restated to include the net right-to-use asset balance under Statement No. 87 of the Governmental Accounting Standards Board (Leases). Items above that are placed by an asterisk (*) had their beginning balance restated.

Depreciation Expense

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

		2022
Governmental Activities		
General government services	$	40,581
Law, safety and justice		21,464
Physical environment		2,648
Transportation		396
Economic environment		5,666
Health and human services		808
Culture and recreation		8,477
Capital assets held by the County's governmental internal service funds are charged to governmental activities based on their usage of the assets		14,322
Total depreciation - governmental activities	$	94,362
Business-type Activities		
Water Quality	$	170,692
Public Transportation		179,592
Solid Waste		20,795
King County International Airport		6,469
Institutional Network		402
Radio Communications		285
Total depreciation - business-type activities	$	378,235

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 - $152.6 million is committed to the maintenance of existing infrastructure, service delivery and partnership efforts.

Water Quality Enterprise - $465.4 million is committed to ensuring the continued operation, reliability and compliance with regulatory standards of existing wastewater treatment facilities.

Solid Waste Enterprise - $10.3 million is committed to improving the County's solid waste regional landfill and maintenance of existing facilities.

Other Enterprises - $3.1 million is committed for Airport facility improvements within the County.

Capital Projects Funds

$195.7 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, 2022 (in thousands):

	Balance 7/1/2021	Additions	Retirements	Transfers	Balance 6/30/2022
Capital assets not being depreciated:					
Land	$ 2,432	$ —	$ —	$ —	$ 2,432
Work in progress	5,792	13,520	—	(6,791)	12,521
Total capital assets not being depreciated	8,224	13,520	—	(6,791)	14,953
Capital assets being depreciated:					
Buildings	448,580	—	—	10,663	459,243
Improvements other than buildings	21,232	—	—	304	21,536
Equipment	318,397	11,189	(2,308)	(4,176)	323,102
Total capital assets being depreciated	788,209	11,189	(2,308)	6,791	803,881
Less accumulated depreciation for:					
Buildings	(242,913)	(15,161)	—	—	(258,074)
Improvements other than buildings	(12,540)	(1,146)	—	—	(13,686)
Equipment	(272,086)	(10,556)	2,308	—	(280,334)
Total accumulated depreciation	(527,539)	(26,863)	2,308	—	(552,094)
Lease assets, net (see Note 12 for detail)	160,992	(3,135)	—	—	157,857
HMC capital assets, net	$ 429,886	$ (5,289)	$ —	$ —	$ 424,597

Beginning Balance Adjustment

Beginning balances for HMC are restated due to the implementation of GASB Statement No. 87, Leases.

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, and obligations.	$	131,754
Water Quality - restricted for net pension asset, future construction projects, debt service, reserves and obligations.		209,135
King County International Airport - restricted for net pension asset, construction projects and obligations.		2,490
Radio Communications Services - restricted for net pension asset and construction projects and obligations.		506
Solid Waste - restricted for net pension asset, construction projects, landfill closure and post-closure care costs.		34,478
iNet - restricted for net pension asset and construction projects and obligations.		323
Business Resource Center - restricted for net pension asset.		2,523
Construction and Facilities Management - restricted for net pension asset and construction projects.		7,138
Employee Benefits Program - restricted for net pension asset.		554
Financial Management Services - restricted for net pension asset and construction projects.		4,772
Insurance - restricted for net pension asset and construction projects.		846
King County Geographic Information Systems - restricted for net pension asset.		650
King County Information Technology Services - restricted for net pension asset.		14,583
Motor Pool - restricted for net pension asset.		1,733
Safety & Workers' Compensation - restricted for net pension asset.		720
Total Proprietary Funds restricted assets	$	412,205
Component Unit - Harborview Medical Center (HMC)		
HMC Special Purpose Fund - restricted donations, gifts and bequests from various sources for specific uses.	$	13,750
Total HMC restricted assets	$	13,750
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.	$	17,036
Cultural Special Account and Other Funds - restricted for arts and heritage cultural programs.		24,022
Total CDA restricted assets	$	41,058
Component Unit - NJB Properties		
Non-bond Proceeds Fund - restricted for costs of the NJB Project	$	28
Revenue Fund - restricted for transfers to the Bond Fund and authorized administrative fees		825
Bond Fund - restricted for interest and principal on the bonds		39
Total NJB Properties restricted assets	$	892

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 2022:

Aggregate Pension Amounts - All Plans (in thousands)	
Pension liabilities	$ 230,533
Pension assets	479,882
Deferred outflows of resources related to pensions	459,786
Deferred inflows of resources related to pensions	442,514
Pension expense/expenditures	(14,532)

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 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
January through August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.25%	6.00%
September through December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%

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

The County's actual contributions to the plan were $ 54.2 million for the year ended December 31, 2022.

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 2022 were as follows:

PERS Plan 2/3			
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***	**Employee 3**
January through August 2022			
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%	
September through December 2022			
PERS Plan 2/3	6.36%	6.36%	Varies (5-15%)
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	10.39%	6.36%	

* For employees participating in the JBM, the contribution rate was 15.90% from January through June 2022 and 15.90% from July through December 2022.

The County's actual contributions to the plan were $88.1 million for the year ended December 31, 2022.

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 2022 were as follows:

PSERS Plan 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through August 2022		
PSERS Plan 2	6.50%	6.50%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	10.39%	6.50%
September through December 2022		
PSERS Plan 2	6.60%	6.60%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.63%	6.60%

The County's actual contributions to the plan were $3.4 million for the year ended December 31, 2022.

<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 2022. 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 2022.

The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2022 were as follows:

LEOFF 2		
Actual Contribution Rates:	**Employer**	**Employee**
January through June 2022	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
July through December 2022	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%

The County's actual contributions to the plan were $5.8 million for the year ended December 31, 2022.

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, 2022, the State contributed $81.4 million to LEOFF Plan 2. The amount recognized by the County as its proportionate share of this amount is $31.9 million.

Seattle City Employees' Retirement System (SCERS)

SCERS is a cost-sharing, multiple-employer retirement plan administered in accordance with Chapter 4.36 of the Seattle Municipal Code. County employees of the Department of Public Health who have established membership in SCERS remain covered by the City Retirement System. Employees of Public Transportation who are former employees of Seattle Transit are also covered by the system.

Benefits Provided: SCERS provides retirement, disability and death benefits. Employees covered by this plan may retire after 30 years of service regardless of age; after age 52 with 20 years or more of service; after age 57 with 10 or more years of service; and after age 62 with five or more years of service. Disability retirement is available after 10 years of service. The unmodified monthly retirement allowance is based on a percentage of average salary for every year of service to a maximum of 60 percent. The average salary for this plan is defined as the highest consecutive 24-months' average rate of pay. The percentage for each year of service used to compute the retirement benefit depends on the age at retirement and the years of service. It ranges from 1.2 percent at age 52 with 20 years of service to a maximum of 2 percent for each year of service. The maximum allowance a member can receive is the unmodified plan, which has no provision for a beneficiary and, at the member's death, stops all payments. Several optional retirement benefit formulas exist which provide for beneficiaries with reduced monthly allowances.

Contributions: The SCERS member contribution rate is 10.03 percent of compensation except for members qualifying for lower rates prior to June 1972. The County is required to contribute at an actuarially determined rate. The current rate is 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 2022 were as follows:

SCERS		
Actual Contribution Rates:	**Employer**	**Employee**
January through December 2022	16.20%	10.03%

The County's actual contributions to the plan were $224 thousand for the year ended December 31, 2022.

Actuarial Assumptions

The **total pension liability (TPL)** for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's *2013-2018 Experience Study* and the *2021 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, 2022.

Total plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- Inflation: 2.75 percent total economic inflation, 3.25 percent salary inflation
- Salary increases: In addition to the base 3.25 percent salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.0 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 methods since the last valuation. There were changes in assumptions since the last valuation.

- The Joint-and-Survivor Factors and Early Retirement Factors were updated in the model. These factors are used to value benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors recently provided to DRS for future implementation that reflect current demographic and economic assumptions.
- The economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board were updated. The investment return assumption was reduced from 7.50 (7.40 for LEOFF 2) to 7.00 percent, and the salary growth assumption was lowered from 3.50 to 3.25 percent. This action is a result of recommendations from our biennial economic experience study.

- The WSPRS general salary growth assumptions were increased for FY 2023 from 3.25 to 10.00 percent consistent with the increases included n the 2022 supplemental budget (Chapter 297, Laws of 2022, Sec 913 [2] and 914 [2]). The understanding is this increase will apply to all troopers and will be granted in addition to the other salary increases for experience and promotions. Therefore, no adjustment for the service-based salary increases assumption.

The total pension liability (TPL) for SCERS pension plan was determined by an actuarial valuation as of January 1, 2021. 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: 2.60 percent
- Salary increases: 3.35 percent
- Investment rate of return: 6.75 percent compounded annually, net of expenses

Mortality rates for the SCERS plan were based on Pub G-2010 mortality tables and using generational projection of improvement using MP-2021 Ultimate projection scale.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0 percent was used to determine the liability.

The discount rate used to measure the total pension liability for SCERS pension plan was 6.75 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 7.0 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 6.75 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, 2022 are summarized in the table below. The inflation component used to create the table is 2.20 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	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, 2021 are summarized in the chart that follows:

Asset Class	Percent Long-term Expected Real Rate of Return Geometric
Equity: Public	4.2%
Equity: Private	7.4%
Fixed Income: Core	0.5%
Fixed Income: Credit	3.9%
Real Assets: Real Estate	3.5%
Real Assets: Infrastructure	4.0%

<u>Sensitivity of Net Pension Liability (Asset)</u>

The table below presents the County’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent (6.75 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 (6.0 percent, 5.75 percent for SCERS) or one percentage point higher (8.0 percent, 7.75 percent for SCERS) than the current rate.

Sensitivity of Net Pension Liability (Asset) (in thousands)			
Plans	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PERS 1	$ 307,628	$ 230,262	$ 162,741
PERS 2/3	(450,241)	(382,490)	(1,066,787)
PSERS 2	(12,081)	(5,073)	(18,609)
LEOFF 1	(15,050)	(17,174)	(19,016)
LEOFF 2	(3,460)	(75,145)	(133,814)

Sensitivity of Net Pension Liability (in thousands)			
Plans	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
SCERS	$ 476	$ 271	$ 99

<u>Pension Plan Fiduciary Net Position</u>

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, 2022, the County reported a total pension liability of $230.5 million and total pension asset of $479.8 million for its proportionate share of the net pension liabilities (assets) as follows:

Net Pension Liability (Asset) (in thousands)	
PERS 1	$ 230,262
PERS 2/3	(382,490)
PSERS 2	(5,073)
LEOFF 1	(17,174)
LEOFF 2	(75,145)
SCERS	271

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	$ (17,174)	$ (75,145)
State's proportionate share of the net pension asset associated with King County	(116,165)	(48,678)
TOTAL	$ (133,339)	$ (123,823)

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

Collective Net Pension Liabilities/Assets			
	Proportionate Share 6/30/21	Proportionate Share 6/30/22	Change in Proportion
PERS 1	8.61%	8.27%	-0.34%
PERS 2/3	10.53%	10.31%	-0.22%
PSERS 2	7.39%	7.09%	-0.30%
LEOFF 1	0.59%	0.60%	0.01%
LEOFF 2	2.93%	2.77%	-0.16%

Collective Net Pension Liabilities			
	Proportionate Share 12/31/20	Proportionate Share 12/31/21	Change in Proportion
SCERS	0.04%	0.03%	-0.01%

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 2022. 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 2022, the State of Washington contributed 39.31 percent of LEOFF 2 employer contributions pursuant to RCW 41.26.725 and all other employers contributed the remaining 60.68 percent of employer contributions.

The collective net pension liability (asset) for all DRS pension plans was measured as of June 30, 2022, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2021, 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, 2021, and the actuarial valuation date on which the total pension liability was based was as of January 1, 2021, 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, 2022, the County recognized pension expense as follows:

Pension Expense (in thousands)	
PERS 1	$ 97,324
PERS 2/3	(125,757)
PSERS 2	1,372
LEOFF 1	(902)
LEOFF 2	13,288
SCERS	143
TOTAL	$ (14,532)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, 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	—	(38,161)
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	28,917	—
TOTAL	$ 28,917	$ (38,161)

PERS 2/3	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 94,772	$ (8,659)
Net difference between projected and actual investment earnings on pension plan investments	—	(282,777)
Changes of assumptions	213,185	(55,819)
Changes in proportion and differences between contributions and proportionate share of contributions	16,722	(10,501)
Contributions subsequent to the measurement date	46,534	—
TOTAL	$ 371,213	$ (357,756)

PSERS 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 2,635	$ (56)
Net difference between projected and actual investment earnings on pension plan investments		(3,557)
Changes of assumptions	3,723	(1,488)
Changes in proportion and differences between contributions and proportionate share of contributions	218	(314)
Contributions subsequent to the measurement date	1,834	—
TOTAL	$ 8,410	$ (5,415)

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	—	(2,144)
Changes of assumptions	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	—	—
Contributions subsequent to the measurement date	—	—
TOTAL	$ —	$ (2,144)

LEOFF 2	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 17,856	$ (697)
Net difference between projected and actual investment earnings on pension plan investments	—	(25,162)
Changes of assumptions	19,036	(6,543)
Changes in proportion and differences between contributions and proportionate share of contributions	10,687	(6,339)
Contributions subsequent to the measurement date	3,043	—
TOTAL	$ 50,622	$ (38,741)

SCERS	Deferred Outflows of Resources (in thousands)	Deferred Inflows of Resources (in thousands)
Differences between expected and actual experience	$ 1	$ (7)
Net difference between projected and actual investment earnings on pension plan investments	—	(136)
Changes of assumptions	44	—
Changes in proportion and differences between contributions and proportionate share of contributions	374	(154)
Contributions subsequent to the measurement date	205	
TOTAL	$ 624	$ (297)

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)
2023	$ (16,149)
2024	(14,668)
2025	(18,400)
2026	11,056
2027	—
Thereafter	—

Year ended December 31:	PERS 2/3 (in thousands)
2023	$ (87,109)
2024	(76,026)
2025	(92,686)
2026	131,865
2027	45,706
Thereafter	45,173

Year ended December 31:	PSERS 2 (in thousands)
2023	$ (1,178)
2024	(1,029)
2025	(1,331)
2026	1,701
2027	430
Thereafter	2,568

Year ended December 31:	LEOFF 1 (in thousands)
2023	$ (908)
2024	(822)
2025	(1,028)
2026	614
2027	—
Thereafter	—

Year ended December 31:	LEOFF 2 (in thousands)
2023	$ (7,368)
2024	(6,316)
2025	(8,582)
2026	11,387
2027	3,598
Thereafter	16,119

Year ended December 31:	SCERS (in thousands)
2023	$ 50
2024	29
2025	26
2026	17
2027	—
Thereafter	—

As of December 31, 2022, the County reported restricted net position related to the net pension asset as follows:

Restricted Net Position (in thousands)	
PERS 2/3	$ 395,947
PSERS 2	8,067
LEOFF 1	15,030
LEOFF 2	87,027

Component Unit - Harborview Medical Center (HMC)

HMC personnel are University of Washington (UW) employees. HMC faculty and professional staff participate in the University of Washington Retirement Plan (UWRP), an IRC Section 403(b) defined contribution retirement plan, authorized by the Board of Regents. HMC staff participate in a plan authorized by the State of Washington Department of Retirement Systems (DRS). Plan participation is defined by position, with the majority of HMC employees enrolled in one of the three Public Employees' Retirement Systems (PERS) plans.

All plans include contributions by both employee and employer. Employee contributions are tax-deferred. Employer contributions are paid semi-monthly by the UW in accordance with rates specified by the retirement systems.

Component Unit - Cultural Development Authority of King County (CDA)

All eligible CDA personnel participate in PERS, a statewide local government retirement system administered by the DRS under cost-sharing, multiple-employer defined benefit plans. CDA's net pension asset (PERS 2/3), net pension liability (PERS 1), deferred outflows of resources and deferred inflows of resources related to pensions at December 31, 2022 were $692 thousand, $458 thousand, $755 thousand and $715 thousand, 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 $92.2 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, 2022 (in thousands):

OPEB liabilities	$ 92,158
OPEB assets	—
Deferred outflows of resources	10,539
Deferred inflows of resources	27,867
OPEB expense/expenditures	2,372

The County's total OPEB liability was measured using an actuarial valuation and measurement as of December 31, 2022.

<u>Plan Description</u> 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, 2022 (the census date) the following employees were covered by the Health Plan.

Inactive employees or beneficiaries currently receiving benefits	510
Inactive employees entitled to, but not yet receiving benefits	—
Active employees	14,525
Total	15,035

For the fiscal year ended December 31, 2022, the County contributed an estimated $6.0 million to the Health Plan to pay for retiree benefits. The County's contribution was entirely to fund "pay-as-you-go" costs under the Health Plan and not to pre-fund benefits. Accordingly, there are no assets in a qualifying trust.

<u>Actuarial Methods and Assumptions</u> 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, 2022 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 7.40 percent reduced by decrements to an ultimate rate of 4.14 percent after 52 years. The Medicare premium trend rate is 4.20 percent reduced by decrements to an ultimate rate of 4.14 percent after 52 years. All trend rates include a 2.75 percent inflation assumption and 3.25 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 7.40 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
	6.40%	7.40%	8.40%
Total OPEB Liability	$ 84,466	$ 92,158	$ 100,969

Discount Rate The discount rate used to measure the total OPEB liability is 4.05 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 4.05 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
	3.05%	4.05%	5.05%
Total OPEB Liability	$ 98,627	$ 92,158	$ 86,141

Changes in the Total OPEB Liability The County's actuarial analysis used a measurement date of December 31, 2022. 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 1/1/2022	$ 106,488
Changes for the Year:	
Service cost	3,044
Interest	1,960
Changes of benefit terms	—
Difference between expected and actual experience	6,526
Changes of assumptions	(19,885)
Benefit payments	(3,863)
Other changes	(2,112)
Net changes	(14,330)
Balance at 12/31/2022	$ 92,158

The County recognized $2.4 million in OPEB expense for the year. There were no changes to the plan benefits in 2022. Changes in actuarial assumptions for the valuation dated December 31, 2022 included decreasing the payroll growth rate to 3.25 percent from 3.50 percent, increasing the discount rate to 4.05 percent from 1.84 percent, and updating the medical trend assumptions, mortality tables, decrement timing, claims and contributions for medical plans, and census.

Deferred Inflows and Deferred Outflows At December 31, 2022 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	$ 7,352	$ (5,699)
Changes of assumptions	3,187	(22,168)
Total	$ 10,539	$ (27,867)

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
2023	$	(2,632)
2024		(2,632)
2025		(2,632)
2026		(2,632)
2027		(2,228)
Thereafter		(4,572)
Total	$	(17,328)

Component Unit - Harborview Medical Center (HMC)

OPEB are benefits provided to retired employees (and their spouses) beyond those provided by their pension plans. These programs for employees of the state of Washington are administered by the Washington State Health Care Authority (HCA). Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within the HCA, is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage. Benefits provided by this single-employer defined-benefit OPEB plan include medical, prescription drug, life, dental, vision, disability, and long-term care insurance. Medical, prescription drug, and vision insurance comprise the bulk of the monetary assistance, or subsidies, provided by PEBB OPEB. The Office of the State Actuary determines the total OPEB obligations at the state level using individual state employee data, including age, retirement eligibility, and length of service.

Based on the University's benefit load, apportionment, Harborview incurred and paid $4,036 and $4,019 in fiscal years 2022 and 2021, respectively, related to annual OPEB funding, which is recorded in employee benefits expense in the statements of revenues, expenses, and changes in net position. Because Harborview is not part of the University's financial reporting entity and Harborview does not directly fund the employer contribution to HCA, Harborview does not record an OPEB liability in the statements of net position.

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, 2022 (in thousands):

OPEB liabilities	$	1,226
OPEB assets		—
Deferred outflows of resources		11
Deferred inflows of resources		—
OPEB expense		(244)

CDA recognized $(244) thousand in OPEB expense for the year. There were no changes to the plan benefits in 2022. The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

At June 30, 2022, there were 37 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 30 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 and measurement date of June 30, 2022, using the entry age actuarial cost method. The actuarial assumptions included a discount rate of 2.16 percent and 3.54 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	$ 1,014	$ 1,226	$ 1,502

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	$ 1,462	$ 1,226	$ 1,039

Changes in the Total OPEB Liability CDA's actuarial analysis used a measurement date of June 30, 2022. 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, 2022	$ 1,488
Changes for the Year:	
Service cost	79
Interest	34
Changes of benefit terms	—
Difference between experience data and assumptions	(357)
Changes of assumptions	—
Benefit payments	(18)
Net changes	(262)
Total OPEB liability at December 31, 2022	$ 1,226

Deferred outflows of resources of $11 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, 2023.

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, 2022, is $93.0 million.

Changes in the Insurance Fund's estimated claims liability in 2021 and 2022 (in thousands):

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2021	$ 72,845	$ 63,042	$ (34,880)	$ 101,007
2022	101,007	27,143	(35,119)	93,031

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

The current excess liability insurance limits are $70.0 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, 2022 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 $253.6 million limit with sub-limits of $100.0 million for Flood and $25.0 million for Earthquake coverage.

Risk Management renewed the County's cyber liability insurance for total limits of $30.0 million above a $2.5 million deductible for first party losses and a $1.0 million deductible for third party losses. As of April 2022, this coverage was reduced from $40.0 million. 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.

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

COVERAGE	COVERAGE AMOUNT	DEDUCTIBLE
Excess General Liability	$70 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 / $1 million minimum
	$250 million Flood	Flood - $1 million
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	$254 million	$100 thousand per occurrence
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 per loss
Flood Insurance	scheduled value	$1 - 2.5 thousand per occurrence
Cyber Liability	$30 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 per occurrence

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, 2022, the total claim liability is $73.8 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, 2022, 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 2021 and 2022 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2021	$ 60,265	$ 32,686	$ (24,748)	$ 68,203
2022	68,203	34,097	(28,455)	73,845

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, 2022, is $27.7 million.

The Fund's claims liability is based on historical experience. Changes in the Employee Benefits Program Fund's claims liability in 2021 and 2022 (in thousands) are shown below:

	Beginning of Year Liability	Claims and Changes in Estimates	Claim Payments	End of Year Liability
2021	$ 20,027	$ 282,416	$ (279,163)	$ 23,280
2022	23,280	297,511	(293,129)	27,662

Component Unit - Harborview Medical Center (HMC)

HMC is exposed to risk of loss related to professional automobile and general liability, property loss, and injuries to employees. HMC participates in risk pool and professional liability programs 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 of which statutory self-insurance coverage is first dollar. HMC's annual contribution to the professional liability program is determined by University Finance using information from an annual actuary study conducted by the University administration. 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 $5.8 million in 2022 and $10.3 million in 2021, recorded in 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 other postretirement benefit plans 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 $40.0 million per program

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

County as Lessee

King County has entered into various lease agreements as lessee for equipment, office space, radio towers, railroad tracks and land. Most leases have initial terms of up to 20 years, and may contain one or more renewals at the County's option, generally for three- or five-year periods. The County has included these renewal periods in the lease term when it is reasonably certain that the County will exercise the renewal option. The County's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Certain real estate leases require additional payments for common area maintenance, real estate taxes, and insurance, which are expensed as incurred. The County's lease arrangements do not contain any material residual value guarantees. Assets acquired and liabilities incurred through such agreements for governmental funds and internal service funds are accounted for under governmental activities. Such assets and liabilities related to enterprise funds are accounted for under business-type activities.

The County has several leases with variable payments, or payments that change based upon an economic index like the consumer price index (CPI). For 2022, the total amount paid on such variable payments was $1.6 million. Additionally, the County retired certain leases before their maturity, substantially all of which were furniture, machinery and equipment leases for copy machines. The total outlay for these early retirements was $153 thousand.

Right-to-use assets relating to lease agreement contracts as of December 31, 2022 (in thousands) is as follows:

	Right-to-Use Leased Assets Governmental Activities			
	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022
Right-to-use leased assets:				
Buildings	$ 144,479	$ 57,948	$ (781)	$ 201,646
Leasehold improvements	3,178	—	—	3,178
Land	5,330	—	—	5,330
Furniture, machinery, and equipment	9,885	4,783	(153)	14,515
Total right-to-use leased assets	162,872	62,731	(934)	224,669
Less accumulated amortization:				
Buildings	—	(17,251)	—	(17,251)
Leasehold improvements	—	(200)	—	(200)
Land	—	(292)	—	(292)
Furniture, machinery, and equipment	—	(4,222)	—	(4,222)
Total accumulated amortization	—	(21,965)	—	(21,965)
Total right-to-use leased assets, net:	$ 162,872	$ 40,766	$ (934)	$ 202,704

The County's governmental activities did not enter into any lease contracts that were signed on or before December 31, 2022 for leases that have not yet commenced.

	Right-to-Use Leased Assets Business-type Activities			
	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022
Right-to-use leased assets:				
Buildings	$ 17,736	$ —	$ —	$ 17,736
Leasehold improvements	7,564	—	—	7,564
Land	37,400	—	—	37,400
Equipment	592	195	—	787
Easements	1,505	2,127	—	3,632
Total right-to-use leased assets	64,797	2,322	—	67,119
Less accumulated amortization:				
Buildings	—	(2,185)	—	(2,185)
Leasehold improvements	—	(646)	—	(646)
Land	—	(3,034)	—	(3,034)
Equipment	—	(227)	—	(227)
Easements	—	(1,071)	—	(1,071)
Total accumulated amortization	—	(7,163)	—	(7,163)
Total right-to-use leased assets, net:	$ 64,797	$ (4,841)	$ —	$ 59,956

The County's business-type activities made commitments under contracts that were signed on or before December 31, 2022 for leases that have not yet commenced. The associated lease liabilities of approximately $47 million (not discounted) will appear in future financial reports.

Future payments

Future minimum lease payments under lease agreements and the present value of the net minimum lease payments are shown below as of December 31, 2022 (in thousands):

	Governmental Activities			Business-type Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 24,417	$ 2,636	$ 27,053	$ 6,105	$ 554	$ 6,659
2024	23,664	2,414	26,078	6,086	511	6,597
2025	22,141	2,180	24,321	5,871	465	6,336
2026	21,162	1,960	23,122	5,141	421	5,562
2027	14,867	1,761	16,628	4,451	382	4,833
2028-2032	44,750	6,588	51,338	16,918	1,409	18,327
2033-2037	40,442	2,974	43,416	4,372	851	5,223
2038-2042	7,911	664	8,575	1,727	581	2,308
2043-2047	2,780	187	2,967	2,032	402	2,434
2048-2052	505	23	528	2,503	180	2,683
2053-2057	97	10	107	442	13	455
2058-2062	41	2	43	30	6	36
2063-2067	—	—	—	33	3	36
2068-2072	—	—	—	13	1	14
Total	$ 202,777	$ 21,399	$ 224,176	$ 55,724	$ 5,779	$ 61,503

County as Lessor

The County currently leases some of its property to various tenants under long-term, renewable contracts. In the governmental activities, the County leases land, buildings, radio antenna towers and office space. In the business-type activities, the majority of the leases are at the King County International Airport/Boeing Field to companies and government agencies in the aviation industry. Most of these leases have initial terms ranging from five to 25 years, and contain one or more renewal options, generally for three- to five-year periods. The County has included these renewal options in the lease term when it is reasonably certain that the renewal option will be exercised.

The County has several leases with variable payments that either depend upon the future performance of the lessee, the lessee's usage of the underlying asset, or that depend upon an index or rate like the Consumer Price Index. For 2022, the total amount received under such variable payments was $3.8 million.

The County enters into sublease transactions wherein it leases to others the rights to assets it has itself leased. The largest subleases by value support the county hospital, Harborview Medical Center. Additional contracts pertain to parcels of land where the County has developed radio transmission facilities, space on which it subsequently leases to telecommunication companies.

The County's investment in property under long-term leases and subleases as of December 31, 2022 (in thousands):

	Governmental Activities	Business-type Activities	Total
Lease revenue	$ 5,692	$ 25,533	$ 31,225
Sublease revenue	7,901	—	7,901
Interest revenue	6,073	10,173	16,246
	$ 19,666	$ 35,706	$ 55,372

Minimum future lease receipts on leases based on contract amounts and terms as of December 31, 2022 (in thousands):

	Governmental Activities			Business-type Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2023	$ 7,159	$ 6,504	$ 13,663	$ 17,847	$ 12,294	$ 30,141
2024	7,437	6,165	13,602	17,585	11,459	29,044
2025	7,666	5,776	13,442	17,530	10,567	28,097
2026	8,618	5,395	14,013	15,447	9,754	25,201
2027	8,053	4,972	13,025	15,837	8,999	24,836
2028-2032	45,674	18,460	64,134	65,314	33,322	98,636
2033-2037	42,210	6,501	48,711	32,529	22,521	55,050
2038-2042	573	1,035	1,608	33,909	14,365	48,274
2043-2047	1,019	844	1,863	33,693	5,708	39,401
2048-2052	1,636	525	2,161	6,981	781	7,762
2053-2057	1,255	91	1,346	578	15	593
2058-2062	—	—	—	—	—	—
2063-2067	—	—	—	—	—	—
2068-2072	—	—	—	—	—	—
Total	$ 131,300	$ 56,268	$ 187,568	$ 257,250	$ 129,785	$ 387,035

The County has not issued debt secured by the principal and interest payments on any leases.

Sale-Leaseback Transactions

In 2014 Public Health - Seattle and King County (PHSKC) sold the North Public Health Center located in north Seattle, Washington for redevelopment. PHSKC entered into a lease agreement for space in the redeveloped building in October 2015. The agreement is for 12 years for total of 9,638 square feet of dedicated and shared space.

Discretely Presented Component Units

Component Unit - Harborview Medical Center

Harborview leases various equipment and facilities under noncancelable lease agreements. Existing leases have lease terms through 2024.

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
Right-to-use lease asset				
Buildings	$ 172,112	$ 8,239	$ —	$ 180,351
Equipment	1,307	483	—	1,790
Total right-to-use asset	173,419	8,722	—	182,141
Less accumulated amortization for:				
Buildings	(11,368)	(11,482)	—	(22,850)
Equipment	(1,059)	(375)	—	(1,434)
Total accumulated amortization	(12,427)	(11,857)	—	(24,284)
Total right-to-use asset, net	$ 160,992	$ (3,135)	$ —	$ 157,857

	June 30, 2021	Additions	Deductions	June 30, 2022	Due within one year
Lease liabilities	$ 176,196	$ 522	$ (10,055)	$ 166,663	$ 10,223

The following schedule shows future annual lease payments, for the next five years and in five-year increments thereafter, as of June 30, 2022, for both principal and interest:

Year	Principal	Interest	Total
2023	$ 10,223	$ 4,843	$ 15,066
2024	10,268	4,553	14,821
2025	10,402	4,234	14,636
2026	10,717	3,917	14,634
2027	11,037	3,591	14,628
2028-2032	60,284	12,725	73,009
2033-2037	53,512	4,089	57,601
2038-2042	220	3	223
Total payments	$ 166,663	$ 37,955	$ 204,618

Component Unit - NJB Properties

Project Lease

NJB Properties' Project Lease Agreement with the County qualified as a finance lease under ASC 842 - Accounting for Leases. The composition of the net investment in finance leases as of December 31, 2022 is shown below, as well as the minimum lease rental payments expected to be received for the next five years and in the aggregate (in thousands).

Year	Minimum Lease Payment
2023	$ 764
2024	764
2025	763
2026	766
2027	762
Thereafter	6,883
	$ 10,702

Net Investment in Lease	2021	2022
Minimum lease payments receivable	$ 11,470	$ 10,702
Uncollected income	(4,068)	(3,686)
Net investment in capital lease	$ 7,402	$ 7,016

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 $247.9 million reported as landfill closure and post-closure care liability as of December 31, 2022, 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	88.27%	$ 190,295	$ 48,182	2040
Closed	100%	39,827	—	Closed
Custodial	100%	17,827	—	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, 2022, cash and cash equivalents of $2.9 million were held in the Landfill Post-closure Maintenance Fund. In addition, $46.2 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 2022 do not include potential costs of cleanup that may arise out of the legal issues described in Note 20 - “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, 2022 stands at $54.1 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 $708 thousand at December 31, 2022. 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.

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. In 2022, work on Phase 2 continued including planting and maintaining 3 acres. Parks reported a pollution remediation liability of $2.6 million as of December 31, 2022.

Washington Air National Guard Site Investigation - The Washington Air National Guard (WANG) site is located at 6736 Ellis Avenue South in Seattle, Washington. The WANG site occupies approximately 7.5 acres, adjacent to the northwest boundary of the North Boeing Field Georgetown Steam Plant (NBF/GTSP). The WANG site was developed during World War II by the War Department, and served as an aircraft factory school between 1943 and 1948. During environmental investigations at the site, a dissolved Trichloroethene (TCE) plume was identified in shallow groundwater in the southern portion of the site. In May 2016, the Washington State Department of Ecology (DOE) recommended that King County conduct an investigation to determine if the source of recent increases in TCE concentrations in groundwater monitoring wells at the NBF/GTSP site is from the WANG site. The site investigation work will be conducted in three phases: soil and groundwater data collection, soil and groundwater sampling, and quarterly groundwater monitoring. The Airport reported a pollution remediation liability of $245 thousand; as of December 31, 2022 the site investigation work continues.

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, 2022 to complete the RI work and a feasibility study.

A summary of pollution remediation liabilities at December 31, 2022 is as follows (in thousands):

	Governmental Activities
Pollution remediation	
Due within one year	$ —
Due in more than one year	2,603
Total	$ 2,603

	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	$ 5,708	$ 5,708	$ —	$ 5,708	$ —	$ —
Due in more than one year	50,498	50,498	708	48,351	1,194	245
Total	$ 56,206	$ 56,206	$ 708	$ 54,059	$ 1,194	$ 245

Note 15

Liabilities

Short-term Debt Instruments and Liquidity

At December 31, 2022, 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 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, 2022 are summarized as follows:

CHANGES IN SHORT-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2022
(IN THOUSANDS)

	Balance 01/01/2022	Additions	Reductions	Balance 12/31/2022
Business-type activities				
Commercial paper	$ 155,910	$ 62,275	$ (66,985)	$ 151,200

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. 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 note payable. 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. 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.

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 12/31/2022
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	$ 20,025
2010D LTGO (QECBs) (Taxable) Bonds	12/1/2010	12/1/2025	5.43%	2,825	2,825
2012D LTGO Refunding 2002BOP Lease (HMC) Bonds	11/29/2012	12/1/2031	2.00-5.00%	41,810	23,880
2012E LTGO SE District Court Relocation Bonds (Partial)	12/19/2012	12/1/2027	2.00-5.00%	3,000	1,155
2013B LTGO Refunding 2005 GHP Lease Bonds	12/19/2013	12/1/2026	3.00-5.00%	42,820	17,055
2014B LTGO (Tall Chief Acquisition/SWM) Bonds	6/24/2014	6/1/2034	2.00-5.00%	15,395	9,115
2015B LTGO (Fed Tax-exempt) Bonds	10/13/2015	12/1/2030	2.50-5.00%	27,355	7,995
2015C LTGO Refunding 2007C and 2007D Bonds	10/13/2015	1/1/2028	3.00-5.00%	25,970	16,955
2015E LTGO Refunding 2006A NJB and 2007 KSC Lease Bonds	12/17/2015	12/1/2036	4.00-5.00%	172,320	124,005
2016A LTGO Bond 4Culture Building	3/10/2016	12/1/2030	1.50-5.00%	22,450	16,930
2017B LTGO Bond Various Purpose (Partial)	8/10/2017	6/1/2037	3.00-5.00%	33,325	16,015
2018A LTGO Bond Various Purpose (Partial)	8/8/2018	6/1/2038	5.00%	5,845	3,855
2019HUD LTGO Refg06HUD Section108 Bonds	3/28/2019	8/1/2024	2.55-2.67%	1,437	519
2019A LTGO Refunding 2009B and 2013MM Bonds	3/15/2019	6/1/2029	5.00%	41,420	29,635
2019B LTGO Bond Various Purpose	9/12/2019	7/1/2039	5.00%	62,340	46,925
2019C LTGO Refunding 2009C Bonds	12/19/2019	1/1/2024	5.00%	13,020	6,835
2020A LTGO Various Purpose Bonds (Partial)	11/3/2020	12/1/2050	5.00%	32,090	29,925
2020B LTGO Refunding Bonds (Taxable) (Partial)	11/3/2020	12/1/2034	0.35-2.00%	54,065	52,480
2021A LTGO Various Purpose Bonds (Partial)	6/22/2021	12/1/2051	4.00-5.00%	27,675	26,920
2021B LTGO Refunding 2011, 2011D, 2012A, and 2012B Bonds	12/1/2021	6/30/2029	5.00%	30,410	16,885
2021C LTGO TOD Affordable Housing (Taxable) Bonds	12/1/2021	12/1/2041	0.35-2.73%	466,150	446,090
2022A LTGO and Refunding 2012C Bonds	4/14/2022	7/1/2052	4.00-5.00%	32,605	32,400
Total Payable From Limited Tax GO Redemption Fund				1,177,492	948,424
IB. Limited Tax GO Note Payable					
2022 Notes Payable	5/20/2022	4/20/2027	0.00%	2,000	1,733
Total Limited Tax GO Note Payable				2,000	1,733
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	14,040
2021A UTGO HMC Bonds	11/3/2021	12/31/2041	4.00-5.00%	18,885	18,375
Total Payable From Unlimited Tax GO Bond Redemption Fund				113,495	32,415
TOTAL GOVERNMENTAL ACTIVITIES – LONG-TERM DEBT				1,292,987	982,572

SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 2 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding 12/31/2022
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	$ 10,760
2010B LTGO (BABs) (Transit) Taxable Bonds	12/1/2010	12/1/2030	2.85-6.05%	20,555	11,330
2013 LTGO (Solid Waste) Bonds	2/27/2013	12/1/2040	3.10-5.00%	77,100	39,580
2014C LTGO (Solid Waste) and Refunding (Solid Waste) 2007E Bonds	7/30/2014	12/1/2034	2.00-5.00%	25,515	15,740
2015A LTGO (WQ) Refunding 2009B2 Bonds	2/18/2015	7/1/2038	2.00-5.00%	247,825	108,680
2015B LTGO (FED Tax-Exempt) (Solid Waste) Bonds	10/13/2015	12/1/2025	5.00%	60	25
2015D LTGO (Solid Waste) and Refunding 2007E (Solid Waste) Bonds	11/5/2015	12/1/2040	3.00-5.00%	50,595	38,285
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	27,065
2017B LTGO (Solid Waste) Bond Various Purpose	8/10/2017	6/1/2027	4.00-5.00%	135	80
2018A LTGO (Marine Construction) (Partial)	8/8/2018	6/1/2038	4.00-5.00%	6,330	5,495
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 [(a)]	100,000	100,000
2019B LTGO Multi-Modal (WQ) Refunding 2017 Bonds	6/27/2019	1/1/2046	Variable [(a)]	48,095	48,095
2020A LTGO (Transit) Various Purpose Bonds (Partial)	11/3/2020	12/1/2050	5.00%	21,065	20,490
2020B LTGO (Solid Waste) Refunding Bonds (Taxable) (Partial)	11/3/2020	12/1/2031	0.35-1.70%	19,975	19,285
2021A LTGO Solid Waste Bonds (Taxable) (Partial)	6/22/2021	12/1/2051	4.00-5.00%	24,475	23,660
2021A LTGO (WQ) (Sewer) and Refunding (State Revolving Loans) Bonds	8/10/2021	1/1/2038	2.00-5.00%	239,585	234,975
2021B LTGO (WQ) Refunding (Sewer) Bonds (Taxable)	8/10/2021	7/1/2036	0.14-2.24%	94,510	91,640
2022A LTGO and Refunding 2012C Bonds	4/14/2022	7/1/2023	5.00%	24,375	24,170
Total Limited Tax GO Bonds Payable From Enterprise Funds				1,523,970	1,052,360
IIB. Revenue Bonds Payable from Enterprise Funds					
2013A Sewer Revenue Refunding 2003, 2006, and 2005 Sewer-LTGO Bonds	4/9/2013	1/1/2027	2.00-5.00%	122,895	4,950
2013B Sewer Revenue and Refunding 2004B Bonds	10/29/2013	1/1/2044	2.00-5.00%	74,930	42,260
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	146,455
2015A Sewer Revenue Refunding 2007, 2008, and 2009 Bonds	2/18/2015	7/1/2047	3.00-5.00%	474,025	253,745
2015B Sewer Revenue and Refunding 2006 Bonds	11/17/2015	1/1/2046	4.00-5.00%	93,345	60,040
2016A Sewer Revenue and Refunding 2007, 2008, 2009, 2010 Bonds	2/17/2016	7/1/2041	4.00-5.00%	281,535	257,055
2016B Sewer Revenue and Refunding 2006-2, 2010, 2011A, 2011B, 2011C	10/12/2016	7/1/2049	4.00-5.00%	499,655	436,310
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	111,965
2020A Junior Lien Sewer Revenue Refunding 2001 (Mandatory Put Bonds)	7/14/2020	1/1/2032	Variable[(b)]	100,295	100,295
2020B Junior Lien Sewer Revenue Refunding 2011 (Mandatory Put Bonds)	7/14/2020	1/1/2042	Variable[(b)]	100,295	100,295
2020A Sewer Improvement and Refunding Revenue 2010 Bonds	8/4/2020	1/1/2052	1.625-5.00%	179,530	177,440
2020B Sewer Revenue Refunding 2012B, 2012C, 2013A, and 2016B (Txble)	8/4/2020	1/1/2040	0.27-2.48%	186,745	181,400
2021A Sewer Refunding 2015A Taxable Bonds	8/10/2021	7/1/2047	0.57-2.84%	231,200	225,955
2021A Junior Lien Sewer Revenue Refunding 2017A, 2017B, 2020 (SIFMA Index)	12/1/2021	1/1/2040	Variable[(c)]	140,000	140,000
Total Revenue Bonds Payable from Enterprise Funds				3,025,850	2,431,030

SCHEDULE OF LONG-TERM DEBT

(IN THOUSANDS)

(PAGE 3 OF 3)

	Issue Date	Final Maturity	Interest Rates	Original Issue Amount	Outstanding 12/31/2022
IIC. State Revolving Loans-Direct Borrowings Payable from Enterprise Funds					
2000-2022 WQ State of Washington Revolving Loans	Various	Various	0.50-3.10%	$ 377,948	$ 140,726
2019-2022 Solid Waste State of Washington Revolving Loans	Various	Various	1.66%	3,949	3,593
Total State Revolving Loans-Direct Borrowings Payable from Enterprise Funds				381,897	144,319
TOTAL BUSINESS-TYPE ACTIVITIES – LONG-TERM DEBT				4,931,717	3,627,709
TOTAL LONG-TERM DEBT				$ 6,224,704	$ 4,610,281

(a) 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.

(b) 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.

(c) 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

	General Obligation Bonds		General Obligation Note Payable		Total Governmental Activities	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 90,395	$ 31,662	$ 400	$ —	$ 90,795	$ 31,662
2024	76,369	28,437	400	—	76,769	28,437
2025	73,525	25,661	400	—	73,925	25,661
2026	63,915	22,928	400	—	64,315	22,928
2027	61,750	20,652	133	—	61,883	20,652
2028-2032	273,750	74,875	—	—	273,750	74,875
2033-2037	192,895	40,544	—	—	192,895	40,544
2038-2042	133,835	13,370	—	—	133,835	13,370
2043-2047	7,715	2,548	—	—	7,715	2,548
2048-2052	6,690	701	—	—	6,690	701
2053-2055	—	—	—	—	—	—
TOTAL	$ 980,839	$ 261,378	$ 1,733	$ —	$ 982,572	$ 261,378

BUSINESS-TYPE ACTIVITIES

	General Obligation Bonds		State Revolving Loans-Direct Borrowings		Revenue Bonds		Total Business-type Activities	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	$ 53,155	$ 44,900	$ 5,365	$ 2,919	$ 66,290	$ 85,393	$ 124,810	$ 133,212
2024	44,200	42,791	5,967	2,832	66,290	83,250	116,457	128,873
2025	54,285	40,657	4,154	2,749	60,060	80,933	118,499	124,339
2026	64,305	38,042	6,072	2,663	61,065	78,916	131,442	119,621
2027	64,425	35,360	5,252	2,564	70,460	76,748	140,137	114,672
2028-2032	336,095	133,591	25,637	11,373	495,655	340,314	857,387	485,278
2033-2037	214,930	74,657	26,618	8,841	495,620	256,886	737,168	340,384
2038-2042	63,980	45,961	19,553	6,389	680,315	157,637	763,848	209,987
2043-2047	153,240	33,721	19,563	4,271	353,120	58,317	525,923	96,309
2048-2052	3,745	381	21,911	1,906	82,155	7,246	107,811	9,533
2053-2055	—	—	4,227	123	—	—	4,227	123
TOTAL	$ 1,052,360	$ 490,061	$ 144,319	$ 46,630	$ 2,431,030	$ 1,225,640	$ 3,627,709	$ 1,762,331

DEBT SERVICE REQUIREMENTS TO MATURITY

	Primary Government	
Year	Principal	Interest
2023	$ 215,605	$ 164,874
2024	193,226	157,310
2025	192,424	150,000
2026	195,757	142,549
2027	202,020	135,324
2028-2032	1,131,137	560,153
2033-2037	930,063	380,928
2038-2042	897,683	223,357
2043-2047	533,638	98,857
2048-2052	114,501	10,234
2053-2055	4,227	123
TOTAL	$ 4,610,281	$ 2,023,709

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, 2022 is as follows (in thousands):

SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

	Balance 01/01/2022	Additions	Reductions	Balance 12/31/2022	Due Within One Year
Governmental Activities:					
General Obligation bonds payable:					
General Obligation (GO) bonds	$ 1,065,159	$ 32,605	$ (116,925)	$ 980,839	$ 90,395
Unamortized bonds premium and discount	58,915	3,328	(10,625)	51,618	—
Total bonds payable	1,124,074	35,933	(127,550)	1,032,457	90,395
Other liabilities:					
General obligation notes payable	—	2,000	(267)	1,733	400
Leases payable [(a)]	162,872	62,731	(22,826)	202,777	25,196
Compensated absences liability	132,745	131,295	(127,580)	136,460	7,990
Net pension liability	58,409	165,747	(95,260)	128,896	—
Other postemployment benefits	89,011	12,513	(32,463)	69,061	4,722
Pollution remediation	2,929	—	(326)	2,603	—
Asset retirement obligation	3,500	256	—	3,756	—
Estimated claims settlements and other liabilities	192,490	348,805	(346,757)	194,538	78,615
Total other liabilities	641,956	723,347	(625,479)	739,824	116,923
Total Governmental activities long-term liabilities	$ 1,766,030	$ 759,280	$ (753,029)	$ 1,772,281	$ 207,318
Business-type Activities:					
Bonds payable:					
General Obligation (GO) bonds	$ 1,122,575	$ 24,375	$ (94,590)	$ 1,052,360	$ 53,155
Revenue bonds	2,540,960	—	(109,930)	2,431,030	66,290
Unamortized bonds premium and discount	304,669	4,222	(36,070)	272,821	—
Total bonds payable	3,968,204	28,597	(240,590)	3,756,211	119,445
Other liabilities:					
State revolving loans-Direct Borrowings	104,183	45,656	(5,520)	144,319	5,365
Leases payable [(a)]	60,725	2,322	(7,323)	55,724	5,287
Compensated absences liability	76,041	104,845	(104,673)	76,213	14,131
Net pension liability	47,085	80,322	(25,770)	101,637	—
Other postemployment benefits	17,477	8,436	(2,816)	23,097	1,580
Landfill closure and post-closure care liability	242,368	22,396	(16,815)	247,949	10,722
Pollution remediation	57,449	4,096	(5,339)	56,206	5,708
Asset retirement obligation	5,930	5,955	—	11,885	—
Customer deposits and other liability	80,416	3	(182)	80,237	220
Total other liabilities	691,674	274,031	(168,438)	797,267	43,013
Total Business-type activities long-term liabilities	$ 4,659,878	$ 302,628	$ (409,028)	$ 4,553,478	$ 162,458

Governmental activities estimated claims settlements of $194.5 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.

(a) Due to the implementation of GASB Statement No. 87 Leases, capital leases has been renamed to leases payable and the beginning balance has been restated.

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, 2022 the County had authorized $3.6 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	$ —	$ —	$ 98,800	$ —	$ 98,800
Loans	—	—	255,900	500	256,400
General Obligation bonds	2,121,600	—	905,000	223,500	3,250,100
Total	$ 2,121,600	$ —	$ 1,259,700	$ 224,000	$ 3,605,300

Unused Lines of Credit

The County has no unused lines of credit at December 31, 2022.

Computation of Legal Debt Margin

Under Washington State law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2.5 percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1.5 percent of assessed value of property within the County for general county purposes and 0.75 percent for metropolitan functions (Wastewater Treatment and Public Transportation), but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1.5 percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2.5 percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the $1.80 per $1,000 of assessed value operating levy.

The legal debt margin computation for the year ended December 31, 2022 (in thousands):

2022 ASSESSED VALUE (2023 TAX YEAR)	$ 879,895,419	
Debt limit of limited tax general obligations for metropolitan functions		
0.75 % of assessed value		$ 6,599,216
Less: Net limited tax general obligation indebtedness for metropolitan functions		(1,077,948)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 5,521,268
Debt limit of limited tax general obligations for general county purposes and metropolitan functions		
1.5 % of assessed value		$ 13,198,431
Less: Net limited tax general obligation indebtedness for general county purposes	$ (397,353)	
Net limited tax general obligation indebtedness for metropolitan functions	(1,077,948)	
Total net limited tax general obligation indebtedness for general county purposes and metropolitan functions		(1,475,301)
LIMITED TAX GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS		$ 11,723,130
Debt limit of total general obligations for metropolitan functions		
2.5% of assessed value		$ 21,997,385
Less: Net total general obligation indebtedness for metropolitan functions		(1,077,948)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS		$ 20,919,437
Debt limit of total general obligations for general county purposes		
2.5 % of assessed value		$ 21,997,385
Less: Net unlimited tax general obligation indebtedness for general county purposes	$ (30,939)	
Net limited tax general obligation indebtedness for general county purposes	(397,353)	
Total net general obligation indebtedness for general county purposes		(428,292)
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES		$ 21,569,093

Refunding and Defeasing General Obligation Bond Issues - 2022

Limited Tax General Obligation Refunding Bonds, 2022 Series A - On April 14, 2022, the County issued $15.8 million in limited tax general obligation refunding bonds, 2022 Series A with an effective interest cost of 2.03 percent to current refund $16.4 million of outstanding limited tax general obligation bonds 2012 Series C. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $397 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2025, using the outstanding principal balance method. This current refunding was undertaken to reduce total debt service payments by $447 thousand over the life of the new bonds, resulting in an economic gain (difference between the present values of the old and new debt service payments) of $577 thousand.

Limited Tax General Obligation Refunding Bonds, 2022 Series A - On April 14, 2022, the County issued $24.4 million in limited tax general obligation refunding bonds, 2022 Series A with an effective interest cost of 2.39 percent to current refund $27.9 million of outstanding limited tax general obligation bonds, 2012 public transportation sales tax 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 $711 thousand. This amount, reported in the statement of net position, is being charged to operations through fiscal year 2034, using the outstanding principal balance method. This current refunding was undertaken to reduce total debt service payments by $1.9 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 $1.7 million.

Refunding Sewer Revenue Bond Issues - 2022

2022 Commercial Paper to Refund Sewer Revenue Bonds

On June 13, 2022, the County issued $8.2 million in commercial paper notes to refund $8.2 million of Sewer Revenue and Refunding Bonds, Series 2012C, to reduce future debt service. Proceeds from this issuance were held in a bond redemption account until their payment date of July 1, 2022.

On December 2, 2022, the County issued commercial paper note to purchase State and Local Government Securities for the refunding of $22.7 million of Sewer Revenue Refunding Bonds, Series 2013A. A total of $23.2 million was placed in escrow to redeem the bonds at their earliest redemption dates. Funding for the interest portion of escrow came from operations. The most significant portion of this transaction’s cost savings comes from replacing the majority 5.0 percent coupon issuance with lower interest commercial paper.

Prior Year Refunded and Defeasance of Debt

As of December 31, 2022, King County has nine refunded and defeased bond issues outstanding, consisting of four limited tax general obligation bonds ($168.2 million) and five sewer revenue bonds ($362.3 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 2022, 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, 2022 (in thousands):

Governmental Activities
$ 3,756

Business-type Activities	Total Enterprise Funds	Major Funds: Public Transportation	Major Funds: Water Quality	Major Funds: Solid Waste	Nonmajor Enterprise Funds
$ 11,885	$ 11,885	$ 9,300	$ 1,485	$ 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 12/31/2022
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	7,320
Total Bonds Payable				$ 189,720	$ 7,325

Year	Principal
2023	$ 360
2024	380
2025	400
2026	425
2027	445
Thereafter	5,315
Total	$ 7,325

Note 16

Interfund Balances and Transfers

Interfund Balances

Due from/to other funds and interfund short-term loans receivable and payable (in thousands)

Receivable Fund	Payable Fund	Amount
General Fund	Public Health	$ 131
	Nonmajor Governmental Funds	5,659
	Internal Service Funds	1,004
Behavioral Health Fund	General Fund	1,508
	Nonmajor Governmental Funds	2,075
Housing and Community Development Fund	General Fund	386
	Nonmajor Governmental Funds	4,326
Public Health	Nonmajor Governmental Funds	2,797
Nonmajor Governmental Funds	General Fund	2,191
	Behavioral Health Fund	166
	Public Health	19,957
	Nonmajor Governmental Funds	53,285
	Water Quality Enterprise	52
	Internal Service Funds	816
Public Transportation Enterprise	General Fund	3,163
	Nonmajor Governmental Funds	7,683
Water Quality Enterprise	General Fund	3,035
	Nonmajor Governmental Funds	2,489
	Internal Service Funds	560
Solid Waste Enterprise	General Fund	273
	Nonmajor Governmental Funds	1,519
	Internal Service Funds	224
Nonmajor Enterprise Funds	General Fund	660
	Nonmajor Governmental Funds	135
Internal Service Funds	General Fund	17
	Nonmajor Governmental Funds	71,977
	Internal Service Funds	1,647
Total interfund balances		$ 187,735

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	$ 12,077
Total advances from/to other funds		$ 12,077

All of these advances consisted of loans made for the purpose of cash flow. None of the advances are scheduled to be repaid in 2023.

Interfund Transfers

Transfers in and transfers out (in thousands)

Transfers Out	Transfers In	Amount
General Fund	Behavioral Health Fund	$ 2,238
	Housing and Community Development	1,321
	Public Health	36,753
	Nonmajor Governmental Funds	75,281
	Internal Service Funds	1,740
Behavioral Health Fund	General Fund	8,809
	Housing and Community Development	110
	Nonmajor Governmental Funds	13,381
Housing and Community Development	Behavioral Health Fund	629
	Nonmajor Governmental Funds	738
	Internal Service Funds	3,958
Public Health	Nonmajor Governmental Funds	1,475
Nonmajor Governmental Funds	General Fund	15,914
	Behavioral Health Fund	20,710
	Housing and Community Development	32,932
	Public Health	59,725
	Nonmajor Governmental Funds	261,010
	Water Quality Enterprise	250
	Internal Service Funds	1,040
Public Transportation Enterprise	General Fund	500
	Housing and Community Development	81
	Nonmajor Governmental Funds	4,072
Water Quality Enterprise	Nonmajor Governmental Funds	1,158
Solid Waste Enterprise	Nonmajor Governmental Funds	1,151
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	1,166
Internal Service Funds	Nonmajor Governmental Funds	23,081
	Internal Service Funds	684
Total interfund transfers		$ 569,907

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 2022, the primary government received $14.3 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 2022, the King County primary government transferred $2.0 million to the CDA. The CDA spent net $1.2 million 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 $12.2 million revenue transfer in support of the Building 4Equity program and $289 thousand payment to the CDA for mission-related purposes. The CDA made a $1.7 million repayment to King County for the Building 4 Equity loan.

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 $53 thousand in 2022.

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 2022 for the associated cost of the occupied space.

Note 18

Components of Net Position and 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, 2022, was as follows:

	Governmental Activities	Component Units
Net position restricted for other purposes:		
General government	$ 21,675	$ —
Law, safety and justice	181,456	—
Physical environment	423	—
Transportation	24,384	—
Economic environment	98,812	—
Health and human services - nonexpendable	—	3,519
Culture and recreation - expendable	15,452	8,735
Total net position restricted for other purposes	$ 342,202	$ 12,254

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, 2022, it had a committed fund balance of $24.1 million.

As of December 31, 2022, King County's governmental funds reported combined fund balance of $2,003.8 million. Of this amount, $214.4 million constitutes unassigned fund balance. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form, $368.3 million; (2) restricted for particular purposes, $1,350.6 million; (3) committed for particular purposes, $43.0 million; or (4) assigned for particular purposes, $27.5 million.

A summary of governmental fund balances at December 31, 2022 is as follows (in thousands):

	General Fund	Behavioral Health Fund	Housing and Community Development Fund	Public Health Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Nonspendable - Inventory						
Emergency Medical Services	$ —	$ —	$ —	$ —	$ 147	$ 147
Public Health	—	—	—	478	—	478
Nonspendable - Long-term Notes Receivable						
Housing and Community Development	—	—	340,858	—	—	340,858
Nonspendable - Prepaid Expenses						
Arts and Cultural Development	—	—	—	—	17,122	17,122
Building Repair and Replacement	—	—	—	—	1,133	1,133
County Road Operating	—	—	—	—	87	87
Emergency Medical Services	—	—	—	—	57	57
Enhanced 911 Emergency Telephone System	—	—	—	—	2	2
General Fund	725	—	—	—	—	725
Information and Telecommunication Capital	—	—	—	—	1,936	1,936
Long Term Leases	—	—	—	—	2,933	2,933
Noxious Weed Control	—	—	—	—	23	23
Parks Capital Projects	—	—	—	—	2,713	2,713
Public Health	—	—	—	58	—	58
Surface Water Program	—	—	—	—	15	15
Total Nonspendable Fund Balance	725	—	340,858	536	26,168	368,287
Restricted for:						
Animal Services	—	—	—	—	3,184	3,184
Arts and Cultural Development	—	—	—	—	7,970	7,970
Automated Fingerprint Identification System	—	—	—	—	32,753	32,753
Behavioral Health	—	108,768	—	—	—	108,768
Best Starts For Kids Levy	—	—	—	—	42,878	42,878
Community Services Operating	—	—	—	—	1,737	1,737
Conservation Futures	—	—	—	—	29,480	29,480
County Road Operating	—	—	—	—	22,286	22,286
Crime Victim Compensation Program	368	—	—	—	—	368
Deferred Compensation Admin	461	—	—	—	—	461
Department of Local Services Administration	—	—	—	—	648	648
Developmental Disabilities	—	—	—	—	7,854	7,854
Dispute Resolution	21	—	—	—	—	21
Drug Enforcement	1,309	—	—	—	—	1,309
Emergency Medical Services	—	—	—	—	92,682	92,682
Employment and Education Resources	—	—	—	—	1,202	1,202
Enhanced 911 Emergency Telephone System	—	—	—	—	58,553	58,553
Environmental Health	—	—	—	—	11,646	11,646
Flood Control District	—	—	—	—	35,098	35,098
Grants Fund	—	—	—	—	2,789	2,789
Harborview Health and Safety	—	—	—	—	16,779	16,779
Health	3,049	—	—	—	—	3,049
Health Through Housing	—	—	—	—	85,295	85,295
Historical Preservation	—	—	—	—	334	334
Housing and Community Development	—	—	213,909	—	—	213,909
KCIT Capital Projects	—	—	—	—	5,985	5,985
Law Library	—	—	—	—	897	897
Local Hazardous Waste	—	—	—	—	17,739	17,739
Lodging Tax	—	—	—	—	28,386	28,386
Major Maintenance	—	—	—	—	16,441	16,441
Mental Illness and Drug Dependency	—	—	—	—	57,330	57,330
Noxious Weed Control	—	—	—	—	1,452	1,452
Parks Capital Projects	—	—	—	—	154,805	154,805
Parks Operating Levy	—	—	—	—	21,933	21,933

A summary of governmental fund balances at December 31, 2022 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:						
Permitting and Abatement	—	—	—	—	187	187
Public Health	—	—	—	66,487	—	66,487
Puget Sound Emergency Radio Network	—	—	—	—	8,688	8,688
Puget Sound Taxpayer Accountability	—	—	—	—	8,500	8,500
Real Estate Excise Tax Capital	—	—	—	—	55,808	55,808
Real Property Title Assurance	25	—	—	—	—	25
Recorder's Operations and Maintenance	—	—	—	—	3,550	3,550
Road Improvement Districts	—	—	—	—	18	18
Roads Capital Program	—	—	—	—	43,336	43,336
Surface Water Program	—	—	—	—	38,453	38,453
Treasurer's Operations and Maintenance	—	—	—	—	808	808
Unlimited GO Bond Redemption	—	—	—	—	1,189	1,189
Veterans' Relief	—	—	—	—	1,186	1,186
Veterans, Seniors and Human Services	—	—	—	—	29,560	29,560
Youth Amateur Sports	—	—	—	—	6,699	6,699
Youth Services Facilities	—	—	—	—	69	69
Total Restricted Fund Balance	5,233	108,768	213,909	66,487	956,187	1,350,584
Committed for:						
Antiprofiteering Program	70	—	—	—	—	70
Dept of Natural Resources and Parks Admin	—	—	—	—	849	849
Housing and Community Development	—	—	539	—	—	539
Rainy Day Reserve	24,124	—	—	—	—	24,124
School District Impact Fees	—	—	—	—	75	75
Transfer of Developer Credit	—	—	—	—	13,748	13,748
Wheelchair Access	2,432	—	—	—	—	2,432
Youth Amateur Sports	—	—	—	—	1,174	1,174
Total Committed Fund Balance	26,626	—	539	—	15,846	43,011
Assigned for:						
Behavioral Health	—	5,211	—	—	—	5,211
Enhanced 911 Emergency Telephone System	—	—	—	—	122	122
Housing and Community Development	—	—	1,400	—	—	1,400
IT Services Capital	—	—	—	—	7,999	7,999
Inmate Welfare	1,009	—	—	—	—	1,009
Limited GO Bond Redemption	—	—	—	—	7,530	7,530
Public Health	—	—	—	4,232	—	4,232
Total Assigned Fund Balance	1,009	5,211	1,400	4,232	15,651	27,503
Unassigned for:						
Arts and Cultural Development	—	—	—	—	(18,690)	(18,690)
Building Repair and Replacement	—	—	—	—	(19,708)	(19,708)
Dept of Community and Human Services Admin	—	—	—	—	(3,084)	(3,084)
Dept of Local Services Capital	—	—	—	—	(102)	(102)
General Fund	282,768	—	—	—	—	282,768
KCIT Capital Projects	—	—	—	—	(18,484)	(18,484)
King County Flood Control Contract	—	—	—	—	(964)	(964)
Long-Term Leases	—	—	—	—	(7,213)	(7,213)
Open Space Acquisitions	—	—	—	—	(65)	(65)
Total Unassigned Fund Balance	282,768	—	—	—	(68,310)	214,458
Total Fund Balance	$ 316,361	$ 113,979	$ 556,706	$ 71,255	$ 945,542	$ 2,003,843

Restatements of Beginning Balances

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

GOVERNMENTAL ACTIVITIES

Changes in Fund Balance	Total Governmental Funds	Major Funds: General Fund	Major Funds: Behavioral Health	Major Funds: Housing and Community Development	Major Funds: Public Health	Nonmajor Governmental Funds
Fund balance - January 1, 2022	1,847,035	$ 261,360	$ 37,579	$ 589,102	$ 38,718	$ 920,276
Election costs correction	1,387	—	—	—	—	1,387
Flood revenue correction	238	—	—	—	—	238
CSLFRF revenue corrections	(1,562)	—	—	—	(848)	(714)
FEMA revenue corrections	(1,070)	—	—	—	—	(1,070)
Fund balance - January 1, 2022 (Restated)	$ 1,846,028	$ 261,360	$ 37,579	$ 589,102	$ 37,870	$ 920,117

Changes in Net Position	Total Governmental Activities	Internal Service Funds
Net position - January 1, 2022	$ 4,716,021	$ 245,567
Election costs correction	1,387	—
Flood revenue correction	238	—
CSLFRF revenue corrections	(1,637)	(75)
FEMA revenue corrections	(2,297)	(1,227)
Net position - January 1, 2022 (Restated)	$ 4,713,712	$ 244,265

Governmental Activities

In 2021 the Public Health fund recognized Coronavirus State and Local Fiscal Recovery funds (CSLFRF) grant revenue in error totaling $848 thousand.

The Harborview Health and Safety fund recognized reimbursement for election costs of $1,387 thousand for 2021 in 2022.

The KC Flood Control Contract fund failed to accrue Flood Control District revenue totaling $238 thousand in 2021.

The Environmental Health fund recognized CSLFRF grant revenue in error totaling $243 thousand in 2021.

The Grants fund distributed CSLFRF funding received in advance in error totaling $1,166 thousand in 2021.

The Long-term Leases fund recognized CSLFRF grant revenue in error totaling $1,443 thousand in 2021.

The Building Repair and Replacement fund recognized CSLFRF and FEMA grants in error in 2021 totaling $194 thousand and $1,070 thousand, respectively.

The Facilities Management Division fund recognized CSLFRF and FEMA grants in error in 2021 totaling $75 thousand and $1,227 thousand, respectively.

Coronavirus State and Local Fiscal Recovery funds grant revenues were recognized in error in 2021 in the governmental activities totaling $1,637 thousand.

Federal Emergency Management Agency (FEMA) grant revenues were recognized in error in 2021 in the governmental activities totaling $2,297 thousand.

COMPONENT UNITS

Changes in Net Position	**Total Component Units**	**Harborview Medical Center**	**Cultural Development Authority**	**NJB Properties**
Net position - January 1, 2022	$ 742,351	$ 737,110	$ 4,629	$ 612
Updated CDA statements after publication	10	—	10	—
GASB Statement No. 87 implementation	(1,519)	(1,519)	—	—
Net position - January 1, 2022 (Restated)	$ 740,842	$ 735,591	$ 4,639	$ 612

Component Units

Harborview Medical Center (HMC) adopted GASB Statement No. 87, Leases, resulting in the restatement of 2021 net position by $1.5 million.

Cultural Development Authority (CDA) published audited 2021 financial statements after the County released its 2021 financial statements resulting in a decrease in payables of $10 thousand increasing its net position by $10 thousand.

Restricted Net Position

Component Unit - Harborview Medical Center (HMC)

Restricted expendable net position - $10.1 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 $3.5 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 - $8.7 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

Telecommunication Services

The County's Institutional Network (I-Net) Enterprise fund develops and operates a fiber-optic network that connects over 300 public facilities across King County. I-Net provides broadband Internet connectivity, allowing data, voice, and video communications for various public, education, and government agencies, including schools, libraries, and cities in King County. Below are disclosed the fund's revenues and expenses by their major categories and the fund's net capital investment in telecommunication services (reported in thousands).

Telecommunication Services	**2022**
Operating Revenue	
Retail Telecommunication Services for Internal and External Agencies	$ 3,370
Other (Public, Educational, and Governmental Access Cable TV Fees)	321
Total Operating Revenue	$ 3,691
Operating Expenses	
Administration and General	$ 1,970
Network Operations	372
Repair and Maintenance	11
Interconnection Access	115
Total Operating Expenses	$ 2,468
Nonoperating Revenue (Expenses)	
Interest Earnings	$ (58)
Total Nonoperating Revenue (Expenses)	$ (58)
Capital Investment	
Current	$ 30
Cumulative Since Beginning Telecommunication Services	23,074
Total Capital Investment	$ 23,104

Capital Investment is reported at historical cost for in-service assets.

Note 20

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 $1.3 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. On April 20, 2023, EPA issued a Proposed Plan which proposes an interim cleanup remedy for the site.

Lower Duwamish Waterway - The EPA issued an administrative order that required King County, City of Seattle, Boeing, and the Port of Seattle to conduct studies to determine the nature and extent of contamination in the Lower Duwamish Waterway. The County and the other three parties have agreed with EPA to amend the administrative order 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. The 2014 ROD estimated total cleanup costs of $342.0 million in 2011 dollars for the Lower Duwamish Waterway. As of 2023, due to inflation and other factors, the current estimate of the cleanup costs is on the order of $700.0 million to $750.0 million. The Final Allocation has been issued identifying party shares, with sufficient parties having accepted their allocated shares for the process to be a success and move toward final settlements. The Port of Seattle, however, withdrew from the Allocation process and sued The Boeing Company, seeking to have Boeing pay more and it pay less in site costs. In addition, in January of 2023, EPA issued Special Notice Letters to the Port, County, City, Boeing and certain United States agencies inviting consent decree negotiations for performance of final cleanup, and the County is involved in consent decree negotiations with EPA and other parties now. After attempts at settlement with the Port by Boeing, the City and County failed, the Port voluntarily withdrew its lawsuit in May of 2023, leaving its intent toward cleanup unclear. Because additional process is still involved to negotiate final settlements among participants, that a settlement must also be reached with the United States (as a non-participant potentially responsible party), and the consent decree has not yet been fully negotiated with EPA, the County is unable to determine the schedule or cost of any required remediation. The County has indicated willingness to be a Performing Party in conjunction with the City and Boeing under the Consent Decree, if satisfactory terms are agreed to and if settlements with other parties are achieved. The County expects to utilize funds from cash out parties but otherwise will be required to pay its performing party share (approximately 15 percent) of the Lower Duwamish cleanup costs, which will be primarily allocated to the Drainage and Wastewater System, over the approximately 10-year cleanup period.

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.

Suquamish Tribe 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. In March 2021 the Tribe submitted a Supplemental NOI for additional County discharges. The Parties approved a settlement agreement, whereby the County agreed 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. The Settlement Agreement also requires the County to complete power supply and voltage sag mitigation projects and replace the four existing raw sewage pumps at the West Point Treatment Plant. The County previously identified projects to address these issues and work is underway. The Settlement Agreement requires the Tribe to waive its right to sue the County through December 31, 2026, for any alleged violation of the Clean Water Act or any other potential cause of action related to any alleged unauthorized wastewater discharge or alleged permit violation.

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 sought approximately $22.0 million in additional compensation for claims including pervasive design impacts, 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. By way of the contractually required Alternative Dispute Resolution process, the County and the contractor reached a settlement in April 2023 for $9.0 million.

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 $46.8 million ultimately paid. The contractor sought $8.9 million in additional compensation for claims including work to address ongoing vibration issues and mechanical failures in the installed pumps. By way of the contractually required Alternative Dispute Resolution process, the County and the contractor reached a settlement in September 2022 for $5.8 million.

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 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 DOE 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. In August 2022, the PSNGP appeal case was placed on hold by the PCHB pending resolution of the Washington Court of Appeals case. That Court of Appeals case was brought by other public wastewater utilities prior to the issuance of the PSNGP and it involves a somewhat related issue. Oral argument in the Court of Appeals case has been set for June 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. In April 2022, the County initiated the dispute resolution process with BEW as the recent testing showed that the County cannot accept the BEW condensate under its wastewater permit. The parties have had many discussions but have not reached agreement. BEW has now filed suit alleging breach of contract and seeking a declaratory judgment that the County should be responsible for all the BEW condensate. BEW seeks due to the quality of the BEW condensate as the County cannot accept the condensate under its wastewater permit. BEW seeks in excess of $10.0 million in past damages for lost revenue plus and additional $300 thousand in damages per month; and specific performance of certain landfill gas improvements and for the County to management of the condensate. BEW also seeks a 50 percent reduction in its payments due the County until the County completes all of the landfill gas improvements. The County intends to vigorously defend against these claims.

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 February 2023, the County has distributed approximately $368.0 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 February 2023, the County has identified 182 suspected cases, representing approximately $8.2 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.

Financial Guarantees

King County has extended nonexchange financial guarantees in the form of contingent loan agreements with the King County Housing Authority (KCHA), a related organization to the County, and other owners/developers of affordable housing. The County will provide credit support, such as assumption of monthly payments, for certain bonds and lines of credit issued by these agencies in the event of financial distress. Any guarantee payments made become liabilities of the guaranteed contract holders to be paid back after regaining financial stability. The County's credit enhancement program, managed by the Department of Community and Human Services, allows up to $400.0 million in total commitment. At the end of 2022, there are 14 contingent loan agreements outstanding totaling $281.2 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, 2022 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 ongoing cleanup investigative studies by the tenant and subtenant at December 31, 2022, 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 2022. 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 21

Subsequent Events

Long-Term Debt Issuances in 2023

In April 2023 the County issued $75.0 million in Limited Tax General Obligation and Refunding Bonds, Series 2023A. Proceeds will be used to refund series LTGO 2012D and series LTGO 2013 bonds at more favorable interest rates, and to finance new projects in land acquisition, solid waste landfill and transfer station, case management projects and information technology.

Short-Term Debt Issuances in 2023

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.

Information about transactions that occurred in 2023 may be found on the County's bondholder website: www.kingcountybonds.com.

Public Health Litigation Settlements

The County is party to the National Opioid Abatement Trust II, which was established for the benefit of Mallinckrodt PLC's public creditors. The County received the first distribution payment in February 2023 in the amount of $0.6 million. The number and amount of future payments has not yet been determined by the Trustee, but the County estimates its total recoveries under the litigation at $4.2 million.

In April 2023, JUUL Labs, Inc. settled *King County v. JUUL Labs Inc, 2:19-cv-01664, (W.D. Wash.)* for $23.8 million, minus attorneys' fees and other costs. The County could be eligible for up to an additional $1.8 million as part of a bonus settlement agreement.

Required Supplementary Information

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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, 2022
(In Thousands)
(Page 1 of 2)

2021-2022 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property taxes	$ 778,599	$ 782,050	$ 789,746	$ 7,696
Retail sales and use taxes	288,958	339,442	369,103	29,661
Business and other taxes	7,070	7,070	8,380	1,310
Licenses and permits	15,988	15,488	12,096	(3,392)
Intergovernmental revenues	51,138	270,912	252,883	(18,029)
Charges for services	569,179	569,500	586,602	17,102
Fines and forfeits	54,631	54,406	57,548	3,142
Interest earnings	13,250	12,450	14,912	2,462
Miscellaneous revenues	61,374	60,462	50,669	(9,793)
Sale of capital assets	—	—	333	333
Transfers in	37,328	38,793	44,383	5,590
Total revenues	1,877,515	2,150,573	2,186,655	36,082
EXPENDITURES				
Current:				
General government	437,321	556,585	346,495	210,090
Law, safety and justice	1,289,040	1,421,908	1,421,033	875
Physical environment	—	—	384	(384)
Economic environment	753	33,753	9,853	23,900
Health and human services	14,033	16,341	61,931	(45,590)
Debt service:				
Principal	68	68	—	68
Interest and other debt service costs	4,407	4,407	166	4,241
Capital outlay	1,335	2,014	1,238	776
Transfers out	173,571	237,329	214,664	22,665
Total expenditures	1,920,528	2,272,405	2,055,764	216,641
Excess (deficiency) of revenues over (under) expenditures	$ (43,013)	$ (121,832)	130,891	$ 252,723
Adjustment from budgetary basis to GAAP basis[(a)]			(15,488)	
Net change in fund balance			115,403	
Fund balance - Beginning balance (Restated)			200,958	
Fund balance - Ending balance			$ 316,361	

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, 2022
(In Thousands)
(Page 2 of 2)

	2021	2022	2021-2022
[a]Elements of adjustment from budgetary basis to GAAP basis:			
Adjustments to revenues:			
Basis of accounting differences:			
Property taxes collected within 60-day availability period	$ (48)	$ (1,599)	$ (1,647)
GASB Statement No. 31 unrealized losses	(5,954)	(10,987)	(16,941)
GASB Statement No. 87 lease interest	—	1,391	1,391
GASB Statement No. 87 lease proceeds	—	6,226	6,226
Total basis of accounting differences	(6,002)	(4,969)	(10,971)
Perspective differences:			
Intrafund eliminations	(305)	(909)	(1,214)
Total perspective differences	(305)	(909)	(1,214)
Total adjustments to revenues	(6,307)	(5,878)	(12,185)
Adjustments to expenditures:			
Basis of accounting differences:			
Accrued labor for a union agreement to be paid in 2022	2,855	(2,855)	—
GASB Statement No. 87 lease expenditure	—	6,226	6,226
Total basis of accounting differences		3,371	6,226
Perspective differences:			
Intrafund eliminations	(3,055)	(2,502)	(5,557)
Total perspective differences	(3,055)	(2,502)	(5,557)
Total adjustments to expenditures	(200)	869	669
Rollup funds to General Fund:			
KC Employee Deferred Compensation Admin Fund	266	153	419
Rainy Day Reserve Fund	(4,426)	1,808	(2,618)
Parking Facilities	(68)	(367)	(435)
Total rollup funds to General Fund	(4,228)	1,594	(2,634)
Adjustment from budgetary basis to GAAP basis	$ (10,335)	$ (5,153)	$ (15,488)

Behavioral Health Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2022

(In Thousands)

2021-2022 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property taxes	$ 7,345	$ 7,345	$ 7,430	$ 85
Retail sales and use taxes	8,640	8,640	—	(8,640)
Business and other taxes	—	—	37	37
Intergovernmental revenues	28,407	80,313	59,602	(20,711)
Charges for services	512,268	601,853	667,774	65,921
Interest earnings	258	258	1,016	758
Miscellaneous revenues	1,629	1,630	5,266	3,636
Sale of capital assets	—	—	3	3
Transfers in	17,211	20,508	42,679	22,171
Total revenues	575,758	720,547	783,807	63,260
EXPENDITURES				
Current:				
General government	—	—	21,929	(21,929)
Health and human services	536,330	675,914	578,219	97,695
Debt service:				
Interest and other debt service costs	—	—	3	(3)
Capital outlay	—	3,800	—	3,800
Transfers out	28,317	34,317	35,752	(1,435)
Total expenditures	564,647	714,031	635,903	78,128
Excess (deficiency) of revenues over (under) expenditures	$ 11,111	$ 6,516	147,904	$ 141,388
Adjustment from budgetary basis to GAAP basis[(a)]			(2,972)	
Net change in fund balance			144,932	
Fund balance - Beginning balance			(30,953)	
Fund balance - Ending balance			$ 113,979	

	2021	2022	2021-2022
[(a)] Elements of adjustment from budgetary basis to GAAP basis:			
Adjustments to revenues:			
Basis of accounting differences:			
GASB Statement No. 31 unrealized losses	$ (65)	$ (2,892)	$ (2,957)
Property taxes collected within 60 days availability period	—	(15)	(15)
Total adjustments to revenues	(65)	(2,907)	(2,972)
Adjustments to expenditures:			
Basis of accounting differences:			
Accrued labor for a union agreement to be paid in 2022	136	(136)	—
Total adjustments to expenditures	136	(136)	—
Adjustment from budgetary basis to GAAP basis	$ (201)	$ (2,771)	$ (2,972)

Housing and Community Development Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022
(In Thousands)

2021-2022 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Retail sales and use taxes	$ 305,604	$ 305,604	$ 8,540	$ (297,064)
Intergovernmental revenues	321,406	904,619	581,329	(323,290)
Charges for services	40,071	40,071	45,686	5,615
Interest earnings	2,733	2,733	3,729	996
Miscellaneous revenues	500	4,301	4,000	(301)
General government bond issued	—		450,525	450,525
Transfers in	92,398	127,034	68,616	(58,418)
Total revenues	762,712	1,384,362	1,162,425	(221,937)
EXPENDITURES				
Current:				
Economic environment	450,998	588,383	189,134	399,249
Health and human services	188,645	739,443	545,366	194,077
Debt service:				
Interest and other debt service costs	294	294	184	110
Capital outlay	—	10,960	244,830	(233,870)
Transfers out	3,512	3,512	10,349	(6,837)
Total expenditures	643,449	1,342,592	989,863	352,729
Excess (deficiency) of revenues over (under) expenditures	$ 119,263	$ 41,770	172,562	$ 130,792
Adjustment from budgetary basis to GAAP basis[a]			78,799	
Net change in fund balance			251,361	
Fund balance - Beginning balance (Restated)			305,345	
Fund balance - Ending balance			$ 556,706	

	2021	2022	2021-2022
[a] Elements of adjustment from budgetary basis to GAAP basis:			
Adjustments to revenues:			
Basis of accounting differences:			
GASB Statement No. 31 unrealized losses	$ (1,117)	$ (4,960)	$ (6,077)
GASB Statement No. 87 lease proceeds	—	33,898	33,898
CDBG Program Income adjusted for administrative costs	(718)	(1,125)	(1,843)
Total basis of accounting differences	(1,835)	27,813	25,978
Perspective differences:			
Intrafund eliminations	(108)	—	(108)
Total perspective differences	(108)	—	(108)
Total adjustments to revenues	(1,943)	27,813	25,870
Adjustments to expenditures:			
Basis of accounting differences:			
GASB Statement No. 87 lease expenditure	—	33,898	33,898
Advanced Housing loans	(56,274)	(30,445)	(86,719)
Total basis of accounting differences	(56,274)	3,453	(52,821)
Perspective differences:			
Intrafund eliminations	(108)	—	(108)
Total perspective differences	(108)	—	(108)
Total adjustments to expenditures	(56,382)	3,453	(52,929)
Adjustment from budgetary basis to GAAP basis	$ 54,439	$ 24,360	$ 78,799

Public Health Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2022
(In Thousands)

2021-2022 BUDGETED AMOUNTS (BIENNIAL)

	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Licenses and permits	$ 1,030	$ 1,030	$ 500	$ (530)
Intergovernmental revenues	146,068	471,691	304,780	(166,911)
Charges for services	144,216	146,946	235,466	88,520
Fines and forfeits	6	6	—	(6)
Miscellaneous revenues	5,490	5,490	5,896	406
Transfers in	168,064	186,466	190,732	4,266
Total revenues	464,874	811,629	737,374	(74,255)
EXPENDITURES				
Current:				
Health and human services	465,295	825,729	696,424	129,305
Debt service:				
Interest and other debt service costs	—	—	293	(293)
Capital outlay	987	1,323	399	924
Transfers out	219	219	2,022	(1,803)
Total expenditures	466,501	827,271	699,138	128,133
Excess (deficiency) of revenues over (under) expenditures	$ (1,627)	$ (15,642)	38,236	$ 53,878
Adjustment from budgetary basis to GAAP basis[a]			2	
Net change in fund balance			38,238	
Fund balance - Beginning balance			33,017	
Fund balance - Ending balance			$ 71,255	

	2021	2022	2021 - 2022
[a]Elements of adjustment from budgetary basis to GAAP basis:			
Adjustments to revenues:			
Basis of accounting differences:			
GASB Statement No. 87 lease proceeds	$ —	$ 813	$ 813
Total basis of accounting differences	—	813	813
Perspective differences:			
Intrafund eliminations	(3,345)	(3,305)	(6,650)
Correcting prior year error	1	—	1
Total perspective differences	(3,344)	(3,305)	(6,649)
Total adjustments to revenues	(3,344)	(2,492)	(5,836)
Adjustments to expenditures:			
Basis of accounting differences:			
GASB Statement No. 87 lease expenditure	0	819	819
Accrued labor for a union agreement to be paid in 2022	633	(633)	—
Total basis of accounting differences	633	186	819
Perspective differences:			
Intrafund eliminations	(3,345)	(3,305)	(6,650)
DPH Admin fund structure difference	—	(7)	(7)
Total perspective differences	(3,345)	(3,312)	(6,657)
Total adjustments to expenditures	(2,712)	(3,126)	(5,838)
Adjustment from budgetary basis to GAAP basis	$ (632)	$ 634	$ 2

KING COUNTY
Notes to Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Differences between budgetary amounts and amount reported under generally accepted accounting principles (GAAP) may be attributed to the following, with specific differences (if any) described:

1. Basis of accounting differences – differences from revenues and expenditure being recognized at different points in time for budgeting relative to GAAP reporting. Specific differences include:

> Property tax collections: amounts collected within 60 days of the reporting year is considered available to liquidate liabilities of the reporting year under GAAP and recognized as revenue.
>
> GASB Statement No. 31: Unrealized gains or losses on investments reports the fair market value of investments at a point in time and does not reflect budgetary activity.
>
> GASB Statement No. 87: Lease accounting generates transactions that do not reflect budgetary activity.
>
> Advanced Community Development Block Grant Housing loans: Housing and Community Development fund administers a housing loan program that advances loans to eligible recipients. The outflows are budgeted as expenditures and repayments are considered as program income.

2. Timing differences – differences in the financial reporting period relative to the budget (annual vs biennial, respectively).

3. Perspective differences – differences from funds being treated differently under budgeting relative to GAAP reporting. Specific differences include:

> Intrafund eliminations: Activity occurs between appropriations units of the same fund. The related revenues and expenditures from this activity are eliminated for GAAP financial reporting.
>
> DPH Administration Fund structure difference: The fund structure of financial information for budgetary purposes differs from that used for financial reporting purposes. The activity occurring between the DPH Administration Fund and the Public Health Fund is eliminated for financial reporting purposes because the DPH Administration Fund is eliminated for financial reporting purposes.

4. Entity differences – differences from budgetary reporting that includes activity that is not part of the primary government.

Other differences between budgetary and GAAP reporting may include:

> Additional funds are included in GAAP reporting for the general fund as the funds are not appropriately reported as special revenue funds. Funds included are: Rainy Day Reserve fund, Parking Facilities fund, and KC Employee Deferred Comp fund. Activity between these funds (if any) and the general fund, is eliminated.

KING COUNTY
Required Supplementary Information
Last Ten Fiscal Years
December 31, 2022

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)

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability	8.27 %	8.61 %	8.85 %	8.25 %	8.56 %	8.45 %	8.90 %	8.76 %
County's proportionate share of the net pension liability	$ 230,262	$ 105,126	$ 312,368	$ 317,333	$ 382,129	$ 400,803	$ 477,872	$ 458,477
County's covered payroll**	$ 1,302,359	$ 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	17.68 %	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	76.56 %	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)

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension asset/liability	10.31 %	10.53 %	10.85 %	10.06 %	10.29 %	10.14 %	10.52 %	10.36 %
County's proportionate share of the net pension (asset) liability	$ (382,490)	$ (1,049,145)	$ 138,736	$ 97,735	$ 175,728	$ 352,361	$ 529,855	$ 370,294
County's covered payroll**	$ 1,298,630	$ 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	(29.45)%	(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	106.73 %	120.29 %	97.22 %	97.77 %	95.77 %	90.97 %	85.82 %	89.20 %

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)

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension asset/liability	7.09 %	7.39 %	8.22 %	8.67 %	9.69 %	9.92 %	11.33 %	9.88 %
County's proportionate share of the net pension (asset) liability	$ (5,073)	$ (16,979)	$ (1,131)	$ (1,127)	$ 120	$ 1,944	$ 4,817	$ 1,803
County's covered payroll**	$ 30,413	$ 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	(16.68)%	(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	105.96 %	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)

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension asset	0.60 %	0.59 %	0.59 %	0.60 %	0.60 %	0.60 %	0.60 %	0.60 %
County's proportionate share of the net pension asset	$ (17,174)	$ (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	(116,165)	(137,609)	(75,495)	(79,988)	(73,684)	(61,188)	(41,801)	(49,209)
Total	$ (133,339)	$ (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 asset	169.62 %	187.45 %	146.88 %	148.78 %	144.42 %	135.96 %	123.74 %	127.36 %

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)

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension asset	2.77 %	2.93 %	3.15 %	2.63 %	2.88 %	2.91 %	3.02 %	2.90 %
County's proportionate share of the net pension asset	$ (75,145)	$ (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	(48,678)	(109,855)	(41,024)	(39,872)	(37,891)	(26,225)	(11,437)	(19,716)
Total	$ (123,823)	$ (280,144)	$ (105,182)	$ (100,757)	$ (96,411)	$ (66,654)	$ (28,980)	$ (49,535)
County's covered payroll**	$ 108,009	$ 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	(69.57)%	(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 asset	116.09 %	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)

	2022	2021	2020	2019	2018	2017	2016	2015
County's proportion of the net pension liability	0.04 %	0.04 %	0.04 %	0.05 %	0.05 %	0.07 %	0.09 %	0.11 %
County's proportionate share of the net pension liability	$ 271	$ 368	$ 503	$ 760	$ 554	$ 914	$ 1,169	$ 1,219
County's covered payroll**	$ 1,267	$ 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	21.38 %	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	83.31 %	78.81 %	71.48 %	64.14 %	72.04 %	65.60 %	64.03 %	67.70 %

Schedule of Contributions

Public Employees' Retirement System (PERS) Plan 1

Fiscal Year Ended December 31*

(dollars in thousands)

	2022	2021		2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 53,488	$ 56,706		$ 60,884	$ 62,259	$ 59,366	$ 54,111	$ 50,154	$ 25,283
Contributions in relation to the contractually required contribution	53,488	56,708		60,884	62,259	59,366	54,111	50,154	25,283
Contribution deficiency (excess)	$ —	$ (2)	***	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,388,530	$ 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	3.85 %	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)

	2022	2021		2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 86,165	$ 92,418		$ 101,390	$ 93,935	$ 84,792	$ 72,763	$ 62,650	$ 72,853
Contributions in relation to the contractually required contribution	86,165	92,416		101,390	93,935	84,792	72,763	62,650	72,853
Contribution deficiency (excess)	$ —	$ 2	***	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,336,109	$ 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	6.45 %	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)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 3,362	$ 3,393	$ 3,589	$ 3,518	$ 2,777	$ 2,514	$ 2,319	$ 2,924
Contributions in relation to the contractually required contribution	3,362	3,393	3,589	3,518	2,777	2,514	2,319	2,924
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 50,041	$ 48,264	$ 48,635	$ 48,039	$ 39,458	$ 36,728	$ 34,253	$ 33,102
Contributions as a percentage of covered payroll	6.72 %	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)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 5,775	$ 6,094	$ 6,657	$ 5,329	$ 5,219	$ 4,956	$ 4,735	$ 4,505
Contributions in relation to the contractually required contribution	5,775	6,094	6,657	5,329	5,219	4,956	4,735	4,505
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 108,896	$ 114,654	$ 124,889	$ 99,067	$ 96,106	$ 92,952	$ 90,526	$ 86,131
Contributions as a percentage of covered payroll	5.30 %	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)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 205	$ 221	$ 225	$ 275	$ 309	$ 371	$ 458	$ 520
Contributions in relation to the contractually required contribution	205	221	225	275	309	371	458	520
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll**	$ 1,267	$ 1,365	$ 1,386	$ 1,807	$ 2,022	$ 2,429	$ 3,010	$ 3,305
Contributions as a percentage of covered payroll	16.20 %	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, 2022

Last Ten Fiscal Years

(dollars in thousands)

	2022	2021	2020	2019	2018
Total OPEB liability - beginning	$ 106,488	$ 106,619	$ 111,272	$ 111,412	$ 118,120
Service cost	3,044	2,865	2,220	2,155	2,092
Interest	1,960	2,125	4,149	4,138	4,147
Changes in benefit terms	—	—	—	—	—
Differences between expected and actual experience	6,526	—	(8,646)	—	3,332
Changes of assumptions	(19,885)	1,300	3,310	—	(9,652)
Benefit payments	(3,863)	(4,404)	(3,922)	(4,953)	(5,244)
Other changes	(2,112)	(2,017)	(1,764)	(1,480)	(1,383)
Total OPEB liability - ending	$ 92,158	$ 106,488	$ 106,619	$ 111,272	$ 111,412
Covered-employee payroll	$ 1,395,600	$ 1,370,460	$ 1,324,116	$ 1,219,237	$ 1,217,867
Total OPEB liability as a % of covered-employee payroll	6.60 %	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 2022 fiscal year was based on a full of the valuation produced for the period ending 12/31/2022 by Healthcare Actuaries.

Potential factors that may significantly affect trends in amounts reported include changes to the discount rate, health care trend rates, mortality tables, decrement timing, claims and contributions, salary projections, and participation percentages. For the 12/31/2022 fiscal year end the payroll growth rate was decreased to 3.25 percent from 3.50 percent and the discount rate was increased to 4.05 percent from 1.84 percent. There were no ad hoc post employment benefit changes to the plan.

Significant Methods and Assumptions

<u>Basis of Valuation</u>

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

Valuation Date – December 31, 2022

Measurement Date – December 31, 2022

Report Date – December 31, 2022

Discount Rate – A discount rate of 4.05% 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 MP2021
b. PERS Disabled - PUB-2010 General Headcount – Weighted disabled Mortality Projected Generationally with MP2021
c. LEOFF Healthy – PUB-2010 Safety Headcount-Weighted Healthy Mortality Projected Generationally with MP-2021 Setback 1 for Males
d. LEOFF Disabled – PUB-2010 Safety Headcount-Weighted Disabled Mortality Projected Generationally with MP-2021

Termination/Disability/Retirement rates - 2018 State of Washington Study

Salary increases – 3.25% 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.
   Future Retirees Non-LEOFF 1 – 34% of future retirees elect coverage at retirement and 3% 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, 2022
(dollars in thousands)

Road Condition Ratings

	2022-2020		2019-2017		2016-2014	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
Excellent to good	288.3	63.8	293.7	64.4	294.3	65.0
Fair	38.6	8.6	44.1	9.7	61.4	13.5
Poor to substandard	124.9	27.6	118.3	25.9	97.5	21.5
Total	451.8	100.0	456.1	100.0	453.2	100.0
Local access roads						
Excellent to good	585.4	57.8	618.8	60.3	689.2	67.7
Fair	135.8	13.4	148.8	14.5	134.7	13.2
Poor to substandard	291.5	28.8	257.9	25.2	194.2	19.1
Total	1,012.7	100.0	1,025.5	100.0	1,018.1	100.0

Road PCI Score Interval

	2022-2020		2019-2017		2016-2014	
	(miles)	%	(miles)	%	(miles)	%
Arterial roads						
PCI 40 - 100	307.2	68.0	312.8	68.6	323.3	71.3
PCI 0 - 39	144.6	32.0	143.3	31.4	129.9	28.7
Total	451.8	100.0	456.1	100.0	453.2	100.0
Local access roads						
PCI 40 - 100	657.3	64.9	697.6	68.0	759.4	74.6
PCI 0 - 39	355.4	35.1	327.9	32.0	258.7	25.4
Total	1,012.7	100.0	1,025.5	100.0	1,018.1	100.0

Roads Estimated Maintenance and Preservation Costs

	2022	2021	2020	2019	2018
Budgeted	$ 82,530	$ 80,705	$ 72,756	$ 75,333	$ 80,615
Expended	49,935	49,352	53,804	57,632	57,406

Bridge Sufficiency Rating	Number of Bridges 2022	2021	2020
0 - 20	9	10	12
21 - 30	4	7	4
31 - 49	24	24	19
50 - 100	144	140	146
Totals	181	181	181

Bridge Estimated Maintenance and Preservation Costs

	2022	2021	2020	2019	2018
Budgeted	$ 27,117	$ 31,079	$ 13,653	$ 12,203	$ 10,109
Expended	9,318	7,973	7,236	6,082	7,906

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 2019-2017 cycle and continuing in the 2022-2020 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 $9.4 billion during 2023. Assets of County agencies in 2023 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, 2023, the Investment Pool had a balance of $9.6 billion and an effective duration of 0.79 years, and 61% 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, 2024, Series A (the "Bonds"), pursuant to Ordinance 19530 of the County Council, passed on November 15, 2022, as amended by Ordinance 19624, passed on June 6, 2023, and Ordinance 19711, passed on December 5, 2023 (together, 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 2024 for the fiscal year ended December 31, 2023:

(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 reserve 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 reserve 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 Bond Legislation.

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 ____, 2024.

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, 34% live in the City of Seattle. Seattle is the largest city in the Pacific Northwest and, as the County seat, is the center of the County's economic activity. Bellevue is the State's fifth largest city and the second largest in the County, and is the center of the County's eastside business and residential area.

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
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
2023 (2)	7,951,150	2,347,800	779,200	154,600	249,060

(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

	2018	2019	2020	2021	2022
Seattle MD	$ 79,526	$ 85,348	$ 90,040	$ 97,582	$101,073
King County	88,499	95,083	99,734	108,212	113,819
State of Washington	60,221	64,189	68,350	73,775	75,332
United States	53,786	56,250	59,765	64,143	65,470

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**
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	2,801	1,205,252,419	16,029	2,571,765,404	3,777,017,823
2023	2,257	1,131,363,791	8,343	1,372,421,559	2,503,785,350

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
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
2022	86,667,370,219	33,660,750,206
2022(1)	$63,911,188,938	$24,761,766,724
2023(1)	65,725,607,667	25,939,776,993

(1) Preliminary 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, 2022 (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 what impact any such actions might have on employment within the region.

PUGET SOUND
MAJOR EMPLOYERS[1]

Employer	Employees
Amazon.com	90,000
The Boeing Co.	60,200
Microsoft Corp.	58,400
Joint Base Lewis-McChord	55,000
University of Washington Seattle	51,800
Navy Region Northwest	33,800
Albertsons Cos.	24,500
Walmart Inc.	23,000
Providence Swedish	22,800
Kroger Co.	21,500
Costco Wholesale Corp.	21,000
MultiCare Health System	20,700
Virginia Mason Franciscan Health	18,000
King County Government[1]	16,100
City of Seattle[2]	15,900
Alaska Air Group Inc.	10,900
Starbucks Coffee Co.	10,700
Seattle Children's Foundation	9,400
Kaiser Permanente	8,100
Meta (Facebook)	8,000
T-Mobile US Inc.	7,600
Google Inc.	7,200

(1) Source: King County

(2) Source: City of Seattle.

Source: Puget Sound Business Journal, Publication Date June 23, 2023

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	1,262,879	1,288,392	1,284,318	1,279,639	1,319,911
Total Employment	1,221,525	1,253,834	1,184,949	1,226,665	1,281,609
Total Unemployment	41,354	34,558	99,369	52,974	38,302
Percent of Labor Force	3.3%	2.7%	7.7%	4.1%	2.9%

NAICS INDUSTRY	**2018**	**2019**	**2020**	**2021**	**2022**
Total Nonfarm	1,432,842	1,467,850	1,383,642	1,411,567	1,482,683
Total Private	1,254,308	1,292,300	1,211,767	1,241,683	1,315,900
Goods Producing	181,550	186,058	172,467	169,067	173,825
Mining and Logging	500	500	475	433	425
Construction	78,108	79,533	76,675	79,467	81,117
Manufacturing	102,925	106,000	95,267	89,158	92,258
Service Providing	1,251,292	1,281,792	1,211,175	1,242,500	1,308,858
Trade, Transportation, and Utilities	238,558	238,442	224,683	232,725	235,317
Information	111,017	121,633	127,817	134,250	140,417
Financial Activities	73,708	75,267	72,600	73,858	76,058
Professional and Business Services	269,200	281,367	286,650	297,142	326,850
Educational and Health Services	185,842	189,592	180,183	184,233	189,575
Leisure and Hospitality	145,050	146,833	100,675	104,833	125,883
Other Services	49,383	53,108	46,692	45,575	47,975
Government	178,533	175,550	171,875	169,883	166,783
Workers in Labor/Management Disputes	0	0	0	0	0

	Jan. 2024
Civilian Labor Force	1,331,922
Total Employment	1,273,051
Total Unemployment	58,871
Percent of Labor Force	4.4%

(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.