

**NEW ISSUE
BOOK-ENTRY ONLY
NOT BANK QUALIFIED**

**S&P Global Ratings Rating: AA+
See "RATING" herein**

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 "TAX MATTERS."



CITY OF TACOMA, WASHINGTON

\$27,870,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2023

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), is issuing its Limited Tax General Obligation Refunding Bonds, 2023 (the "Bonds"), in fully registered form under a book-entry only system. When issued, the Bonds initially will be registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as initial securities depository for the Bonds. Individual purchases of the Bonds will be made in the principal amount of \$5,000 or integral multiples thereof within a maturity. Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the Bonds purchased. The fiscal agent of the State of Washington (the "State"), currently U.S. Bank Trust Company, National Association, will act as the registrar, paying agent, transfer agent and authenticating agent for the Bonds (the "Bond Registrar"). See "THE BONDS."

Interest on the Bonds will be payable semiannually on each December 1 and June 1, commencing December 1, 2023, to the maturity or earlier redemption of the Bonds, as applicable. The Bonds will mature on the dates and in the amounts and bear interest at the rates set forth on the inside cover. For so long as the Bonds are held in book-entry only form, the principal of and interest on the Bonds will be paid by the Bond Registrar to DTC, which in turn is obligated to remit such payments to its broker-dealer participants for subsequent disbursement to the Beneficial Owners. See "THE BONDS—Registration and Payment" and APPENDIX D—"Book-Entry System."

The City will use the proceeds of the Bonds to refund on a current basis certain outstanding general obligation bonds of the City, and to pay the costs of issuing the Bonds. See "USE OF PROCEEDS."

The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption Provisions."

Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices, and CUSIP Numbers on Inside Cover

The City has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an ad valorem tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds when due. The City has irrevocably pledged that the annual tax to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people. The full faith, credit, and resources of the City have been 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 when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS." The City's authority to collect taxes, including its property tax levy, is subject to various limitations. See "CITY TAXING AUTHORITY—General Property Tax Levies" and "REGULAR PROPERTY TAX LIMITATIONS." The Bonds do not constitute a debt or indebtedness of the State or any political subdivision thereof other than the City.

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

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.

The Bonds are offered when, as and if issued, subject to the approving legal opinion of 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. Certain matters will be passed upon for the Underwriter by its counsel, Foster Garvey PC, Seattle, Washington. It is anticipated that the Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer, on or about July 6, 2023.



CITY OF TACOMA, WASHINGTON

\$27,870,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2023

Maturity Year (December 1)	Principal Amounts	Interest Rates	Yields	Prices	CUSIP* Nos. (873465)
2023	\$ 1,970,000	5.000%	3.12%	100.741	F78
2024	2,065,000	5.000	3.05	102.654	F86
2025	1,720,000	5.000	2.96	104.695	F94
2026	1,805,000	5.000	2.88	106.822	G28
2027	1,900,000	5.000	2.81	109.007	G36
2028	2,000,000	5.000	2.79	111.010	G44
2029	2,395,000	5.000	2.78	112.936	G51
2030	2,525,000	5.000	2.72	115.191	G69
2031	2,655,000	5.000	2.70	117.185	G77
2032	2,795,000	5.000	2.70**	118.090	G85
2033	2,940,000	5.000	2.81**	117.141	G93
2034	3,100,000	5.000	2.90**	116.370	H27

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** Calculated to the par call date of June 1, 2032.

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TACOMA, WASHINGTON 98402
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MAYOR AND TACOMA CITY COUNCIL

Name	Position
Victoria Woodards	Mayor
Kristina Walker	Deputy Mayor and Councilmember
Keith Blocker	Councilmember
Joe Bushnell	Councilmember
Kiara Daniels	Councilmember
Olgz Diaz	Councilmember
John Hines	Councilmember
Sarah Rumbaugh	Councilmember
Catherine Ushka	Councilmember

City Officials

Elizabeth Pauli	City Manager
Andy Cherullo	Finance Director
Susan Calderon	Assistant Finance Director/Controller
Katie Johnston	Budget Officer
Michael San Soucie	City Treasurer
William C. Fosbre	City Attorney
Doris Sorum	City Clerk

Bond Counsel and Disclosure Counsel

Pacifica Law Group LLP
Seattle, Washington

Municipal Advisor

Piper Sandler & Co.
Seattle, Washington

Bond Registrar

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

⁽¹⁾ The City's website is not part of this Official Statement, and investors should not rely on information presented in the City's website in determining whether to purchase the Bonds. This inactive textual reference to the City's website is not a hyperlink and does not incorporate the City's website by reference.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the cover page and Appendices, must be considered in its entirety. The offering of the Bonds is made only by means of this entire Official Statement.

The information within this Official Statement has been compiled from sources the City considers to be reliable and, while not guaranteed as to accuracy, the City believes to be correct as of its date. The City makes no representation regarding the accuracy or completeness of the information in APPENDIX D—“BOOK-ENTRY SYSTEM,” which has been obtained from DTC’s website, the form of opinion of Bond Counsel, or the information provided by or obtained from any entity providing bond insurance or other credit facility. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or in the other matters described herein since the dates as of which such information is provided.

Information on websites referenced in this Official Statement is not incorporated into this Official Statement and cannot be relied upon to be accurate as of the date of this Official Statement, nor should any such information be relied upon in making investment decisions regarding the Bonds.

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

No dealer, broker, sales representative, or other person has been authorized by the City to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the City. 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 persons to make such offer, solicitation or sale.

Certain statements contained in this Official Statement do not reflect historical facts, but rather are 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 shown. In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, technological change, seismic events, infectious disease including the coronavirus pandemic, and various other events, conditions and circumstances, many of which are beyond the control of the City. All estimates, projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. These forward-looking statements speak only as of the date they were prepared. The City does not plan to issue any updates or revisions to those forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based occur and specifically disclaims any such obligation.

The presentation of certain information, including tables of receipts from taxes and other revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue to be repeated in the future. Information relating to debt and tax limitations is based on existing statutes and constitutional provisions. Changes in State law could alter these provisions.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Bond Ordinance has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. No federal or state securities commission or regulatory authority has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

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OFFICIAL STATEMENT

CITY OF TACOMA, WASHINGTON

\$27,870,000

LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2023

INTRODUCTION

The City of Tacoma, Washington (the “City”), a municipal corporation duly organized and existing under the laws of the State of Washington (the “State”), furnishes this Official Statement in connection with the offering of its Limited Tax General Obligation Refunding Bonds, 2023 (the “Bonds”). This Official Statement, which includes the cover page, the inside cover page and appendices, provides information concerning the City and the Bonds.

The Bonds are to be issued pursuant to an ordinance passed by the City Council (the “Council”) on June 20, 2023 (the “Bond Ordinance”), and under and in accordance with the City Charter and the laws and provisions of the State, including chapters 39.36, 39.46 and 39.53 of the Revised Code of Washington (“RCW”) and RCW 67.28.150. The Bonds do not require voter approval. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Ordinance, a form of which is available from the City.

The summaries of and references to all documents, statutes, reports and other instruments herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each such document, statute, report or instrument. The capitalization of any word not conventionally capitalized, or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document.

In preparing the projections in this Official Statement, the City has made certain assumptions with respect to conditions that may occur in the future. Although the City believes these assumptions are reasonable for the purpose of the projections, they are dependent upon future events, and actual conditions may differ from those assumed. To the extent actual future events or conditions differ from those assumed by the City or provided to the City by others, the actual results will vary from those projected.

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.

THE BONDS

General

The Bonds will be dated their date of delivery and will be issued in fully registered form in denominations of \$5,000 each or integral multiples thereof within a maturity. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement. The Bonds will bear interest from their date, payable on December 1, 2023 and semiannually thereafter on June 1 and December 1 of each year, until maturity or prior redemption, as applicable, at the rates set forth on the inside cover of this Official Statement. Interest on the Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

Registration and Payment

Book-Entry System. The Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”). DTC will act as the initial securities depository for the Bonds. Individual purchases and sales of the Bonds will be made in book-entry form only in minimum denominations of \$5,000 or integral multiples thereof within a maturity. Purchasers (“Beneficial Owners”) will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners will mean Cede & Co. or its successor and will not mean the Beneficial Owners of the Bonds. For information about DTC and its book-entry system, see APPENDIX D—“BOOK-ENTRY SYSTEM.” The City makes no representation as to the accuracy or completeness of

the information in Appendix D provided by DTC. Purchasers of the Bonds should confirm this information with DTC or its broker-dealer participants.

Bond Registrar. The City has adopted the system of registration for the Bonds approved, from time to time, by the State Finance Committee (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies for bonds issued within the State. U.S. Bank Trust Company, National Association, Seattle, Washington (the "Bond Registrar") currently serves in this capacity. The Bond Registrar will authenticate the Bonds and act as the paying agent and registrar for the purpose of paying the principal of and interest on the Bonds, recording the purchase and registration, exchange or transfer, and payment of Bonds and performing the other obligations of the paying agent and registrar. No resignation or removal of the Bond Registrar shall become effective until a successor has been appointed and has accepted the duties of Bond Registrar.

Payments. To pay the principal of and interest on the Bonds when due, the City will remit money from the funds or accounts held under the Bond Ordinance for the purpose of paying debt service on the Bonds (the "Debt Service Fund") to the Bond Registrar. The Bond Registrar is obligated to remit such payments to DTC, which in turn is obligated to remit such payments to its broker-dealer participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described in Appendix D.

For so long as the Bonds are held by a depository, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC. In the event that the Bonds of are no longer held by a depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date (as defined below), or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar. "Record Date" is defined in the Bond Ordinance as the close of business for the Bond Registrar that is 15 days preceding any interest and/or principal payment or redemption date.

Transfer and Exchange. The transfer of any Bond may be registered and Bonds may be exchanged as provided in the Bond Ordinance. Upon surrender of the transferred Bond to the Bond Registrar, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Bond between the Record Date and the next principal payment or redemption date.

Redemption Provisions

Optional Redemption. The Bonds maturing on or after December 1, 2032, are subject to redemption prior to their stated maturity at the option of the City, in whole or in part, at any time on or after June 1, 2032, at the price of par plus accrued interest, if any, to the date fixed for redemption.

Selection of Bonds for Redemption. For as long as the Bonds are held in book-entry only form, the selection of Bonds within a maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held by a depository, the selection of such Bonds to be redeemed shall be made as follows: If the City redeems at any one time fewer than all of the Bonds having the same maturity date, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Bond of a denomination greater than \$5,000, the City and the Bond Registrar shall treat each such Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Bonds, as applicable, by \$5,000. In the event that only a portion of the principal sum of a Bond is redeemed, upon surrender of such Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Bond of like maturity and interest rate in any of the denominations authorized in the Bond Ordinance.

Notice of Redemption; Conditional Redemption; Rescission. For so long as the Bonds are held by a depository, notice of redemption shall be given in accordance with the operational arrangements of DTC as then in effect, and neither the City nor the Bond Registrar will provide any notice of redemption to any Beneficial Owners. The notice of optional redemption may be conditional. If the Bonds are no longer held by a depository, notice of redemption will be given as follows: Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which in the case of an optional redemption may be conditioned by the Bond Registrar on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

On or prior to any redemption date, unless in the case of an optional redemption any condition to such redemption has not been satisfied or waived or unless such optional redemption has been rescinded, the City shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

The City retains the right to rescind any optional redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected Registered Owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

Effect of Call for Redemption. If a notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as provided in the Bond Ordinance for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

Purchase

The City reserves the right to purchase any or all of the Bonds offered to the City at a time at a price deemed reasonable by the City plus accrued interest to the date of purchase.

Failure to Pay Bonds

If any Bond is duly presented for payment and funds have not been provided by the City on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid.

Defeasance

In the event that the City, to effect the payment, retirement, or redemption of any Bond, sets aside in the Debt Service Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into such Debt Service Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any benefit or security of the Bond Ordinance except the right to receive payment of principal, premium, if any, and interest from the Debt Service Fund or such special account, and such Bond shall be deemed to be not outstanding under the Bond Ordinance. The City shall give written notice of defeasance to the Registered Owner(s) of the Bonds and to each party entitled to receive notice in accordance with the Continuing Disclosure Certificate.

The term "Government Obligations" is defined in the Bond Ordinance to mean those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct or indirect obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, as such chapter may be hereafter amended or restated.

USE OF PROCEEDS

General

The City will use the proceeds of the Bonds to refund certain outstanding general obligation bonds of the City described below, and to pay costs of issuance of the Bonds.

Plan of Refunding

The City will use proceeds of the Bonds to refund on a current basis all of the outstanding Limited Tax General Obligation Refunding Bonds, 2013 (the “Refunded Bonds”), as shown below. Proceeds of the Refunded Bonds were used to refund certain of the City’s (a) Limited Tax General Obligation Refunding Bonds, 2001 (the “2001 Bonds”), proceeds of which were used to finance and refinance capital projects of the City, including a municipal building, and (b) Limited Tax General Obligation Bonds, 2004 (the “2004 Bonds”), proceeds of which were used to finance and refinance the costs of acquiring, constructing and equipping the Greater Tacoma Convention Center (the “Convention Center”). See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and “CITY TAXING AUTHORITY—Collection of Other Taxes-Lodging Taxes.”

**TABLE 1
REFUNDED BONDS**

Limited Tax General Obligation Refunding Bonds, 2013					
Maturity Date (December 1)	Principal Amounts	Interest Rates	Call Date	Redemption Price	CUSIP No. 873465
2023	\$1,980,000	5.000%	10/04/2023	100%	YQ5
2024	2,080,000	5.000	10/04/2023	100	YR3
2025	2,175,000	5.000	10/04/2023	100	YS1
2026	2,285,000	5.000	10/04/2023	100	YT9
2027	2,405,000	5.000	10/04/2023	100	YU6
2028	2,530,000	3.125	10/04/2023	100	YY4
2029	2,615,000	5.000	10/04/2023	100	YW2
2030	2,755,000	3.250	10/04/2023	100	YX0
2031	2,845,000	4.000	10/04/2023	100	YY8
2032	2,970,000	5.000	10/04/2023	100	YZ5
2033	3,125,000	5.000	10/04/2023	100	ZA9
2034	3,290,000	3.500	10/04/2023	100	ZB7

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

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

Sources and Uses of Funds

The table below sets forth the sources and uses of Bond proceeds (amounts in table have been rounded).

TABLE 2
SOURCES AND USES OF FUNDS

Sources of Funds	
Par Amount of the Bonds	\$ 27,870,000
Plus Original Issue Premium	3,331,309
City Contribution	134,099
Total Sources of Funds	\$ 31,335,408

Uses of Funds	
Escrow Fund Deposit	\$ 31,123,694
Costs of Issuance ⁽¹⁾	211,714
Total Uses of Funds	\$ 31,335,408

⁽¹⁾ Costs of issuance include legal fees, Municipal Advisor's fees, underwriting fees, rating agency fees, Verification Agent fees, and other costs incurred in connection with the issuance of the Bonds and any rounding amount.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are limited tax general obligation bonds of the City. The City, as authorized by law and the Bond Ordinance, has irrevocably covenanted and agreed for as long as any of the Bonds are outstanding and unpaid that each year it will include in its budget and levy an ad valorem tax upon all the property within the City subject to taxation in an amount that will be sufficient, together with all other revenues and money of the City legally available for such purposes, to pay the principal of and interest on the Bonds when due. The City has irrevocably pledged that the annual tax to be levied for the payment of such principal and interest shall be within and as a part of the tax levy permitted to cities without a vote of the people. The full faith, credit, and resources of the City have been 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 when due.

The City has also pledged certain lodging taxes levied and received by the City, pursuant to RCW 67.28.180 and RCW 67.28.181 ("Lodging Taxes"), to the payment of the portion of the Bonds issued to refinance "Tourism-Related Facilities" as defined in chapter 67.28 RCW. Tourism-Related Facilities include the Convention Center, and the portion of the Refunded Bonds allocated to the refunding of the 2004 Bonds. In the Bond Ordinance, the City covenants to levy the Lodging Taxes at the maximum rate permitted by law so long as the Bonds remain outstanding. See "CITY TAXING AUTHORITY—Collection of Other Taxes-Lodging Taxes." The City may, subject to applicable laws, apply other funds available to make payments with respect to the Bonds. See "CITY TAXING AUTHORITY" for a summary of property taxes and other taxes imposed by the City.

The Bonds do not constitute a debt or indebtedness of Pierce County (the "County"), the State, or any political subdivision thereof other than the City. Bond owners do not have a perfected security interest in or an express statutory lien on particular revenues or assets of the City. RCW 67.28.150 authorizes the "pledge" of Lodging Taxes to the repayment of bonds, but the statute does not expressly state that the pledge constitutes a statutory lien. 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. 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 "CERTAIN INVESTMENT CONSIDERATIONS—Limitations on Remedies."

CITY TAXING AUTHORITY

The City has statutory authority to levy various taxes within its boundaries, including local option sales and use taxes, real estate excise taxes, utility taxes, property taxes, and other taxes. In some cases, State law specifies the purposes for which various taxes can be used. The State Constitution requires that all taxes on property be uniform.

The General Fund is the City's primary operating fund, accounting for all financial resources of the general government, except those accounted for in another fund. The City's major sources of General Fund tax revenue are its regular property tax levy, business and occupation ("B&O") taxes, sales and use taxes, and gross earnings excise tax on utilities. The following table shows the historical General Fund revenues from taxes collected by the City.

**TABLE 3
GENERAL FUND TAX REVENUE BY SOURCE⁽¹⁾
(\$000's)**

Taxes	2018	2019	2020	2021	2022 ⁽²⁾
Property Taxes	\$59,142	\$61,037	\$62,674	\$64,678	\$65,689
Retail Sales Taxes	58,526	58,312	55,820	76,621	84,111
B&O Taxes	50,466	51,203	49,491	43,962	48,260
Excise Taxes ⁽³⁾	1,123	1,360	2,492	2,680	3,470
Total	\$169,257	\$171,912	\$170,477	\$187,941	\$201,530

⁽¹⁾ Information in table for 2018 through 2021 is based on audited financial statements of the City.

⁽²⁾ Preliminary, unaudited, and subject to change.

⁽³⁾ Includes admission taxes.

Source: The City of Tacoma.

Authorized Property Tax Levies

Under the State's laws and Constitution, property taxes are classified as either "regular" property taxes or "excess" property taxes. The City is authorized to levy both types of taxes. It submits a levy amount request to the County Assessor-Treasurer (the "Assessor-Treasurer"), a County elected official, who calculates the levy rate by spreading the levy amount across the assessed valuation on the tax rolls, following procedures established by the State Department of Revenue (the "DOR"). The Assessor-Treasurer confirms that the levy is within applicable statutory and constitutional limitations and makes any necessary reductions before the Assessor-Treasurer may begin to collect the levy on behalf of the City. See "PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES" below.

The City is authorized to impose (i) a regular property tax levy and (ii) excess property tax levies. RCW 84.52.043 generally allows a city to levy regular property taxes of up to \$3.375 per \$1,000 of assessed valuation on all taxable property in the city. In addition, a city may levy up to \$3.60 if it is annexed to a library district, annexed to a fire district, or participates in a regional fire service protection authority, less the actual levy rate levied by the library district, fire district, or regional fire service protection authority. If the city has an earmarked firefighter's pension fund, it may levy an additional \$0.225 beyond the \$3.375 or the \$3.60 if annexed to a library or fire district or participating in a regional fire service protection authority.

The City is not annexed into a fire district or library district, does not participate in a regional fire service protection authority and does not levy for a firefighter's pension fund. Therefore, the City's maximum regular property tax levy rate is \$3.375 per \$1,000 of assessed valuation. The City's actual regular property tax levy rate for the 2023 collection year is \$1.67176 per \$1,000 of assessed valuation. In addition to its regular property tax levy, the City imposes an emergency medical services levy and an excess levy, as discussed below. See "PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES—Current and Historical Assessed Valuation and Property Tax Levy Rates and Amounts."

The City may use regular property tax revenues for general city purposes, including payment of debt service on the Bonds, subject to limitations. See "REGULAR PROPERTY TAX LIMITATIONS—Limitations on Regular Property Taxes."

General Property Tax Levies

The following sections provide a general description of the City's authority to levy property taxes and limitations thereon, the method of determining the assessed valuation of real and personal property, tax collection procedures, and tax collection information.

Authorized Property Taxes. The City is authorized to levy both "regular" property taxes and "excess" property taxes.

- (1) *Regular Property Taxes.* Regular property taxes are subject to constitutional and statutory limitations as to rate and amount. See "PROPERTY TAX LIMITATIONS" herein. Regular property taxes are usually levied for general municipal purposes, though certain statutes authorize additional levies for particular limited purposes. General purpose levies may be used for the payment of debt service on limited tax general obligation indebtedness, such as the Bonds, but State law does not provide any priority of use. In general, regular property taxes do not require voter approval, though certain statutes authorizing limited purpose levies may require voter approval. Certain tax limitations may be exceeded upon voter approval.
- (2) *Excess Property Taxes.* Excess property taxes for cities are not subject to constitutional or statutory limitations as to rate or amount, but must be authorized by at least a 60% approving vote in an election meeting minimum voter turnout requirements. Excess property tax levies may be imposed (1) by any taxing district for the repayment of bonds issued for capital purposes, excluding replacement of equipment; (2) by any taxing district for one year for any governmental purpose; or (3) without a vote when necessary to prevent impairment of an obligation of contract, if ordered by a court of last resort. Excess levies for the repayment of unlimited tax general obligation bonds must meet the minimum voter requirements set forth below under "GENERAL OBLIGATION DEBT—Limits of Indebtedness."

Collection of Other Taxes

In addition to property tax levies, the City is authorized to impose various other taxes, including those described below. The City's major sources of General Fund tax revenue, apart from its regular property tax levy, are B&O taxes, sales and use taxes, and gross earnings excise tax on utilities. Neither the State nor local governments in the State currently collect an income tax.

Lodging Taxes. Chapter 67.28 RCW authorizes Washington cities to levy Lodging Taxes for the purpose of tourism promotion or for the acquisition or operation of "Tourism-Related Facilities." "Tourism-Related Facilities" include "real or tangible personal property with a usable life of three or more years, or constructed with volunteer labor that is: (a)(i) Owned by a public entity ... and (b) used to support tourism, performing arts, or to accommodate tourist activities." In 1998, the State Legislature comprehensively amended the lodging tax statutes to provide Washington cities with the authority to levy a two percent basic lodging tax (RCW 67.28.180) and an additional lodging tax of two percent (RCW 67.28.181). A number of cities, including the City, retained the authority to levy additional lodging taxes at grandfathered rates.

The City is currently imposing the two percent basic Lodging Tax and an additional Lodging Tax of five percent, for a total Lodging Tax of seven percent. The City used a portion of the proceeds of the Refunded Bonds to refinance the acquisition, construction, improvement and equipping of the Convention Center, a Tourism-Related Facility. The City has pledged Lodging Taxes to the payment of principal of and interest on the Bonds allocated to the refinancing of this Tourism Related Facility. See "USE OF PROCEEDS" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The following table reflects collections of the City's Lodging Taxes for 2018 through 2022.

TABLE 4
LODGING TAX COLLECTIONS
(\$000's)

	2018	2019	2020	2021	2022⁽¹⁾
Basic 2% Tax	\$ 1,413,008	\$ 1,487,726	\$ 850,441	\$1,145,123	\$1,765,252
Additional Tax	3,459,433	3,642,362	1,952,372	2,546,896	3,755,521
Total	\$ 4,872,441	\$ 5,130,088	\$2,802,813	\$3,692,019	\$5,520,773

⁽¹⁾ Preliminary, unaudited and subject to change.

Source: *The City of Tacoma*.

Local Sales and Use Tax. The State imposes a sales and use tax at a rate of 6.5%, and local governments (cities, counties and certain other municipal corporations) are authorized to levy additional "local option" sales and use taxes. The total current sales and use tax rate in the City—which includes the State, County, Tacoma Transportation Benefit District, and the City sales and use taxes—is 10.3%.

In general, sales taxes are imposed on the purchase by consumers of a broad base of tangible personal property and selected services (including construction (labor and materials), machinery and supplies, services and repair of real and personal property). The use tax supplements the sales tax by taxing the use of certain services and personal property on which a sales tax has not been paid. Sales taxes upon applicable retail sales are collected by the seller from the consumer. Use taxes are payable by the consumer upon applicable rendering of services or uses of personal property. Each seller is required to hold taxes collected until remitted to the DOR, typically on a monthly basis. The DOR collects and distributes all sales and use tax revenue in the State and retains one percent of all taxes collected to offset administration costs. Distribution to the local governments occurs on a monthly basis and lags approximately two months behind collections.

Among the items currently exempt from sales and use taxes are most personal services, motor vehicle fuel, most food sold for consumption off premises, trade-ins of items (e.g., automobiles) and purchases for resale. The State Legislature, and the voters through the initiative process, have changed the base of the sales and use tax on occasion. State law does not provide a general exemption for businesses, nonprofits or governmental entities from payment of sales and use taxes. The State sales tax system is destination-based meaning that sales taxes are credited to the taxing jurisdiction where the purchaser takes delivery of the goods (based on the local tax rate), which may differ from the point of sale with respect to goods delivered to the purchaser.

Local option sales and use taxes may be imposed on any sale or use upon which the State also imposes a sales and use tax. As described below, some sales and use tax authority is for general purposes and some is restricted as to use. Additionally, some local option taxes are subject to approval of the voters within the local jurisdiction. Historical taxable retail sales for the City are shown in Appendix C attached hereto.

Basic and Optional Sales and Use Taxes. The City imposes a basic sales and use tax at a rate of 0.5% as provided by RCW 82.14.030(1), and an optional sales and use tax at a rate of 0.5% as provided by RCW 82.14.030(2). The revenue collected from the sales and use tax is not restricted, and therefore may be used for general City purposes. The City receives 85% of the tax collected within the City and the balance is distributed to the County per State law. Taxes from this source are part of the City's General Fund, and therefore may be available (but are not pledged under the Bond Ordinance) to pay debt service on the Bonds.

Streets Initiative Taxes. In November 2015, City voters approved a 0.2% increase in regular property taxes, a 1.5% increase in earnings tax on natural gas, electric and phone companies, and an additional 0.1% sales and use tax to fund the Tacoma Streets Initiative, a comprehensive City program dedicated to street maintenance and improvements ("Streets Initiative"). These taxes are scheduled to expire after 10 years at the end of 2025. The City is currently exploring renewal options related to these taxes. See "—Utility Taxes" below.

Sales and Use Tax for Affordable and Supportive Housing. In 2020, the State Legislature authorized cities and counties to impose a sales and use tax up to 0.1% to fund housing and related services under RCW 82.14.530 without first

obtaining majority voter approval, subject to certain conditions. The State Legislature gave counties an exclusive right to first impose the tax until September 30, 2020, after which both cities or counties may impose the tax. If the county imposes the tax first, however, cities within the county will not be able to impose the tax (or will be limited to any remainder, if the county imposes less than the full 0.1%). In 2021, the City adopted legislation imposing this sales and use tax at a rate of 0.1%. Sixty percent of the revenues collected must be used for constructing affordable housing or facilities providing housing-related services or mental or behavioral health services, or to fund the operations and maintenance costs of such housing and facilities. In 2021, the State Legislature expanded the use of these revenues to include the acquisition of affordable housing, facilities providing housing-related services, behavioral health-related services, or land for such purposes.

Pursuant to RCW 82.14.540, cities and counties in the State may impose a local sales and use tax for the acquisition, construction or rehabilitation of affordable housing or facilities providing supportive housing, for the operations and maintenance costs of affordable or supportive housing, and for certain cities and counties, providing rental assistance to tenants. The tax may be imposed for a period not to exceed 20 years and is credited against sales and use taxes collected by the State within the city or county imposing the tax. The tax may be imposed at a rate of 0.0073% or, if a city has enacted one or more qualifying local taxes, at a rate of 0.0146%. The City began imposing this tax in 2019, and currently imposes this tax at a rate of 0.0146%. Revenue received under this tax must be used for affordable and/or supportive housing. In 2023, the State Legislature permitted use of this tax for rental assistance in all jurisdictions, and allowed up to 10 percent of the affordable and supportive housing tax to be used for the jurisdiction's administrative costs.

Real Estate Excise Tax. The City is authorized to impose a real estate excise tax ("REET") on each sale of real property within City corporate limits at the rate of 0.25% of the selling price ("REET 1") plus an additional 0.25% of the selling price ("REET 2"). This is in addition to the real estate excise tax imposed by the State at a graduated rate ranging from 1.1% to 3.0%, depending on the selling price.

REET 1 in the amount of 0.25% of the selling price is imposed by the City pursuant to RCW 82.46.010 and may be used for financing certain "capital projects" specified in a capital facilities plan element of the City's comprehensive plan or, within certain limitations, maintenance and operating expenses. Eligible "capital projects" for REET 1 include: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, parks, recreational facilities, law enforcement facilities, fire protection facilities, trails, libraries, administrative and judicial facilities. A limited amount of REET 1 revenue may be used for maintenance and operation expenses of capital facilities if certain conditions are satisfied. REET 1 funds may also be spent on housing relocation assistance as defined within RCW 59.18.440 and 59.18.450, which in summary provide assistance to low-income tenants under specific circumstances defined by statute and local ordinance.

REET 2 in the amount of 0.25% of the selling price is imposed by the City pursuant to RCW 82.46.035(2) and may be used for certain capital projects specified in a capital facilities plan element of a city's comprehensive plan or, within certain limitations, maintenance and operating expenses. Eligible "capital projects" for REET 2 include: streets, roads, highways, sidewalks, street and road lighting systems, traffic signals, bridges, domestic water systems, storm and sanitary sewer systems, facilities for those experiencing homelessness and affordable housing, and planning, construction, reconstruction, repair, rehabilitation, or improvement of parks. REET 2 excludes the use of funds to acquire land for parks. A limited amount of REET 2 revenue may be used for maintenance and operation expenses of capital facilities if certain conditions are satisfied.

The City must deposit and account for real estate excise tax proceeds in a separate capital projects fund or account. REET 1 and REET 2 revenues must be tracked separately because the uses to which they may be put are different. Real estate excise taxes are collected by the Assessor-Treasurer and distributed to the City periodically. Distributions may be suspended if the City is not compliant with RCW 36.70A.340 (relating to growth management planning).

Business and Occupation Tax. The City's B&O tax is a gross receipts tax, measured on the value of products, gross proceeds of sale, or gross income of the business. The City charges a B&O tax for work conducted within the City limits by the following industries during any tax year.

TABLE 5
B&O TAX CLASSIFICATIONS AND RATES

Type of Business	Current Tax Rate
Service and Other/Retail Services	0.400%
Retailing	0.153
International Investment Services	0.055
Manufacturing	0.110
Wholesaling	0.102

Source: *The City of Tacoma.*

Utility Taxes. The City levies a gross receipts utility business and occupation tax on investor- and City-owned utilities based upon revenues generated within the City. Under State law, the tax rate for electric, phone and natural gas utilities is limited to 6% without voter approval; there is no limitation on tax rates on other utilities. The following table displays the maximum utility tax rate permitted under State law without voter approval and the City's current utility tax rate.

TABLE 6
UTILITY TAX DETAIL

Utility	Maximum Rate without Voter Approval	Current Rate ⁽¹⁾
Investor-owned⁽¹⁾		
Telephone	6.0%	7.5%
Electric	6.0	7.5
Natural Gas	6.0	7.5
Cable Television	None	8.0 ⁽²⁾
Solid Waste	None	8.0
City-owned⁽³⁾		
Water	None	8.0
Sewer	None	8.0
Stormwater	None	8.0
Electric ⁽¹⁾	6.0	7.5
Solid Waste	None	8.0

⁽¹⁾ Pursuant to RCW 35.21.870, the City voters approved an additional 1.5% increase to the earnings tax applicable to investor and city utilities related to telephone, electric, and natural gas services for a period of 10 years beginning in 2016 to fund various street improvements included in the City's Streets Initiative. See "—Streets Initiative Taxes" above.

⁽²⁾ The rate must not be unduly discriminatory against cable operators and subscribers and therefore should be consistent with the other utility rates charged.

⁽³⁾ Under the City Charter, the gross earnings tax on City-operated utilities may not be disproportionate to the amount of taxes utilities would pay if privately owned and operated, and may not exceed 8.0%.

Source: *The City of Tacoma.*

Other Taxes and Licenses. Several other taxes and regulatory licenses are administered by the City and affect businesses in the City.

REGULAR PROPERTY TAX LIMITATIONS

The authority of a city to levy taxes without voter approval for general city purposes, including the payment of debt service on its general obligation indebtedness, is subject to the limitations described below. Information relating to regular property tax limitations is based on existing statutes and constitutional provisions, and is subject to change. Changes in such laws could alter the impact of other interrelated tax limitations on the City.

Uniformity Requirement

The State Constitution requires that property taxes be levied at a uniform rate upon the same class of property within the territorial limits of a taxing district levying such taxes. The State Constitution also provides that all real estate constitutes a single class, except for certain agricultural properties eligible for special use classification, which may be valued based on current use. It is possible, because of different overlapping taxing district boundaries, the maximum permissible levy might vary within the boundaries of a particular taxing district. In that event, to comply with the constitutional requirement for uniformity of taxation, the lowest permissible maximum rate for any part of a taxing district would be applied to the entire taxing district.

Limitations on Regular Property Taxes

The One Percent Aggregate Regular Levy Limitation. Article VII, Section 2 of the Washington Constitution, as amended in 1973, limits aggregate regular property tax levies by the State (which may not exceed \$3.60 per \$1,000 of assessed valuation, as it may be adjusted, to be used exclusively for the support of the common schools) and all taxing districts, except port districts and public utility districts, to one percent of the true and fair value of property. RCW 84.52.050 provides the same limitation by statute.

Aggregate Regular Levy Limitation. Within the 1% limitation described above, the levy by the State may not exceed \$3.60 per \$1,000 of assessed valuation and the aggregate of all regular levies by all taxing districts (other than the State and other than certain specified levies) may not exceed \$5.90 per \$1,000 of assessed valuation (the “\$5.90 limitation”). Those specified levies excluded from the \$5.90 limitation include port or public utility district levies; excess property tax levies; levies for acquiring conservation futures; levies for emergency medical care or emergency medical services; levies to finance affordable housing for very low-income residents; certain portions of levies by metropolitan park districts; certain levies imposed by ferry districts; levies for criminal justice purposes; certain portions of levies by fire protection districts; portions of certain levies by certain flood control zone districts; and levies imposed by a regional transit authority. The list of levies excluded from the \$5.90 limitation is statutory and subject to change by the State Legislature at any time.

Because various taxing districts may overlap, the aggregate levy rate applied to any two tax parcels within a single taxing district may not be identical. If the aggregate levy rate exceeds the aggregate rate limitation on any single parcel within a taxing district, the regular levy rates of certain taxing districts that include that parcel may be reduced. Because of the constitutional requirement for uniformity of taxation within a taxing district (described above), any reduction affects the entire taxing district. If reductions are required, they are made by the county assessor, in accordance with State statutes and guidance from the DOR setting forth a prioritization of regular levies. The regular levies of the State, counties, road districts, cities, towns, port districts, and public utility districts are considered “senior” levies; the regular levies of all other taxing districts are considered “junior” levies. State statute prescribes the order in which the levies of the various junior levies are reduced or eliminated in order to comply with the aggregate rate limitations. Senior levies, such as the City’s, are not subject to reduction or elimination based on aggregate rate limitations. The regular levy rates within the City are below both the individual and aggregate levy rate limitations.

Maximum Amount Increase Limitation. State law also limits the amount of a regular levy for any particular year to the highest amount that could have been levied in any prior year, multiplied by a specified percentage (the “limit factor”) plus an adjustment for new construction, annexations, certain improvements to property, and state assessed property. The limit factor is defined as the greater of (i) the lesser of 101% or 100% plus inflation, or (ii) if approved by a majority plus one vote of the governing body upon a finding of substantial need, any percentage up to 101%. If a taxing district levies less than its highest allowable levy, the amount not levied is nonetheless included in the base for determining the maximum amount limitation for succeeding years. This difference between the highest allowable levy amount and the amount actually levied is sometimes referred to as “banked” levy capacity. The City has no “banked” levy capacity.

The maximum amount increase limitation may be exceeded upon approval of a simple majority of voters. This is known as a “levy lid lift.” A levy lid lift permits a levy amount increase greater than would otherwise be allowed, which increase may be effective indefinitely or for a limited period of time. Tax receipts from the incremental increase may be (but are not required to be) restricted in the ballot proposition to satisfy a limited purpose. A levy lid lift will not increase the levy if it would cause the taxing district’s levy to exceed the applicable maximum rate limitations or the aggregate rate limitations described above. A newly created taxing district can initiate its levy at the maximum permitted statutory levy rate, unless that rate would exceed any of the limitations described above. City voters authorized a levy lid lift of \$0.20 per \$1,000 of assessed valuation for collection for 10 years beginning in 2016 to fund various street improvements included in the City Streets Initiative. See “CITY TAXING AUTHORITY—Collection of Other Taxes.” At the August 1, 2023 election, the City will ask voters to consider a levy lid lift to restore its emergency medical service (“EMS”) levy to \$0.50 per \$1,000 of assessed valuation. If approved by City voters, revenues received from this levy will be used to continue funding emergency medical care and services. See Table 8 for historical EMS tax levy rates and revenues.

Relationship Between Rate and Amount Limitations. Regular levies are limited by both the rate limitations and the amount limitations described above and, therefore, may need to be reduced below one threshold to avoid exceeding the other. Because the regular property tax increase limitation applies to the total dollar amount levied rather than to the levy rate, increases in the assessed valuation of all property in the taxing district (excluding new construction, improvements, annexations and State-assessed property) which exceed the rate of growth in taxes allowed by the limit factor result in decreased regular tax levy rates, unless voters authorize a higher levy or the taxing district uses banked levy capacity. Decreases in the assessed valuation of all property in the taxing district (including new construction, improvements, annexations and State-assessed property) or increases in such assessed valuation that are less than the rate of growth in taxes imposed, among other events, may result in increased regular tax levy rates. Thus, as assessed valuation rises, the levy amount increase limitation may restrict levy rate growth. As assessed valuation falls, the levy rate limitation may restrict growth in the levy amount.

Tax Increment Financing. In 2021, State Legislature enacted legislation (the “TIF Act”) authorizing the use of tax increment financing. The TIF Act allows counties, cities and port districts (or any combination of the three) to form increment areas to finance public improvement costs. Once the increment area has been formed, the county treasurer is directed to distribute receipts from regular property taxes imposed on real property located in the increment area. Each taxing district will receive that portion of its regular property taxes produced by the rate of tax levied by or for the taxing district on the “tax allocation base value” (the assessed valuation 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 valuation of more than \$200 million or more than 20 percent of the sponsoring jurisdiction’s total assessed valuation. 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 valuation 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 and interest on general obligation debt). The City 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 Tacoma (the “Port”) or the County could form up to two increment areas and the Port or County will receive the property tax revenues allocated to a sponsoring jurisdiction (including taxes that are levied for the City and other taxing districts).

Guaranty Fund Levies. Outside of the \$3.60 per \$1,000 and \$5.90 per \$1,000 limitations described above, but within the constitutional one percent aggregate levy limitation, Washington law requires cities to establish a local improvement district guaranty fund (the “Guaranty Fund”) for the purpose of guaranteeing the payment of principal of and interest on its local improvement district bonds, notes and warrants. The amount of a guaranty fund levy in any given collection year may not exceed the greater of (i) 12% of the outstanding obligations guaranteed by the fund, or (ii) the total amount of delinquent assessments and interest accumulated on the delinquent assessments before the levy, as of September 1 (RCW 35.54.060). The taxes levied for the maintenance of the guaranty fund will be in addition to and, if need be, in excess of all statutory and charter limitations applicable to tax levies in any city or town.

The City has outstanding approximately \$19,305,000 in local improvement district bonds and does not anticipate issuing additional local improvement district bonds in the next 12 months. In addition, the City maintains a line of credit with Washington Bank National Association, d/b/a WaFd Bank, in the amount of not to exceed \$5,000,000, of which approximately \$840,000 is currently outstanding, which is used as interim financing for local improvement projects prior to the formation and sale of local improvement bonds. The line of credit expires on June 30, 2026. Each advance bears interest at a rate equal to the Prime Rate published by the Wall Street Journal multiplied by 64% and is secured by local improvement district funds. The balance in the City's Guaranty Fund, as of March 31, 2023, was approximately \$5,275,469.

PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES

Assessed Valuation

The Assessor-Treasurer determines the valuation of all real and personal property throughout the County that is subject to *ad valorem* taxation, except certain utility properties which are valued by the DOR. The Assessor-Treasurer is an elected official whose duties and methods of determining value are prescribed and controlled by statute and by detailed regulations promulgated by the DOR.

The assessed valuation is equal to 100% of fair market value, as determined by the Assessor-Treasurer using procedures prescribed by the DOR. Three approaches may be used to determine the fair market value of real property: market data, replacement cost and income generating capacity. In the County, all property is subject to revaluation every year based on market statistics and an on-site appraisal every six years. Though the intent is that the assessed valuation reflect 100% of market value, the infrequency of on-site appraisals can lead to assessed valuations that lag market and other adjustments. Personal property is valued each year based on affidavits filed by the property owner. The property is listed by the Assessor-Treasurer on a roll at its current assessed valuation and the roll is filed in the Assessor-Treasurer's office. The Assessor-Treasurer's determinations are subject to revision by the County Board of Equalization and, for certain property, subject to further revision by the State Board of Equalization.

Current and Historical Assessed Valuation and Property Tax Levy Rates and Amounts

Set forth in the following table are the historical and current assessed valuation of taxable property located within the City. Assessed valuation within the City is based upon 100% of estimated actual valuation.

TABLE 7
TRENDS IN REGULAR ASSESSED VALUATION

Tax Collection Year	Regular Assessed Valuation	Percent Change
2023	\$ 43,161,357,947	16.34%
2022	37,098,457,923	14.41
2021	32,426,115,141	8.88
2020	29,781,934,614	12.17
2019	26,551,124,530	14.55 ⁽¹⁾

⁽¹⁾ The City's regular assessed valuation was \$23,179,089,876 for tax collection year 2018.

Source: Pierce County Assessor-Treasurer's Office.

The following table shows the City's levy rates and dollar amounts levied since 2019.

TABLE 8
AD VALOREM TAX LEVIES
(Levy Rates per \$1,000 of Assessed Valuation)

Collection Year	Levy Rates				Levy Amounts			
	Regular	Bond ⁽¹⁾	EMS ⁽²⁾	Total ⁽³⁾	Regular	Bond ⁽¹⁾	EMS ⁽²⁾	Total ⁽³⁾
2023	\$1.67176	\$0.00000	\$0.28355	\$1.95530	\$72,155,264	\$ 0	\$12,238,322	\$84,393,585
2022	1.90167	0.04241	0.32240	2.26648	70,549,040	1,559,550	11,960,558	84,069,148
2021	2.12935	0.08758	0.36100	2.57793	69,046,555	2,812,930	11,705,820	83,565,305
2020	2.26210	0.09513	0.38350	2.74073	67,369,845	2,807,780	11,421,485	81,599,110
2019	2.45864	0.10637	0.41680	2.98181	65,279,732	2,796,193	11,066,573	79,142,498

⁽¹⁾ For voter-approved general obligation bonds. The voter-approved bond levy is an excess levy of the City.

⁽²⁾ Emergency medical service ("EMS") levy. The limitations in RCW 84.52.043 do not apply to the EMS levy. At the August 1, 2023 election, the City will ask voters to consider a levy lid lift to restore its EMS levy to the maximum statutory amount of \$0.50 per \$1,000 of assessed valuation. See "CITY TAXING AUTHORITY—Authorized Property Tax Levies."

⁽³⁾ Totals may not foot due to rounding.

Source: *Pierce County Assessor-Treasurer's Office*.

The following table shows the City's top 10 taxpayers based on percentage of assessed valuation.

TABLE 9
MAJOR PROPERTY TAXPAYERS

City Taxpayer	Assessed Valuation ⁽¹⁾	% of Total City Assessed Valuation
US Oil & Refining Co	\$ 267,898,600	0.62%
Tacoma Mall Partnership #9600	261,904,596	0.61
Puget Sound Energy & Gas	249,683,214	0.58
Rocktenn CP LLC	230,422,800	0.53
Westridges Apartments Property Owner LLC	153,605,800	0.36
IPT Tacoma Logistics Center LLC	129,765,900	0.30
DCT Blair Logistics Center LLC	123,803,800	0.29
Fairways TIC I, II, III, and IV LLC	118,637,600	0.27
Prologis Targeted US Logistics Fund LP	115,526,400	0.27
Targa Sound Terminal LLC	112,433,100	0.26
Subtotal—The City's Top 10 Largest Taxpayers	\$1,763,681,810	4.09%
All other City Taxpayers	\$41,397,676,137	95.91%
Total City Taxpayers	\$43,161,357,947	100.00%

⁽¹⁾ Assessed valuation for 2023 as of December 31, 2022.

Source: *Pierce County Assessor-Treasurer's Office*.

Property Tax Collection Procedure

Property taxes are levied in specific amounts by the taxing districts. The levy rate is calculated and fixed by the Assessor-Treasurer, based upon the assessed valuation of the taxable property within the taxing district and adjusted, in accordance with detailed guidelines from the DOR, to comply with the statutory and constitutional rate and amount limitations. See "REGULAR PROPERTY TAX LIMITATIONS" above.

The Assessor-Treasurer extends the taxes to be levied within each taxing district upon a tax roll which contains the total amount of taxes to be so levied and collected. The tax roll is delivered by January 15 of each year. The Assessor-

Treasurer creates a tax account for each taxpayer and is responsible for the collection of taxes due for each account. All taxes are due and payable on April 30 of each 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.

Delinquent tax payments are subject to interest and penalties. Interest is charged at a rate of one percent per month on the full amount due from the month of delinquency until the delinquency is paid in full. In addition, a three-percent penalty is imposed on the unpaid amount of current taxes on June 1, with an additional eight-percent penalty imposed on the unpaid amount of current taxes as of December 1. In 2021, the State Legislature eliminated tax penalties for delinquent property taxes in 2022, unless such penalty was assessed prior to January 1, 2022. Effective January 1, 2023, the law also reduces the interest rate on delinquent taxes for residential properties with four or fewer units to nine percent per annum and eliminates late penalties for such properties. Penalties are credited to the account of the taxing district; interest on delinquent taxes is credited to the County's current expense fund.

State law provides that during a state of emergency declared by the Governor, the Governor may, in the area described by the proclamation, issue an order or orders concerning waiver or suspension of statutory obligations or limitations concerning the application of tax due dates and penalties relating to collection of taxes. State law also provides that during a state of emergency declared by the Governor, a county treasurer, on the motion of the county treasurer or at the request of any taxpayer affected by the emergency, may grant such extensions of the property tax payment due date as the county treasurer deems proper.

The method of giving notice of payment of taxes due, the Assessor-Treasurer's accounting for the money collected, the division of the taxes among the various taxing districts, notices of delinquency and collection procedures are all covered by detailed statutes and regulations.

Property taxes and all charges and expenses relating to the taxes constitute a statutory lien on the property taxed. The lien attaches to the property from and including January 1 in the year in which the tax is levied, and is discharged only when the taxes are paid. By law, the Assessor-Treasurer may commence foreclosure of a tax lien on real property after three years have passed since the first delinquency.

The lien on property taxes is prior to all other liens or encumbrances of any kind on real or personal property subject to taxation except for federal civil judgment liens and the possible application of the State "homestead exemption" described below. A federal lien on personal property that is filed before the personal property tax is levied is senior to the local 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 imposed after the judgment lien has been recorded. The State's courts have not decided whether the Homestead Law (chapter 6.13 RCW) may give the occupying homeowner a right to retain the homestead exemption amount of a forced sale of the family residence or other "homestead property" for delinquent property taxes. As of May 2021, the homestead exemption amount increased from \$125,000 to the greater of (a) \$125,000, or (b) 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 securing property taxes, while the State Attorney General has taken the position that it does not. *See Algona v. Sharp*, 30 Wn. App. 837, 638 P.2d 627 (1982) (holding that liens securing improvement district assessments are subject to the homestead exemption).

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The following tables show the City's regular and excess property tax levy and property tax collection for the years shown.

TABLE 10
REGULAR PROPERTY TAX LEVY COLLECTION RECORD
(as of March 31, 2023)

Collection Year	Regular Property Tax Levy Rate ⁽¹⁾	Regular Property Tax Levy	Regular Property Tax Collection	
			Percent Collected Year of Levy ⁽²⁾	Percent Collected to Date ⁽²⁾
2023	\$1.67176	\$72,155,264		
2022	1.90167	70,549,040	98.35%	98.97%
2021	2.12935	69,046,555	98.62	99.70
2020	2.26210	67,369,845	98.46	99.88
2019	2.45864	65,279,732	98.53	99.99

⁽¹⁾ Levy rates per \$1,000 of assessed valuation.

⁽²⁾ In process of collection.

Source: Pierce County Assessor-Treasurer's Office.

Overlapping Levy Rates

The overlapping taxing districts within the City have the statutory power to levy regular property taxes at the following rates subject to the limitations provided by chapter 84.55 RCW and to levy excess voter-approved property taxes. For purposes of demonstration, representative levy rates (regular and excess) for "levy code 005" of the County, as well as the statutory levy authority of each type of overlapping district currently formed in such area, are listed below. Levy code 005 does not include all of the property within the City; additional taxing districts, not listed below, currently levy taxes within the City or may do so in the future. The information in the following table does not reflect all approved property tax adjustments that are expected to be levied in future years.

TABLE 11
STATUTORY REGULAR LEVY AUTHORITY AND
REPRESENTATIVE 2023 REGULAR AND EXCESS LEVY RATES
(Rates per \$1,000 of assessed valuation)

Taxing District	Statutory Regular Levy Authority	Representative Regular Levy Rate	Representative Excess Levy Rate	Representative Aggregate Levy Rate
Pierce County	\$ 1.80000 ⁽¹⁾	\$ 0.75395	—	\$ 0.75394
Port of Tacoma	0.45000	0.13295	—	0.13295
The City	3.37500	1.67176 ⁽²⁾	—	1.67176
The City	0.22500 ⁽³⁾	—	—	—
Pierce County Flood Control Zone	0.50000	0.10043	—	0.10043
State Schools Levy	3.60000 ⁽⁴⁾	2.31224	—	2.31224
Tacoma Metropolitan Park District	0.75000	—	\$ 1.08394	1.08394
Tacoma School District No. 10	—	—	3.86539	3.86539
Regional Transit Authority	0.25000	0.15576	—	0.15576
Emergency Medical Services	0.50000	0.28355 ⁽⁵⁾	—	0.28355
Total Representative Levy Rates:	\$ 5.41063	\$ 4.94933	\$ 10.35996	

Footnotes to Table 11 are on the following page.

Footnotes to Table 11:

-
- (1) Pursuant to RCW 84.52.043(1), a county may increase its levy up to \$2.475 per \$1,000 of assessed valuation for general county purposes if (i) the total levies for both the county and any road district within the county do not exceed \$4.05 per \$1,000 of assessed valuation and (ii) no other taxing district has its levy reduced as a result of the increased county levy.
 - (2) Includes a voter-approved levy lid lift to fund street repairs and improvements through 2025. See “CITY TAXING AUTHORITY—Collection of Other Taxes.”
 - (3) RCW 41.16.060. To be used for firefighter pension funding purposes, if required; otherwise this tax may be levied and used for any other municipal purpose.
 - (4) RCW 84.52.043(1). The levy by the State shall not exceed \$3.60 per \$1,000 of assessed valuation adjusted to the State equalized value in accordance with the indicated ratio fixed by the DOR to be used exclusively for the support of the common schools.
 - (5) Imposed by the City pursuant to RCW 84.52.069(2). At the August 1, 2023 election, the City will ask voters to consider a levy lid lift to restore its EMS levy to the maximum statutory amount of \$0.50 per \$1,000 of assessed valuation. See Table 8

Source: Pierce County Assessor-Treasurer’s Office.

GENERAL OBLIGATION DEBT

Authorization of Debt

The power of the City to contract debt of any kind is controlled and limited by State law. All debt must be set forth in accordance with detailed budget procedures and paid for out of identifiable receipts and revenues. The budget must be balanced for each fiscal year. It is unlawful for an officer or employee of the City to incur liabilities in excess of budgetary appropriations.

In an emergency, the City Council may put a plan into effect and authorize indebtedness outside the current budget. All expenditures for emergency purposes must be paid from any available money in the fund properly chargeable with such expenditures.

Limits of Indebtedness

The State Constitution and statutes limit the City’s ability to incur indebtedness based on a percentage of the assessed valuation of the taxable property within the City at the time the indebtedness is incurred. See “PROPERTY TAX ASSESSMENT AND COLLECTION PROCEDURES” above.

As prescribed by State statutes, the unlimited tax general obligation indebtedness permitted for cities, subject to 60% voter approval, is limited to 2.5% of assessed valuation for general purposes, an additional 2.5% of assessed valuation for certain utility purposes and an additional 2.5% of assessed valuation for open space, park facilities and capital facilities associated with economic development. The minimum turnout must be at least 40% of city voters who voted at the last preceding State general election. If the ballot proposition approving issuance of voter-approved debt also approved the levy of taxes without limitation in amounts sufficient to repay those voter-approved bonds, then bonds will be payable from an excess property tax levy. See “REGULAR PROPERTY TAX LIMITATIONS” above. The Bonds are not payable from an excess property tax levy.

Within the 2.5% of assessed valuation for general purposes, the City may, without voter approval, incur general obligation indebtedness, such as the Bonds, in an amount not to exceed 1.5% of assessed valuation. Additionally, within the 2.5% of assessed valuation for general purposes, the City may, also without voter approval, 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 City, does not exceed 1.5% of assessed valuation. The Bonds constitute non-voted debt of the City.

There is no express provision in the State’s laws or Constitution on the priority of payment of debt service on general obligation bonds as compared to the payment of other general obligations of the municipality. In the case of excess taxes levied to pay voter-approved bonds, the taxes, when collected, are required to be applied solely for the purpose of payment of principal of and interest on the voter approved bonds of the City and for no other purpose until such obligations have been fully paid, satisfied and discharged.

Aggregate Debt Limitations. The combination of voter-approved and non-voted general obligation debt for general municipal purposes may not exceed 2.5% of the City's assessed valuation. The total of all general obligation debt for all purposes may not exceed 7.5% of the City's assessed valuation.

Short-Term Obligations. Within the limitations described above, State law permits municipal corporations to borrow money and issue short-term obligations for any lawful purpose, including the anticipation of the receipt of revenues, taxes, or grants or the sale of bonds, if the bonds have been authorized by the governing body or the voters, as applicable. Short-term obligations issued in anticipation of taxes must be repaid within six months after the end of the fiscal year in which they are issued.

Outstanding General Obligation Debt

As noted above, the City may, without a vote of the electors, incur general obligation indebtedness (such as the Bonds) in an amount not to exceed 1.5% of assessed valuation. RCW 39.36.030 provides an exception to the City's statutory debt limitation if refinancing indebtedness does not increase the total amount of the City's indebtedness. In an emergency, the City may put a plan into effect and authorize indebtedness outside of the current budget.

In computing total general obligation indebtedness, the following "assets" may be deducted against the principal amount of indebtedness outstanding: (i) money and investments on deposit in general obligation bond retirement funds; (ii) taxes (both current and delinquent) levied for the payment of general obligation indebtedness; and (iii) delinquent (but not current) taxes due the general fund.

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As of the date of issue of the Bonds, the City expects to have the following outstanding general obligation indebtedness (including the Bonds and excluding the Refunded Bonds).

TABLE 12
OUTSTANDING GENERAL OBLIGATION DEBT

	Date of Issue	Date of Final Maturity	Amount Issued	Amount Outstanding
Limited Tax General Obligation Bonds⁽¹⁾				
LTGO Bonds, 2009A (Taxable)	12/18/09	12/01/35	\$ 15,380,000	\$ 12,390,000
LTGO Bonds, 2009E (Compound Accreted Value at Maturity)	12/18/09	12/01/35	13,526,023	43,955,000 ⁽²⁾
LTGO Bonds, 2009F (Compound Accreted Value at Maturity) (Taxable)	12/18/09	12/01/26	6,680,900	19,510,000 ⁽²⁾
LTGO Bonds, 2010D (Taxable Build America Bonds – Direct Payment)	11/10/10	12/01/33	30,225,000	19,555,000
LTGO Bonds, 2010E (Taxable Recovery Zone Economic Development Bonds – Direct Payment)	11/10/10	12/01/30	9,130,000	2,640,000
LTGO Refunding Bonds, 2015A	12/29/15	12/01/36	12,735,000	10,035,000
LTGO Refunding Bonds, 2015B	12/29/15	12/01/27	20,215,000	3,490,000
LTGO Bonds, 2017 (Taxable)	12/12/17	12/01/37	25,295,000	20,215,000
LTGO Bonds, 2021A	04/13/21	12/01/35	4,555,000	3,120,000
LTGO Bonds, 2021B	04/13/21	12/01/34	4,475,000	4,475,000
LTGO Bonds, 2021C	04/13/21	12/01/40	4,555,000	4,445,000
The Bonds	07/06/23	12/01/34	27,870,000	27,870,000
Total LTGO Bonds				\$ 171,700,000
Other Non-Voted General Obligation Debt				
CTED Public Works Trust Fund Loan ⁽³⁾	06/02/04	07/01/24	10,000,000	\$ 1,141,000
Financing Lease (Washington LOCAL Program) ⁽⁴⁾	07/21/20	06/01/40	12,795,000	11,705,000
Total Other Non-Voted Debt				\$ 12,846,000
Total Non-Voted General Obligation Debt				\$ 184,546,000
Unlimited Tax General Obligation Bonds				
None				
Total Voted General Obligation Debt				\$ 0
Total General Obligation Direct Debt of the City				\$ 184,546,000

⁽¹⁾ Amounts in table rounded to the nearest dollar. Excludes the Refunded Bonds.

⁽²⁾ Zero coupon bonds; reflects accreted value at maturity.

⁽³⁾ The Community Trade and Economic Development Public Works Trust Fund loan is a general obligation of the General Fund.

⁽⁴⁾ Financing lease is a general obligation of the General Fund, however, the City expects to use utility revenues to pay debt service on this loan.

Source: *The City of Tacoma*.

Debt Capacity Computation

The City may issue general obligation debt if, at the time the debt is issued, the City has sufficient debt capacity. Once the debt has been issued, changes in assessed valuation have no effect on the validity of outstanding debt or the City's ability to refund outstanding debt. Future declines in assessed valuation can impact the ability to issue future general obligation debt. The information in the following table is based on the 2022 assessed valuation of property within the City for collection of taxes in 2023 and the existing general obligation debt of the City expected to remain outstanding after the issuance of the Bonds. Table excludes the Refunded Bonds.

**TABLE 13
COMPUTATION OF DEBT CAPACITY⁽¹⁾**

Assessed Valuation (2023 tax year)	\$ 43,161,357,947
General Purposes	
Non-Voted Debt Capacity (1.5% of Assessed Valuation)	\$ 647,420,369
Outstanding Non-Voted General Obligation Debt	\$ 156,676,000
The Bonds	<u>27,870,000</u>
Non-Voted General Obligation Debt	\$ 184,546,000
Remaining Non-Voted General Purpose Debt Capacity	<u>(184,546,000)</u>
	\$ 462,874,369
Voted and Non-Voted Debt Capacity (2.5% of Assessed Valuation)	\$ 1,079,033,948
Outstanding Voted General Obligation Debt	\$ 0
Plus: Non-Voted General Obligation Debt (calculated above)	<u>184,546,000</u>
Direct Debt	\$ 184,546,000
Remaining Debt Capacity for General Municipal Purposes	<u>(184,546,000)</u>
	\$ 894,487,948
Utility Purposes	
Debt Capacity (2.5% of Assessed Valuation)	\$ 1,079,033,948
Utility Purpose Bonds Outstanding	<u>(0)</u>
Remaining General Obligation Debt Capacity for This Purpose	\$ 1,079,033,948
Parks and Open Space and Economic Development Purposes	
Debt Capacity (2.5% of Assessed Valuation)	\$ 1,079,033,948
Park and Open Space and Economic Development Purpose Bonds Outstanding	<u>(0)</u>
Remaining General Obligation Debt Capacity for This Purpose	\$ 1,079,033,948

⁽¹⁾ Includes the Bonds and excludes all of the Refunded Bonds. See Table 12 titled "OUTSTANDING GENERAL OBLIGATION DEBT" above. Zero coupon bonds reflect accreted value at maturity.

Source: The City of Tacoma.

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Summary of Limited Tax General Obligation Bonds Debt Service Requirements

The following table shows the scheduled debt service for the Bonds and other non-voted limited tax general obligation bonds of the City, excluding the Refunded Bonds.

TABLE 14
LIMITED TAX GENERAL OBLIGATION BONDS DEBT SERVICE REQUIREMENTS⁽¹⁾

Year⁽³⁾	Outstanding LTGO Bonds⁽²⁾		The Bonds			Total
	Principal	Interest	Principal	Interest		
2023	\$6,642,735	\$6,864,159	\$1,970,000	\$ 561,271		\$ 16,038,165
2024	6,673,735	6,825,621	2,065,000	1,295,000		16,859,356
2025	6,734,470	6,765,373	1,720,000	1,191,750		16,411,593
2026	7,087,655	6,421,630	1,805,000	1,105,750		16,420,035
2027	7,487,360	6,004,369	1,900,000	1,015,500		16,407,229
2028	6,813,760	5,892,883	2,000,000	920,500		15,627,143
2029	6,898,136	5,794,333	2,395,000	820,500		15,907,969
2030	6,997,180	5,673,831	2,525,000	700,750		15,896,761
2031	7,156,010	5,540,420	2,655,000	574,500		15,925,930
2032	7,277,750	5,411,024	2,795,000	441,750		15,925,524
2033	7,439,036	5,248,303	2,940,000	302,000		15,929,339
2034	8,795,061	1,211,219	3,100,000	155,000		13,261,280
2035	8,024,034	2,399,321	--	--		10,423,355
2036	2,970,000	213,589	--	--		3,183,589
2037	2,130,000	112,675	--	--		2,242,675
2038	470,000	39,738	--	--		509,738
2039	480,000	26,813	--	--		506,813
2040	495,000	13,613	--	--		508,613
Total	\$100,571,923	\$70,458,911	\$27,870,000	\$9,084,271		\$207,985,105

⁽¹⁾ Totals may not foot due to rounding.

⁽²⁾ Principal and interest payments on the outstanding limited tax general obligation bonds, excluding the Refunded Bonds. Table reflects gross debt service due on the City's taxable direct-pay bonds; interest has not been reduced by the subsidy payments expected to be received by the City in connection with such bonds from the United States Department of Treasury. Data in the table also excludes State loans. With respect to the City's outstanding zero coupon bonds, this table provides the accrued value as imputed interest and reflects such amount the interest column. As a result, the total principal amount for the outstanding limited tax general obligation bonds in Table 14 is less than the total outstanding principal amount for the outstanding limited tax general obligation bonds in Tables 12 and 13 (which reflect the total accrued value at maturity). See Table 12.

⁽³⁾ Calendar years ending December 31.

Source: City of Tacoma and the Municipal Advisor.

Summary of Overlapping Debt

A number of other taxing districts overlap all or a portion of the City. These districts include the County, a port district, school districts and other special purpose districts. Taxable property located within the City is subject to property taxes imposed by these overlapping taxing districts. See Table 11. The table on the following page sets forth the outstanding principal amount of general obligation debt of the City, adjusted to reflect the issuance of the Bonds (the "Direct Debt") and the outstanding principal amount of general obligation debt incurred by other governmental entities whose taxing jurisdiction includes a part or all of the City and the estimated portion of that debt applicable to the property within the City (the "Overlapping Debt"). The estimate of the percentage of a governmental entity's debt which is applicable to property within the City is based on the proportion of the assessed valuation of the overlapping jurisdiction that lies within the City.

The City has obtained the information regarding the Overlapping Debt from the overlapping taxing districts, the County and other sources the City believes to be reliable, but the City has not independently verified the accuracy or completeness of such information. No person should rely upon such information as being accurate or complete.

Furthermore, the amounts described below relate only to general obligation bonds issued by the various taxing districts and reported in their most recent audited financial statements. These amounts may not reflect bank loans or other obligations incurred after the date of such financial statements and certain leases or other contracts that may constitute indebtedness under State law.

The table below reflects only existing general obligations payable from property taxes and does not reflect obligations secured by a pledge of other revenues such as utility revenues, excise taxes, sales taxes, and/or motor vehicle excise taxes. The taxing districts listed below may have issued additional general obligation debt since the dates indicated below and these and other taxing districts may have plans for future general obligation debt issuances.

TABLE 15
ESTIMATED 2023 OVERLAPPING DEBT

Overlapping Taxing Districts	2023 Assessed Valuation	Percent Overlap	Outstanding General Obligation Debt⁽¹⁾	Estimated Overlapping Debt
Tacoma Metropolitan Park District	\$43,992,256,412	98.11%	\$ 127,323,371 ⁽²⁾	\$ 124,918,566
Tacoma School District No. 10	45,574,842,806	92.45	896,955,000	829,262,817
Port of Tacoma	190,571,582,730	22.65	128,787,000	29,168,157
Pierce County	190,571,582,730	22.65	102,915,000	23,308,570
Fife School District No. 417	5,443,624,739	9.57	136,240,000	13,044,202
University Place School District No. 83	6,462,649,763	3.65	25,256,434	922,392
Clover Park School District No. 400	10,952,331,705	2.04	97,245,000	1,980,782
Franklin Pierce School District No. 402	7,947,251,194	0.57	123,655,000	710,920
Lakewood Water District	11,201,332,065	<1.00	0 ⁽³⁾	0
Sound Transit ⁽⁴⁾	151,763,986,903	28.44	0	0
Total			\$ 1,638,376,805	\$ 1,023,316,406

(1) As of February 28, 2023, unless otherwise noted.

(2) As of March 31, 2023.

(3) As of December 31, 2021 (most recent data available).

(4) 2023 Assessed Valuation includes only the Pierce County portion of the Sound Transit taxing area.

Source: *Pierce County Assessor-Treasurer's Office, and certain other issuers listed.*

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Direct and Overlapping Debt

The following table presents information regarding the City's direct debt (including the Bonds and excluding the Refunded Bonds) and the estimated portion of the debt of overlapping taxing districts allocated to the City's residents.

TABLE 16
DIRECT AND OVERLAPPING DEBT

Regular Assessed Valuation (2023 Tax Collection Year)	\$43,161,357,947
Estimated 2022 Population ⁽¹⁾	220,800

Debt Information

Direct Debt ⁽²⁾	\$ 184,546,000
Estimated Overlapping Debt (as previously detailed herein)	\$1,023,316,406
Total Direct Debt and Overlapping Debt	\$1,207,862,406

Bonded Debt Ratios

Direct Debt to Assessed Valuation	0.43%
Direct Debt and Overlapping Debt to Assessed Valuation	2.80%
Per Capita Assessed Valuation	\$195,477
Per Capita Direct Debt	\$ 836
Per Capital Total Direct and Overlapping Debt	\$ 5,470

⁽¹⁾ As of April 1, 2022. Estimate derived from the State of Washington, Office of Financial Management, Forecasting Division.

⁽²⁾ Includes the Bonds, outstanding limited and unlimited tax general obligation bonds and outstanding Public Works Trust Fund loans. Excludes the Refunded Bonds. Zero coupon bonds reflect accreted value at maturity.

Debt Payment Record

The City has promptly met all debt service payments on outstanding obligations. No refunding bonds have been issued to prevent an impending default.

Future Financings

Other than the Bonds, the City has no authorized but unissued general obligation bonds outstanding. The City does not have current plans to issue any other general obligation bonds within the next 12 months.

AUTHORIZED INVESTMENTS

Chapter 39.59 RCW authorizes the investment of funds of local governments in the following instruments: (i) bonds of the State or any local government in the State, (ii) general obligation bonds of any other state or local government thereof which have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency, (iii) registered warrants of a local government in the same county as the local government making the investment, (iv) obligations of the U.S. government, its agencies and wholly owned corporations, or obligations issued or guaranteed by supranational institutions, provided, that at the time of investment, the United States government is the largest shareholder of such institution, (v) obligations of the Federal Home Loan Bank, Federal Land Bank and Fannie Mae, and obligations of other government-sponsored corporations whose obligations are or may become eligible as collateral for advances to member banks of the Federal Reserve System, (vi) bankers' acceptances purchased on the secondary market, (vii) commercial paper purchased on the secondary market, subject to State Investment Board policies, and (viii) corporate notes purchased on the secondary market, subject to State Investment Board policies.

CITY FINANCIAL AND BUDGETARY INFORMATION

The historical financial information shown on the following page was extracted from the City's audited annual financial statements for the fiscal years ended December 31, 2017 through 2021, and the City's unaudited financial statements for the fiscal year ended December 31, 2022. Additional information that may interpret, clarify or modify the data

presented below may be contained in the complete financial statements, including the accompanying notes. As noted in this Official Statement, the historical results, including for periods occurring prior to the 2019 coronavirus pandemic speak only as of their dates and for the periods shown, and may not be indicative of future results or performance due to a variety of factors.

The City expects the State Auditor's Office to complete the audit of its financial statements for the year ended December 31, 2022 in the summer or early fall of 2023, and the City expects to adopt the audit soon thereafter to be posted with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. City officials anticipate such audit to be in-line with the unaudited information presented in this Official Statement and do not anticipate that such audit will contain any information that would materially adversely affect the City's financial condition. See "Auditing" below.

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TABLE 17
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
(Years Ended December 31)⁽¹⁾
(000's)

	Audited					Unaudited
	2017	2018	2019	2020	2021	2022
Revenues						
Taxes	\$ 161,578	\$ 169,257	\$ 171,912	\$ 170,477	\$ 187,941	\$ 201,530
Licenses and permits	7,197	7,320	7,271	6,786	1,858	4,073
Intergovernmental revenue	11,347	21,053	13,682	17,919	9,453	8,127
Charges for goods and services	13,081	12,613	13,286	12,174	10,011	9,541
Fines and penalties	1,344	1,584	1,375	1,779	797	1,543
Interest and other earnings	1,052	1,865	3,062	1,408	(102)	(1,239)
Miscellaneous revenues	825	92	145	1,307	610	739
Total Revenues	\$ 196,424	\$ 213,784	\$ 210,733	\$ 211,850	\$ 210,568	\$ 224,314
Expenditures						
Current:						
General government	\$ 34,195	\$ 36,617	\$ 35,390	\$ 30,101	\$ 36,338	\$ 27,776
Public Safety	139,249	145,013	156,716	158,142	153,939	182,198
Transportation	368	375	27	0	0	0
Economic environment	17,262	19,311	19,480	20,586	5,306	6,023
Social Services	0	0	0	4	8,499	10,751
Culture and recreation	12,861	12,989	14,816	13,125	14,014	14,106
Capital Outlay	1,280	1,213	1,412	1,080	1,053	1,404
Total expenditures	\$ 205,215	\$ 215,518	\$ 227,841	\$ 223,038	\$ 219,152	\$ 242,258
Excess (deficiency) of revenues over (under) expenditures	\$ (8,791)	\$ (1,734)	\$ (17,108)	\$ (11,188)	\$ (8,584)	\$ (17,944)
Other Financing Sources (Uses)						
Transfer In ⁽²⁾	\$ 46,227	\$ 47,136	\$ 47,661	\$ 55,198	\$ 52,147	\$ 60,630
Transfers (out) ⁽³⁾	(37,647)	(33,647)	(45,645)	(28,148)	(31,695)	(39,304)
Capital Lease Revenues	0	0	0	0	0	25
Insurance recoveries	59	71	32	14	26	8
Other – Proceeds from sale of capital assets	0	2	19	0	14	466
Total Other Financing Sources (uses)	\$ 8,639	\$ 13,562	\$ 2,067	\$ 27,064	\$ 20,492	\$ 21,825
Net change in fund balance	\$ (152)	\$ 11,828	\$ (15,041)	\$ 15,876	\$ 11,908	\$ 3,881
Fund Balance – January 1	\$ 80,348	\$ 80,214	\$ 92,416	\$ 77,286	\$ 92,811	\$ 105,279
Prior period adjustment	18	374	(89)	(351)	560	88
Change in accounting principle	0	0	0	0	0	0
Fund Balance – January 1 (Restated)	\$ 80,366	\$ 80,588	\$ 92,327	\$ 76,935	\$ 93,371	\$ 105,367
Fund balance – December 31	\$ 80,214	\$ 92,416	\$ 77,286	\$ 92,811	\$ 105,279	\$ 109,248

⁽¹⁾ Information in table for fiscal years ended December 31, 2017 through 2021 is based on audited financial statements of the City; information for fiscal year ended December 31, 2022 is unaudited, preliminary and subject to change. Columns may not foot due to rounding.

⁽²⁾ Transfers in include revenue from gross earnings excise tax on utilities. See "CITY TAXING AUTHORITY—Collection of other Taxes-Utility Taxes."

⁽³⁾ Transfers out include debt service on City obligations payable from the General Fund.

Source: The City of Tacoma.

TABLE 18
GENERAL FUND BALANCE SHEET
(As of December 31)⁽¹⁾
(000's)

	Audited					Unaudited
	2017	2018	2019	2020	2021	2022
Assets						
Cash and cash equivalents	\$ 60,627	\$ 79,234	\$ 64,688	\$ 77,222	\$ 92,148	\$ 99,789
Accounts receivables (net)	17,253	17,568	14,934	15,282	13,940	10,510
Due from other funds	3,960	487	0	0	0	0
Due from other governments	16,429	16,110	14,679	16,104	15,444	16,005
Inventories	1,160	1,429	1,586	1,193	1,463	1,570
Prepayments	7	4	5	46	56	15
Other current assets	0	0	0	0	0	0
Advances to other funds	0	0	0	0	0	0
Total Assets	\$ 99,436	\$ 114,832	\$ 95,892	\$ 109,847	\$ 123,051	\$ 127,889
Liabilities						
Accounts payable	\$ 3,919	\$ 7,813	\$ 5,457	\$ 3,399	\$ 8,495	\$ 9,279
Customer Deposits	0	0	0	0	39	29
Due to other funds	1,330	3,650	0	0	0	0
Due to other governments	180	88	91	68	150	40
Accrued wages	2,061	0	0	0	0	0
Accrued benefits	0	0	0	0	0	0
Accrued taxes	41	0	0	0	0	0
Unearned Revenue	0	0	0	0	0	0
Other liabilities	722	830	3,825	6,976	1,604	6,667
Total Liabilities	\$ 8,253	\$ 12,381	\$ 9,373	\$ 10,443	\$ 10,288	\$ 16,015
Deferred Inflows of Resources						
Unavailable revenues ⁽²⁾	10,969	10,035	9,233	6,593	7,484	2,626
Total Fund Balances	\$ 80,214	\$ 92,416	\$ 77,286	\$ 92,811	\$ 105,279	\$ 109,248
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 99,436	\$ 114,832	\$ 95,892	\$ 109,847	\$ 123,051	\$ 127,889

⁽¹⁾ Information in table for fiscal years ended December 31, 2017 through 2021 is based on audited financial statements of the City; information for fiscal year ended December 31, 2022 is unaudited, preliminary and subject to change. Columns may not foot due to rounding.

⁽²⁾ Includes long-term assets that are not available to pay for current-period expenditures and therefore are reported as unavailable revenue.

Source: *The City of Tacoma*.

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TABLE 19
GENERAL FUND BUDGET

Revenues by Category	2021-22 Adopted Budget	2021-22 (Re-appropriations and Mid Biennium Modification)		2022-23 Adopted Budget
		2021-22 (Re-appropriations and Mid Biennium Modification)	2022-23 Adopted Budget	
Property Tax	\$ 127,724,824	\$ 130,033,442	\$ 135,538,742	
Sales Tax	104,582,278	122,244,082	147,099,836	
Business Tax	106,557,097	106,076,042	120,560,947	
Utility Tax	97,522,779	97,454,336	108,130,226	
Other Taxes	4,101,005	4,101,005	5,120,508	
Licenses and permits	13,068,052	13,828,117	20,087,165	
Intergovernmental revenue	24,999,914	24,782,549	27,241,321	
Charges for service	6,519,754	5,526,362	7,185,900	
Fines and forfeitures	1,088,610	1,088,610	1,322,687	
Contributions and Transfers (Indirect Costs)	164,860	164,860	31,702	
Other revenue (Misc. Revs.)	5,582,303	12,334,402	34,400,927	
Cash Balance	17,013,571	33,736,673	8,455,325	
Total Revenues	\$ 508,925,047	\$ 551,370,480	\$ 615,175,286	
Expenditures				
City Attorney's Office	\$ 5,185,412	\$ 5,240,776	\$ 5,920,886	
City Manager's Office	5,001,811	5,504,654	6,546,711	
Community and Economic Development	8,725,190	9,235,244	9,236,124	
Finance	10,524,216	10,717,871	11,670,529	
Fire	133,094,989	142,842,144	151,677,631	
Information Technology	1,575,668	1,775,555	1,960,662	
Library	28,571,808	31,200,892	34,693,671	
Municipal Court	7,727,499	7,782,101	8,003,090	
Neighborhood and Community Services	22,488,839	23,895,661	42,330,352	
Non-Departmental	102,627,586	118,909,233	124,830,259	
Planning and Development Services	3,858,577	5,479,321	4,031,187	
Police	172,318,197	181,383,771	210,231,407	
Public Works	6,598,163	6,654,835	3,295,882	
Tacoma Venues and Events	627,092	748,424	746,895	
Total expenditures	\$ 508,925,047	\$ 551,370,480	\$ 615,175,286	

Source: The City of Tacoma.

THE CITY OF TACOMA

The City was incorporated in 1884 and operates under the council-manager form of government, which is administered by a City Council under the Constitution and laws of the State and the City Charter. The City Council is composed of nine members: a Mayor and eight Councilmembers, five of whom are elected from districts which have been apportioned according to population. The three remaining positions are "at large" positions, nominated and elected City-wide. The Councilmember positions are four year terms with overlapping terms to allow for the election of four Councilmembers every two years. The Mayor is elected City-wide for a four year term and is the presiding officer of the City Council. Councilmembers, including the Mayor, can serve no more than ten consecutive years as a member of the City Council, Mayor or combination thereof.

Various departments provide a full range of services to the citizens of the City including police and fire protection, electrical generation and distribution, water distribution, wastewater and surface water services, solid waste services, public works (which includes street operations, engineering, facility management and fleet operations), planning and development services, community and economic development, neighborhood and community services, and many others.

City Officials

Current members of the City Council are listed in the following table.

**TABLE 20
ELECTED OFFICIALS**

Name	Position	Term Expires December 31
Victoria Woodards	Mayor	2025
Kristina Walker	Deputy Mayor and Councilmember	2023
Keith Blocker	Councilmember	2023
Joe Bushnell	Councilmember	2025
Kiara Daniels	Councilmember	2025
Olgz Diaz	Councilmember	2023
John Hines	Councilmember	2023
Sarah Rumbaugh	Councilmember	2025
Catherine Ushka	Councilmember	2025

Source: The City of Tacoma.

Administration

The City Council appoints a City Manager who is the chief executive officer of the City. The City Manager is responsible to the City Council for the administration of all departments of the City with the exception of the Department of Public Utilities. Pursuant to an amendment to the City Charter approved by the voters in 2014, the City Manager's appointments of department heads require confirmation by the City Council.

The City Manager appoints a Finance Director who supervises the financial and purchasing functions of the City, including the City's accounting system. The Finance Director is responsible for preparing the Annual Comprehensive Financial Report in accordance with generally accepted accounting principles and the instructions of the State Auditor's Office. The Finance Director oversees and monitors the payment of principal and interest on all bonds issued by the City, including the Bonds. Under the Finance Director, a Budget Officer of the Office of Management and Budget is responsible for the preparation and monitoring of the biennial budget, which provides for the servicing of debt and provides for anticipated revenues to meet the estimated costs of expenditures. The budget is presented to the City Council for its review and approval and final adoption.

The City Manager appoints the City Treasurer who is responsible for the receipt, custody and disbursement of City funds. The City Treasurer receives all money due and belonging to the City, and keeps a detailed account of the same in the manner prescribed by the Finance Director. The Government Performance and Finance Committee, composed of four Councilmembers, is responsible for the financial management and policies of the City.

Elizabeth Pauli, City Manager. Ms. Pauli was appointed City Manager in May 2017. Prior to her appointment, she served as Interim City Manager. She joined the City in May 1998 as Chief Assistant City Attorney and was appointed City Attorney in 2004. Prior to her work with the City, she was a partner at McGavick Graves. Ms. Pauli is a graduate of the University of Wisconsin-Madison Law School. She also holds a Bachelor of Science degree in education and social work from University of Wisconsin-Madison. Ms. Pauli is a member of the Washington State Bar Association and the Washington State Association of Municipal Attorneys.

Andrew ("Andy") Cherullo, Finance Director. Andrew Cherullo joined the City in February 2013. Prior to joining the City, he most recently served as the Chief Financial Officer for the Washington State Health Care Authority. Prior to that, Mr. Cherullo served as the Chief Financial Officer for the Massachusetts School Building Authority. He started his career in public finance at the Massachusetts House Ways and Means Committee, where within four years he became the Budget Director. As Finance Director for the City, Mr. Cherullo serves as the Chief Financial Officer for the City Manager and the City Council. He is responsible for overseeing the City's financial affairs, including accounting, debt and investment management, procurement and purchasing, and financial reporting. Mr. Cherullo has Bachelor's degrees in Economics and Political Science from the University of Montana and a Master's degree in Economics from Tufts University.

Michael San Soucie, City Treasurer. Mr. San Soucie joined the City in April 2013. He served in the role of Treasury Manager until his appointment to City Treasurer in March 2023. He has over 28 years of governmental experience at both the state and local levels. Mr. San Soucie has a Bachelor of Science degree in Accounting from Central Washington University and maintains a current CPA license.

William C. Fosbre, City Attorney. Mr. Fosbre was appointed City Attorney in May 2017. He joined the City in 1999 as Assistant City Attorney in the Prosecution Division and was later appointed Division Supervisor. He left the City in 2002 to serve as the Snohomish County Director of District Administration until 2005 when he returned to the City Attorney's Office. A graduate of Seattle University School of Law, Mr. Fosbre also holds a Master of Arts degree in political science and a Bachelor of Arts degree in sociology from Western Washington University.

Doris Sorum, City Clerk. Ms. Sorum is responsible for the recording and safekeeping of all proceedings of the City Council. Ms. Sorum began her career with the City's Finance Department in April 1980. She transferred to the City Clerk's office in 1985 and was appointed to the position of City Clerk in August 2000. Ms. Sorum attended Tacoma Community College and has completed additional coursework through the University of Washington.

Budgetary Policies

The biennial budget is proposed by the City Manager and adopted by the City Council with legal budgetary control at the fund level. The City Manager may authorize transfers within funds; however, the City Council must approve, by ordinance, any amendments which increase the total for the fund. Any unexpended appropriated balances lapse at the end of the fiscal biennium. See Table 19 for information related to the City's biennial budgets for 2021-2022 and 2022-2023.

Capital Improvement Plan

The City develops a six-year Capital Facilities Program ("CFP") to accompany the capital facilities element of the City's Comprehensive Plan. The purpose of the CFP is to provide coordinated planning and programming of capital facilities and services by identifying and prioritizing capital improvements and sources of revenue for the relevant planning period. The CFP contains an inventory of current and proposed capital facilities, forecasts needs for facilities, and identifies deficiencies and actions to meet such deficiencies. Funds are not appropriated as part of the CFP, but rather functions as a budgeting tool, supporting the actual appropriations that are made through adoption of capital component of the City's biennial budget. The CFP is updated each biennium. The City-wide capital budget for 2023-2024 is approximately \$2.215 billion, of which approximately \$49 million has been identified as payable from General Fund revenue.

Auditing

Accounting systems and budgetary controls are prescribed by the Office of the State Auditor in accordance with RCW 43.09.200 and RCW 43.09.230. State statutes require audits for cities to be conducted by the Office of the State Auditor. The City complies with the systems and controls prescribed by the Office of the State Auditor and establishes procedures and records which reasonably assure safeguarding of assets and the reliability of financial reporting.

The State Auditor is required to examine the affairs of cities and the City is audited annually. The examination must include, among other things, the financial condition and resources of the City, whether the laws and constitution of the State are being complied with, and the methods and accuracy of the accounts and reports of the City. Reports of the auditor's examinations are required to be filed in the office of the State Auditor and in the finance department of the City. The audited financial statements of the City for fiscal year ended December 31, 2021 prepared by the City Finance Department and audited by the Office of the State Auditor are contained in Appendix B. The State Auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The State Auditor has not performed any procedures related to this Official Statement.

The City expects the State Auditor to complete the audit of its financial statements for the year ended December 31, 2022 in the summer or early fall of 2023, and the City expects to adopt the audit soon thereafter to be posted on EMMA. City officials anticipate such audit to be in-line with the unaudited information presented in this Official Statement and do not anticipate that such audit will contain any information that would materially adversely affect the City's financial condition.

Response to COVID-19

The outbreak of the 2019 novel coronavirus (“COVID-19”) was a significant event that has had and is expected to have ongoing effects on the region where the City is located. Certain historical information in this Official Statement regarding the finances and operations of the City predate the outbreak of COVID-19 and should be considered in light of the effects the COVID-19 pandemic may have on the current and future finances and operations of the City and economy of the State.

On March 11, 2021, the American Rescue Plan Act (“ARPA”) was signed into law, and provided \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. The City received approximately \$60.9 million in ARPA assistance. The City received approximately \$30.5 million of the \$60.9 million in May 2021 and \$30.4 million in May 2022. The City used ARPA funds primarily to address the negative impacts of the pandemic. Funds were used for emergency sheltering needs, food banking needs, and assistance to small businesses and non-profits. The City will monitor and apply for additional federal and State support as such relief becomes available.

As part of the 2023-2024 budget process, ARPA resources were used to address one-time needs in the General Fund.

Pension

Substantially all City employees are covered by a contributory retirement plan administered by the City’s Employee Retirement System (“TERS”), an actuarially funded system administered by the City. Law enforcement officers and firefighters are covered by the Law Enforcement Officer and Firefighter Retirement System (“LEOFF”), which is operated by the State for law enforcement officers and firefighters throughout the State. Additionally, the City administers two single-employer pension funds as required by State Statute: a Police Relief and Pension Fund and a Firemen’s Relief and Pension Fund. The following information regarding TERS is provided on a City-wide basis. The most recent actuarial valuation of TERS was completed as of January 1, 2023 by Milliman (the “Milliman Report”) and reported a funding ration of 99.9%. Additional information, including the Milliman Report, is available on the TERS website (which website is not incorporated herein by this reference) at: www.cityoftacoma.org/retirement.

TERS is a cost-sharing multiple-employer, defined benefit retirement plan covering substantially all employees of the City, with the exception of police officers, firefighters, and Tacoma Rail employees, who are covered by other retirement plans. Employees of the Tacoma-Pierce County Health Department, as well as certain employees of Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in TERS when these agencies were still City departments, are also members. As of January 1, 2021, there were 2,653 retirees and beneficiaries currently receiving benefits, 790 vested terminated members entitled to future benefits and 3,037 active members in TERS.

The Board of Administration of TERS (the “Board”) administers the plan, and benefit provisions are established in accordance with chapter 41.28 RCW and Chapter 1.30 of the Tacoma Municipal Code. The Board consists of nine members, including the City Mayor, who serves as chair, Finance Director, City Manager (or designee), Public Utilities Director (or designee), three employees one retiree and one City resident (not employed by the City) elected by the other eight members. The Board is required by the City’s municipal code to make annual reports to the City Council on the financial condition of TERS. The Board, subject to City council approval, appoints the Director who is responsible for managing the daily operations of TERS.

Contributions City-wide totaled \$57.8 million in 2022 (\$31.2 million in employer contributions and \$26.6 million in employee contributions) and \$55.0 million in 2021 (\$29.7 million in employer contributions and \$25.3 million in employee contributions). The contribution rate for the City’s covered payroll is currently set at 21.00% of pensionable wages for 2023, with 11.34% paid by the City and 9.66% paid by employees.

The City is current in all payments to TERS. Further details about the plan are included in Note 4 to the City’s Audited Financial Statements for 2021 attached as Appendix B.

In addition to TERS, City employees participate in the federal social security program. The City withholds the employee contribution from City employee’s wages.

Law Enforcement Officer and Firefighter Retirement System (“LEOFF”). LEOFF is a cost-sharing multiple-employer defined benefit pension plan. Membership in the plan includes all full-time, fully compensated local law enforcement officers and firefighters. The LEOFF system includes two plans. Participants who joined the system by September 30, 1977, are LEOFF Plan 1 members. Those joining thereafter are enrolled in LEOFF Plan 2. Retirement benefits are financed from employee and employer contributions, investment earnings, and State contributions. LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50.

The benefit per year of service calculated as a percent of final average salary (“FAS”) is as follows:

TABLE 21
LEOFF BENEFIT PER YEAR DETAILS

Term of Service	Percent of Final Average Salary
5-9 Years	1.0%
10-19 Years	1.5
20 or more years	2.0

Source: The City of Tacoma.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service (FAS is based on the highest consecutive 60 months). Plan 2 members who retire prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. 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. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

LEOFF Plan 1 employer and employee contribution rates are established by statute, and the State is responsible for the balance of the funding at rates set by the Pension Funding Council to fully amortize the total costs of the plan. Employer and employee rates for LEOFF Plan 2 are set by the director of the Department of Retirement Systems, based on recommendations by the Office of the State Actuary, to continue to fully fund the plan. LEOFF Plan 2 employers and employees are required to contribute at the level required by State law. The methods used to determine the contribution rates are established under State statute in accordance with chapters 41.26 and 41.45 RCW.

The following table outlines the current contribution rates of employees and employers under LEOFF as of July 1, 2021.

TABLE 22
LEOFF CONTRIBUTION RATES

	Plan 1	Plan 2
Employer ⁽¹⁾	0.18%	5.30%
Employee	0.00	8.53
State	N/A	3.41

⁽¹⁾ Includes a 0.18% Department of Retirement Services administrative expense rate.

Source: The City of Tacoma.

For the years ended December 31, 2020, and December 31, 2021, the City contributed approximately \$4,820,923 and \$4,982,250, respectively, to LEOFF Plan 2.

Information regarding LEOFF is presented in annual financial report of the State Department of Retirement Systems (“DRS”), which may be obtained from:

Department of Retirement Systems
1025 East Union Street
P.O. Box 48380
Olympia, WA 98504-8380
Internet Address: www.drs.wa.gov (which website is not incorporated herein by reference)

While the City’s contributions in 2021 represented its full statutorily required contribution to LEOFF, any unfunded pension benefit obligations within the systems could be reflected in future years as higher contribution rates. The website of the Office of the State Actuary (which is not incorporated into this Official Statement by reference) includes information regarding the values and funding levels of LEOFF and other State-administered pension plans. The DRS Annual Comprehensive Financial Report for the year ended June 30, 2022 reported that LEOFF Plan 1 and Plan 2 each has a funded ratio in excess of 100% and a net pension asset.

Police Relief and Fire Relief and Pension Fund. The Police Relief and Pension Fund and the Fire Relief and Pension Fund are single-employer, defined benefit pension funds established and administered by the City in accordance with the requirements of State law. Membership is limited to firefighters employed prior to March 1, 1970. Since the effective date of the LEOFF on March 1, 1970, no payroll deductions for active employees have been taken under these pension plans. See Note 4 to the City’s Audited Financial Statements for 2021 attached as Appendix B.

GASB 67/68 Reporting Rules. GASB Statement 68, Accounting and Financial Reporting for Pensions (“GASB 68”) became effective for the City for the year ended December 31, 2015. Among the changes imposed by GASB 68 are that lower discount rates are required to be used for underfunded plans in certain cases and the difference between expected and actual investment returns each year will be recognized over a closed five-year smoothing period. GASB 68 also requires employers that participate in the State sponsored plans to report their proportionate share of Net Pension Liability, Deferred Inflows of Resources, Deferred Outflows of Resources, and Pension Expense for the State plans. DRS determines each participating employer’s proportionate share of overall plan liability and the State Actuary determines each plan’s accounting valuation. GASB 68 affects the accounting for pensions, but does not change the funding status of the plans calculated by State Actuary or pension contribution rates that are set based on statutory assumptions.

In 2021, the City reported a net pension liability for all plans of \$69,360,121. The City also reported net pension assets related to in the aggregate amount of \$177,099,205. See Note 4 to the City’s Audited Financial Statements for 2021 attached as Appendix B for additional information.

Other Post-Employment Benefits

In addition to pensions, many state and local governmental employers provide other post-employment benefits (“OPEB”) as part of total compensation to attract and retain the services of qualified employees. OPEB includes post-employment health care as well as other forms of post-employment benefits that are provided separately from pension plan benefits. GASB issued a standard concerning Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. The standard provides for the measurement, recognition and display of OPEB expenses/expenditures, related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports. This pronouncement became effective for the City for the Fiscal Year ended December 31, 2007.

The City is financing the benefits on a pay-as-you-go basis. The City provides the option for retirees to pay the full premium cost of medical benefits until age 65, and for LEOFF Plan 1, after age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF Plan 1, LEOFF Plan 2, or Rail employees). For additional information regarding the City’s OPEB, see Note 4 to the City’s Audited Financial Statements for 2021 attached as Appendix B.

Deferred Compensation

The City offers its employees a deferred compensation plan through a third party created in accordance with Internal Revenue Code Section 457. The plan, available to all City permanent full-time and part-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, disability, death, or unforeseeable emergency, but the plan offers a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions. The 2021 contribution limits are \$20,500 for regular deferral, \$41,000 for pre-retirement and \$27,000 for age 50 provision deferrals. The City agreed through labor contract negotiations to match contributions made by all Police Officers and Fire Officers up to a maximum of \$211 per pay period. For additional information, see Note 5 to the City's Audited Financial Statements for 2021 attached as Appendix B.

Investment Practices

The City Investment Policy permits legal investments as authorized by State law. Among the investments permitted by State law and the Investment Committee's policy are banker's acceptances of the top 50 world banks as published by American Banker, U.S. Treasury bills, certificates, notes and bonds, certain U.S. Government agency securities, commercial paper with the highest rating by at least two nationally recognized rating agencies, repurchase agreements with the market value of collateral exceeding the dollar amount of the repurchase agreement by two percent over the term of the agreement, reverse repurchase agreements, the State Local Government Investment Pool (the "LGIP") (described below), municipal securities, certificates of deposit, corporate notes and supranational agency bonds. Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City Treasurer's Tacoma Investment Pool ("TIP") in the LGIP.

As of December 31, 2022, the City's cash and investments on a fair value basis, totaled approximately \$1.46 billion, not including City pension funds. The portfolio was distributed in various types of investment instruments in the following percentages:

TABLE 23
City Investments
(As of December 31, 2022)⁽¹⁾

Bank Interest-Bearing Accounts	0.04%
Local Government Investment Pool	1.78
U.S. Treasuries	51.32
Municipal Securities	1.42
Federal Home Loan Mortgage Assn (Freddie Mac)	9.97
Federal Agricultural Mortgage Corp (Farmer Mac)	0.97
Federal Farm Credit Bank (Farm Credit)	6.26
Federal Home Loan Bank (Home Loan)	16.96
Federal National Mortgage Assn (Fannie Mae)	5.55
Corporate	4.34
Supernational	1.39
Total	100.00%

⁽¹⁾ Unaudited. Total may not foot due to rounding.

Source: City of Tacoma

State Local Government Investment Pool. The State Treasurer's Office administers the Local Government Investment Pool (the "LGIP"), an optional investment tool that in fiscal year 2022 held an average balance of \$22.1 billion on behalf of 614 participants. In its management of LGIP, the State Treasurer is required to adhere, at all times, to the principles appropriate for the prudent investment of public funds. These are, in priority order, (i) the safety of principal; (ii) the assurance of sufficient liquidity to meet cash flow demands; and (iii) to attain the highest possible yield within the constraints of the first two goals. Historically, the LGIP has had sufficient liquidity to meet all cash flow demands.

The LGIP, authorized by chapter 43.250 RCW, is a voluntary pool which provides its participants the opportunity to benefit from the economies of scale inherent in pooling. It is also intended to offer participants increased safety of principal and the ability to achieve a higher investment yield than would otherwise be available to them. Although not

regulated by the U.S. Securities and Exchange Commission (the “SEC”), the LGIP is invested in a manner generally consistent with the SEC guidelines for Rule 2a-7 money market funds; for example, currently it has a maximum weighted average maturity of 60 days and a maximum weighted average life of 120 days. The maximum final maturity is 397 days except for floating and variable-rate securities and securities that are used for repurchase agreements. The weighted average maturity of the LGIP generally ranges from 30 to 60 days. Investments permitted under the pool’s guidelines include U.S. government and agency securities, bankers’ acceptances, high quality commercial paper, repurchase and reverse repurchase agreements, motor vehicle fund warrants, and certificates of deposit issued by qualified State depositories. The City may withdraw funds in their entirety on less than 24 hours’ notice.

Risk Management

The City is self-insured for tort liability, medical, benefits, unemployment and worker’s compensation, and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for Incurred but Not Reported (“IBNR”) claims. The estimate for reported claims is based on Risk Management and Legal Departments’ projections and is adjusted annually. The IBNR for the self-insured employee benefits is based on an average of two-month claims from the reporting year. The IBNR for tort liabilities are calculated by a periodic actuarial study. The handling and paying of all tort liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the Tacoma Public Utility (“TPU”) Self Insurance Claim Fund. Moneys are appropriated from various cost centers based on prior claims history and paid to these funds.

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with RCW 35.21.085(2). The City carries a supplemental liability policy with a \$15 million limit and a \$5 million self-insurance retention for General Government (excluding law enforcement), renewable on May 15 of each year. TPU carries separate supplemental liability policies with total limits of \$52.5 million, \$250,000 retention for wrongful acts claims and a \$24.5 million self-insured retention for all other covered claims, renewable on December 1 of each year. The Belt Line Railroad carries separate Railroad Liability policies with total limits of \$50 million each occurrence and a \$1 million self-insured retention renewable on December 1 of each year. Mountain Rail carries a separate Railroad Liability policy with a limit of \$7 million each occurrence, \$14 million annual aggregate and a \$50,000 self-insured retention renewable on December 2 of each year. These policies are provided to supplement the City’s current self-insurance risk for settlements in excess of the self-insured retentions.

The City also has a policy to cover extraordinary worker’s compensation claims with a statutory liability limit and a \$1 million retention for each occurrence as well as an additional \$250,000 of total loss in excess of the retention. Such additional \$250,000 deductible may be satisfied by loss from one or more occurrences. This policy renews January 1 of each year.

The City carries property coverage with a maximum single occurrence limit of \$500 million with sub-limits, and \$150,000 deductible per occurrence, with exceptions. This policy renews July 1 of each year. TPU carries separate property coverage with a maximum single occurrence limit of \$150 million with sub-limits, and a \$250,000 deductible per occurrence, with exceptions. This policy renews July 1 of each year.

See Note 7 to the City’s Audited Financial Statements for 2021 attached as Appendix B.

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Labor Relations

As of April 1, 2023, the City employed 3,683 people, including 2,266 general government and 1,417 TPU employees. As of such date, approximately 70% of those employees who are eligible under State or Federal law to be represented by a labor organization were members of one of the labor unions representing City employees. The following table shows the current union contracts and their respective expiration dates. The City considers its relationship with the bargaining units to be good.

**TABLE 24
LABOR RELATIONS DETAIL**

Bargaining Unit	Number of Employees	Contract Expiration Date
BLET	18	06/31/2017 ⁽¹⁾
District 160 General	87	12/31/2023
District 160 Mechanics	14	12/31/2023
District 160 Track Workers	7	12/31/2025
District 160 WWTP Supervisors	4	12/31/2023
District 160 Yard Clerks	5	12/31/2023
Local 117 Teamsters – General	190	12/31/2022 ⁽²⁾
Local 117 Teamsters – TVE	22	12/31/2025
Local 120 General	156	12/31/2025
Local 17 PTE (PROTEC 17)	249	12/31/2022 ⁽²⁾
Local 17 Non-Commission TPD Mgmt	3	12/31/2024
Local 26 Police Cpts & Lts	21	12/31/2024
Local 31 Fire Dept.	420	12/31/2025
Local 313 Teamsters	134	12/31/2025
Local 483 Clerical	166	12/31/2023
Local 483 Court Clerks	16	12/31/2025
Local 483 Custodians	21	12/31/2025
Local 483 Customer & Field Services	166	12/31/2024
Local 483 Human Resources	24	12/31/2024
Local 483 Power	318	03/31/2024
Local 483 Supervisors	13	12/31/2025
Local 483 Water	123	12/31/2024
Local 483 Water Pollution Control	50	12/31/2022 ⁽²⁾
Local 6 Police	297	12/31/2023
PPSMA Asst. & Deputies	10	12/31/2023
SMART-TD Conductors	34	06/31/2015 ⁽¹⁾
SMART-TD Yardmasters	5	12/31/2024

⁽¹⁾ Unexpired or evergreen contracts without expiration dates.

⁽²⁾ Under negotiation.

Source: *The City of Tacoma*.

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 Code. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The proposed form of opinion of Bond Counsel with respect to the Bonds to be delivered on the date of issuance of the Bonds is set forth in Appendix A.

The Code contains a number of requirements that apply to the Bonds, and the City 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 City and is subject to the condition that the City comply with the above-referenced

covenants. If the City fails to comply with such covenants or if the City's representations are inaccurate or incomplete, interest on the Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

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

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

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

Post Issuance Matters. The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City, 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 City 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 City 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 City 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 City or the Owners to incur significant expense.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds.

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

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters and any pending or proposed legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Not Bank Qualified. The City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

CERTAIN INVESTMENT CONSIDERATIONS

Prospective purchasers of the Bonds should consider the matters set forth below as well as other information contained in this Official Statement in evaluating an investment in the Bonds. This section does not purport to be a comprehensive list or description of all potential risks which, if realized, could adversely affect the payment or the value of the Bonds. The order of presentation of these factors below is not intended to create any implication as to the relative importance of any one risk factor over another.

Initiative and Referendum

Under the State Constitution, the voters of the State have the ability to initiate legislation and modify existing legislation through the powers of initiative and referendum, respectively. The initiative power in Washington may not be used to amend the State Constitution. Initiatives and referenda are submitted to the voters upon receipt of a petition signed by at least eight percent (initiative) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Any law approved in this manner 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.

Under the City Charter, voters may initiate City Charter amendments and local legislation, including modifications to existing legislation, and through referendum may prevent legislation passed by the City Council from becoming law. Some ordinances become effective immediately, including ordinances passed as emergency measures, or relating to local improvements and assessments and authorization of bonds therefor, or adopting annual budgets, or levying taxes, or making appropriations. Ordinances granting a franchise, right, or privilege, or authorizing the issuance of revenue bonds in an amount exceeding \$5 million take effect as the City Council determines. All other ordinances take effect only after the expiration of 10 days from publication and are subject to the provisions of the City Charter concerning referendum. Under Washington law, the Bond Ordinance may not be a proper subject for a referendum petition. Nonetheless, prior to the issuance of the Bonds, the referendum period for the Bond Ordinance will have expired and during such period no referendum petition will have been filed.

In recent years there has been an increase in the number of initiatives and referenda filed in Washington, including state initiatives targeting property taxes imposed by local jurisdictions. The City cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, and whether such initiatives will be approved by the voters and, if challenged, upheld by the courts.

Limitations on Remedies

Any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Bond 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 City fails to comply with its covenants under the Bond 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 Bond Ordinance, the rights and obligations under the Bonds and the Bond Ordinance may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, and other laws relating to or affecting creditors’ rights, to the application of equitable

principles, and to the exercise of judicial discretion in appropriate cases. The opinions to be delivered by Pacifica Law Group LLP, as Bond Counsel, concurrently with the issuance of the Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. See copies of the proposed form of opinion of Bond Counsel in Appendix A.

No Acceleration

Under the Bond Ordinance, a Bond owner cannot require acceleration of debt service on the Bonds upon the occurrence of an event of default. The City is liable for principal and interest payments only as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, the bond owners would be required to bring a separate action for each such payment not made. This could give rise to a difference in interests between owners of earlier and later maturing Bonds.

Municipal Bankruptcies

Under current State law, local governments, such as the City, may be able to file for bankruptcy under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code"). A creditor, however, cannot bring an involuntary bankruptcy proceeding against a municipality, including the City. The federal bankruptcy courts have broad discretionary powers under the Bankruptcy Code.

Under Chapter 9, "special revenues" are granted certain protections in cases brought by municipalities. The Bankruptcy Code also provides that "special revenues" can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. The definition of "special revenues" includes "special excise taxes imposed on particular activities or transactions" and "taxes specifically levied to finance one or more projects or systems, excluding receipts from general property, sales, or income taxes (other than tax-increment financing) levied to finance the general purposes of the debtor." No assurance can be given that a court would hold that the Lodging Taxes are special revenues.

RCW 67.28.150 authorizes the City to "pledge" the Lodging Taxes to the repayment of bonds, and the City has pledged Lodging Taxes to the payment of the portion of the Bonds issued to refinance Tourism-Related Facilities. The statute does not expressly state that the pledge constitutes a statutory lien.

Taxing districts in the State are expressly authorized to carry out a plan of readjustment if approved by the appropriate court. If the City were to become a debtor in a federal bankruptcy case, owners of the Bonds may not be able to exercise any of their remedies under a Bond Ordinance during the course of a proceeding. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and/or reductions in payments could result.

Seismic, Volcanic, Flooding, and Other Risks

The City's Comprehensive Emergency Management Plan identifies the following natural hazards: severe storms, earthquakes, floods, fire hazards, landslides, drought, tsunami, epidemic/pandemic and volcanic hazards. In 2001, a 6.8 magnitude earthquake occurred near Olympia, Washington, within 50 miles of the City. According to the U.S. Geological Survey, over the past 10,000 years, Mount Rainier (located within 60 miles of the City) has been the source of numerous lahars (volcanic debris flows). The most recent large lahar occurred about 500 years ago. Such lahars could cause catastrophic damage to the City. The Emergency Management Plan addresses disaster planning, but may not anticipate all potential hazards and their effects.

The Western United States, including Washington, has also recently experienced a series of major wildfires causing extensive damage in certain areas and diminishing air quality. The City has performed a wildfire risk assessment and developed interim wildfire mitigation plans. Other natural disasters, such as volcanic eruptions, flooding, mudslides, and windstorms, are also possible. The City can give no assurance regarding the effect of an earthquake, a volcanic eruption, mudslide or other natural disaster, or other risks such as climate change, epidemics and pandemics including without limitation the COVID-19 pandemic, wildfires, or acts of terrorism. The City can give no assurance that the City's insurance reserves or proceeds of insurance carried by the City, if any, would be sufficient, if available, to rebuild and reopen City facilities or that City facilities or surrounding facilities and infrastructure could or would be rebuilt and reopened in a timely manner following a major disaster.

Climate change could intensify and increase the frequency of extreme weather events, such as drought, wildfires, floods and heatwaves. The loss of life and property damage that could result from wildfires and other major natural disasters

could have a material and adverse impact on the City and the local community and economy. Under Washington law, any person, firm or corporation may be liable if it creates or allows extreme fire hazards to exist and which hazards contribute to the spread of the fires. See “—Climate Change” below.

Climate Change

There are potential risks to the City 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 wildfires. The City considers the environmental impacts associated with climate change in its decision making. In 2021, the City adopted the 2030 Climate Action Plan and Climate Adaption Strategy, a list of meaningful, high-priority actions that the City will take between 2021 and 2030 to meet the environmental goals outlined in the Tacoma 2025 Strategic Plan. The 2030 Climate Action Plan builds upon the 2016 Environmental Acton Plan, which replaced the 2008 Climate Action Plan. These plans describe a pathway for the City to reach its target of net-zero emissions by 2050 and prepare for increasing risks due to climate change. These complimentary plans describe the importance of taking transformative climate action now, the City’s people-first approach centering equity and anti-racism, the City’s climate action progress, climate strategies to guide through 2030, and critical actions through 2024. While the City cannot predict precisely how, when, and where specific climate impacts will occur, there have been and will be climate impacts on the City and the surrounding region, which may have a material impact on the City and its operations and finances.

COVID-19 Pandemic; Public Health

As discussed herein, the COVID-19 pandemic continues to affect many parts of the world, including the State and local region. The City has provided the information contained in this Official Statement to describe some of the impacts that the COVID-19 pandemic and related orders have had on the City’s finances and operations, and to describe some of the actions that the City is taking in response. The City cannot predict the duration and extent of the effects of the pandemic, or quantify the magnitude of the impact on the State and regional economy. The COVID-19 outbreak is ongoing, and its dynamic nature leads to many uncertainties. Prospective investors should assume that recovery may be prolonged. Additional pandemics, and other public health emergencies, may occur and may occur with greater frequency and intensity given trends in globalization.

Cybersecurity

The City relies on a complex technology environment to conduct its operations. A cybersecurity breach could damage the 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 City to litigation and other legal risks, which could cause the City to incur costs related to legal or regulatory claims. The City currently maintains cybersecurity insurance coverage.

The City occasionally encounters minor cybersecurity incidents, such as device theft, malware infection and credential compromise. As a result, small scale interruptions have occurred, though most affect only individuals. Every incident will have some operational impact, drawing resources for incident response that could be performing other work.

To help mitigate the risk of a cybersecurity incident, the City has adopted an enterprise information security program. Within it, the City has established a comprehensive set of policies and procedures. Examples include roles and responsibilities, acceptable use, configuration standards, change management, incident response, architecture review, and vulnerability management. The program includes required annual awareness training for its employees. The Chief Information Security Officer regularly works with a Technology Risk Advisory Board of key department leaders to review, evaluate, and recommend controls to manage cybersecurity risk. Additionally, cybersecurity staff participate regularly with third party sources to stay up to date and informed on the latest threats, vulnerabilities, research, and technology.

CONTINUING DISCLOSURE UNDERTAKING

Pursuant to a certificate to be executed by the City on or prior to the date of issuance and delivery of the Bonds (a “Continuing Disclosure Certificate”), the City will covenant for the benefit of the owners and the “Beneficial Owners” (as defined in the Continuing Disclosure Certificate) of the Bonds pursuant to Securities and Exchange Commission Rule 15c2-12 to provide certain financial information and operating data not later than the end of nine

months after the end of each of the City's fiscal years (presently, December 31), commencing in 2023 with the report for the fiscal year ended December 31, 2022, and to provide notices of the occurrence of certain enumerated events with respect to the Bonds. The information will be filed by or on behalf of the City with the MSRB through its EMMA system. See Appendix E for a form of the Continuing Disclosure Certificate.

Other Ongoing Disclosure Undertakings of the City. The City has previously entered into continuing disclosure undertakings in connection with various City financings under Rule 15c2-12 (the "Prior Undertakings"). With respect to its Prior Undertakings, the City failed to timely file (i) taxable sales information, lodging tax information and solid waste tonnage percentage calculations for fiscal years ended December 31, 2016 through 2018; and (ii) the incurrence of certain subordinate lien financial obligations of the City's sewer utility system. As of the date of this Official Statement, the foregoing information has been filed on EMMA.

RATING

As noted on the cover page of this Official Statement, S&P Global Ratings ("S&P"), has assigned a rating of "AA+" to the Bonds. The rating reflects only the views of the rating agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating will be likely to have an adverse effect on the market price and marketability of the Bonds. The City does not have any obligation to take any action, other than file a listed event notification, if the rating on the Bonds is changed, suspended or withdrawn.

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the City at the price of \$31,112,164.43, representing the aggregate principal amount of the Bonds, plus original issue premium in the amount of \$3,331,309.50, less an underwriting discount of \$89,145.07. The Underwriter's obligation to purchase the Bonds is subject to certain conditions outlined in the Bond Purchase Agreement between the Underwriter and the City, and the Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased.

The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth in this Official Statement, and such initial offering prices and yields may be changed from time to time, by the Underwriter. After the initial public offering, the public offering prices and yields may be varied from time to time.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

MUNICIPAL ADVISOR

The City has retained Piper Sandler & Co., Seattle, Washington, as Municipal Advisor (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. While under contract to the City, the Municipal Advisor may not participate in the underwriting of any City debt.

CERTAIN LEGAL MATTERS

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Pacifica Law Group LLP, Seattle, Washington. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix A hereto. Pacifica Law Group LLP is also serving as Disclosure Counsel to the City in connection with the issuance of the Bonds.

Certain legal matters will be passed on for the Underwriter by Foster Garvey PC, Counsel to the Underwriter. Any opinion of such firm will be addressed solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors.

LITIGATION

No Litigation Concerning the Bonds

There is no litigation pending or threatened in any court (local, state, or federal) to restrain or enjoin the issuance or delivery of the Bonds, or questioning the creation, organization, existence, or title to office of the officers of the City, the validity or enforceability of the Bond Ordinance, or the proceedings for the authorization, execution, sale, and delivery of the Bonds.

Other Litigation

Because of the nature of its activities, the City is subject to various pending and threatened legal actions which arise in the ordinary course of business. The City believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals for estimated liabilities, will not be material to the financial position of the City, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Municipal Advisor, the Bond Registrar, the Underwriter, Underwriter's Counsel, Disclosure Counsel and Bond Counsel are contingent upon the issuance and sale of the Bonds. None of the members of the City Council or other officers of the City have interests in the issuance of the Bonds that are prohibited by applicable law. Currently and from time to time Bond Counsel and Disclosure Counsel serve as counsel to other parties involved with the Bonds, such as the Municipal Advisor and the Underwriter, with respect to transactions other than the issuance of the Bonds. From time to time Underwriter's Counsel serves as counsel to other parties involved with the Bonds with respect to transactions other than the issuance of the Bonds.

The City's code of ethics sets forth types of prohibited conduct for City officers and employees. Such prohibited conduct includes, but is not limited to, participating in the making of a contract in which they have a direct or indirect financial interest; influencing the City's selection of or conduct of business with a corporation, person or firm having or proposing to do business with the City, if the officer or employee has a financial interest in the corporation, person or firm; and appearing or giving an official opinion before the City Council while having a financial interest in any legislation coming before the City Council and participating in discussion with or giving an official opinion to the City Council (excluding, in each case, a remote interest that is disclosed in advance).

OFFICIAL STATEMENT

At the time of delivery of the Bonds, one or more officials of the City will furnish a certificate stating that to the best of their knowledge, this Official Statement, as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading (however, the City will make no representation regarding Bond Counsel's form of opinion or the information provided by or obtained from DTC).

All estimates, assumptions, statistical information and other statements contained herein, while taken from sources the City considers reliable, are not guaranteed by the City. The statements relating to the Bond Ordinance are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers of the Bonds. The City has authorized the preparation and distribution of this Official Statement.

CITY OF TACOMA, WASHINGTON

By: /s/ Andy Cherullo

Finance Director

APPENDIX A
FORM OF BOND COUNSEL OPINION

July 6, 2023

City of Tacoma
Tacoma, Washington

RBC Capital Markets, LLC
Seattle, Washington

Re: City of Tacoma, Washington
Limited Tax General Obligation Refunding Bonds, 2023 - \$27,870,000

To the Addressees:

We have acted as bond counsel to the City of Tacoma, Washington (the "City"), and have examined a certified transcript of the proceedings taken in the matter of the issuance by the City of its Limited Tax General Obligation Refunding Bonds, 2023 (the "Bonds"). The Bonds are issued in the aggregate principal amount of \$27,870,000, pursuant to Ordinance No. 28890 passed on June 20, 2023 (the "Bond Ordinance") for the purpose of providing funds to refund certain outstanding limited tax general obligations of the City and to pay the costs of issuance of the Bonds. Capitalized terms not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to redemption prior to their stated maturities as provided in the Official Statement prepared in connection with the issuance of the Bonds.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Ordinance, the Tax Certificate executed by the City in connection with the issuance of the Bonds and the exhibits attached thereto, 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. The City has not 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").

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally issued and constitute valid and binding general obligations of the City, except to the extent that the enforcement of the rights and remedies of the holders and owners of the Bonds 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 Bond Ordinance is a legal, valid and binding obligation of the City, 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.

3. Both principal of and interest on the Bonds are payable out of annual levies of *ad valorem* taxes to be made upon all of the taxable property within the City permitted to be levied without a vote of the electorate in the amounts that, together with other available funds (including lodging taxes available for this purpose), will be sufficient to pay such principal and interest as the same shall 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 the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations for tax years beginning after December 31, 2022. The opinion set forth in the preceding sentence is subject to the condition that the City 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 City has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants 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 City 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

**AUDITED FINANCIAL STATEMENTS OF THE CITY
AS OF DECEMBER 31, 2021**

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Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

City of Tacoma

For the period January 1, 2021 through December 31, 2021

Published February 23, 2023
Report No. 1031332



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Office of the Washington State Auditor Pat McCarthy

February 23, 2023

Mayor and City Council
City of Tacoma
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the City of Tacoma's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the City's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2021 through December 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the City of Tacoma are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the 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 in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies*: We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses*: We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the City.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies*: We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses*: We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the City’s compliance with requirements applicable to each of its major federal programs, with the exception of the 21.023 – Emergency Rental Assistance Program and 21.027 – Coronavirus State and Local Fiscal Recovery Funds, on which we issued an adverse opinion on compliance with applicable requirements.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.231	COVID-19 – Emergency Solutions Grant Program
14.231	Emergency Solutions Grant Program
21.023	COVID-19 – Emergency Rental Assistance Program
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
59.075	COVID-19 – Shuttered Venue Operators Grant Program
66.958	Water Infrastructure Finance and Innovation (WIFIA)

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$1,868,037.

The City did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2021-001, 2021-002 and 2021-003.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2021 through December 31, 2021

2021-001 The City's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.

CFDA Number and Title:	21.023 – COVID-19 – Emergency Rental Assistance Program
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	ERA-2101070571 ERA2-8681
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0

Background

During fiscal year 2021, the City spent \$7,269,274 in federal funding from the Emergency Rental Assistance (ERA 1) Program, which included \$5,301,094 passed through to one subrecipient. The objective of the program is to respond to the COVID-19 pandemic's negative effects on housing, rental debt, and evictions by providing assistance to households unable to pay past-due rent and utility bills.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Whenever the City passes on federal funding to subrecipients, federal regulations require it to clearly identify the award as a subaward by providing the information described in the regulation and including all applicable program requirements in the agreement. Further, the City must monitor its subrecipients to ensure they comply with the terms and conditions of the federal award.

To determine the appropriate level of monitoring, the City must evaluate each subrecipient's risk of noncompliance with federal requirements. For awards

dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

Description of Condition

During the audit period, the City contracted with a local nonprofit organization to administer a housing assistance program. The nonprofit determined which households were eligible to receive funds and used program funds to provide emergency rental assistance to households affected by COVID-19. The nonprofit is considered a subrecipient because determining household eligibility is carrying out part of the program's objectives on the City's behalf. However, the City incorrectly determined the nonprofit was a contractor and, as a result, did not follow subrecipient monitoring requirements.

The City did not identify it was a subaward and did not include all required elements in the subaward agreement. Additionally, the City did not perform a risk assessment and monitor the subrecipient for program compliance.

We consider this deficiency in internal controls to be a material weakness that led to material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

The City does not regularly make subawards with federal funds. As a result, it does not have a formal process for determining the difference between subrecipients and contractors.

Management and staff thought this subaward was a contractor relationship rather than a subrecipient, and thus did not include the required information in the agreement. Additionally, the City did not perform a risk assessment or monitoring because staff and management did not identify the relationship as a subrecipient.

Effect of Condition

The City did not include required elements in its subrecipient agreement, such as the subrecipient's unique entity identifier, the federal award identification number (FAIN), federal award date, the Assistance Listing Number (ALN), and the indirect cost rate. Without this information, the subrecipient is at an increased risk of not knowing that the award comes from a federal program. This also increases the risk

that the subrecipient would not know that they need to comply with specific program requirements, which could potentially lead to spending funds for unallowable purposes.

The City also did not complete a risk assessment for this subaward. Without conducting a risk assessment, the City risks not performing adequate monitoring to ensure its subrecipient complied with program requirements and used federal funds appropriately.

Since the City did not monitor its subrecipient, there was no way for it to confirm the assistance was paid to eligible households.

Recommendation

We recommend the City:

- Review available guidance and consult with its awarding agency and/or legal counsel to ensure it correctly classifies entities it contracts with as subrecipients or contractors
- Ensure all federally required elements for subrecipients are clearly identified on the contract, as per 2 CFR § 200.332
- Perform risk assessments of subrecipients and monitor them accordingly

City's Response

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following actions in each of the areas listed below:

1. *The City will work with Legal and Procurement to update contract templates to include required subrecipient federal elements.*
2. *The City will inform vendors/providers that they will be subject to Title 2 CFR Part 200, Uniform Guidance section 332, requirements for pass-through entities.*
3. *The City will perform risk assessments of subrecipients and develop a monitoring checklist based on criteria.*
4. *The City will develop a checklist on subrecipient versus contractor criteria.*
5. *The City will train departmental staff on these tools.*

Auditor's Remarks

We appreciate the City's commitment to improving its processes and resolving this issue. We thank the City for its cooperation and assistance during the audit. We will review the status of the City's corrective action during the next audit.

Applicable Laws and Regulations

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 331, Subrecipient and contractor determinations. The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes subrecipient monitoring and management requirements for pass-through entities.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2021 through December 31, 2021

2021-002 The City's internal controls were inadequate for ensuring compliance with federal requirements for suspension and debarment and subrecipient monitoring.

CFDA Number and Title:	21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Federal Grantor Name:	U.S. Department of the Treasury
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	N/A
Pass-through Award/Contract Number:	N/A
Questioned Cost Amount:	\$0

Background

The objectives of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) is to respond to the COVID-19 pandemic's negative effects on public health and the economy, provide premium pay to essential workers during the pandemic, provide government services to the extent COVID-19 caused a reduction in revenues collected, and make necessary investments in water, sewer or broadband infrastructure. During fiscal year 2021, the City spent \$6,209,032 in program funds for these activities.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Suspension and Debarment

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it

expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractors have not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking for exclusion records in the U.S. General Services Administration's System for Award Management at SAM.gov. The City must perform this verification before entering into the contract or, in this specific case, prior to charging the costs to a federal award, and it must keep documentation demonstrating compliance with this federal requirement.

Subrecipient Monitoring

Whenever the City passes on federal funding to subrecipients, federal regulations require it to clearly identify the award as a subaward by providing the information described in the regulation and including all applicable program requirements in the agreement. Further, the City must monitor its subrecipients to ensure they comply with the terms and conditions of the federal award.

To determine the appropriate level of monitoring, the City must evaluate each subrecipient's risk of noncompliance with federal requirements. For awards dependent on participant eligibility, monitoring would include verifying the subrecipients only provided assistance to participants who met program eligibility requirements. The amount of verification would depend on each subrecipient's risk of noncompliance.

Description of Condition

Suspension and Debarment

Our audit found the City's internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. Specifically, the City did not verify four contractors were not suspended or debarred from participating in federal programs before entering into a contract or paying them.

Subrecipient Monitoring

During the audit period, the City contracted with six nonprofit organizations to carry out the SLFRF program's objectives. These organizations identified eligible beneficiaries in the community and used program funds to deliver services to them. However, the City incorrectly determined these nonprofits were contractors and, as a result, did not follow subrecipient monitoring requirements.

The City did not identify these six contracts were subawards and did not include all required elements in the subaward agreements. Additionally, the City did not perform risk assessments or monitor the subrecipients for program compliance.

We consider these deficiencies in internal controls to be material weaknesses, which led to material noncompliance.

These issues were not reported as findings in the prior audit.

Cause of Condition

Suspension and Debarment

The City typically includes a suspension and debarment clause in contracts that it intends to pay with federal funds. The City did not intend to pay these contractors with federal funding when procuring the contracts, and did not verify the contractors' status after it decided to charge the costs to the federal program.

Subrecipient Monitoring

The City does not regularly make subawards with federal funds. As a result, it does not have a formal process for determining the difference between subrecipients and contractors.

Management and staff thought these subawards were contractor relationships rather than subrecipients, and thus did not include the required information in the agreements. Additionally, the City did not perform risk assessments or monitoring because staff and management did not identify the relationships as subrecipients.

Effect of Condition

Suspension and Debarment

The City did not obtain a written certification, insert a clause into the contract, or check SAM.gov to verify one contractor was not suspended or debarred. For the three other contractors, the City obtained a written certification but not before making the first payment to them with federal funds.

Without this verification, the City increases its risk of providing federal funds to contractors that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the one contractor was not suspended or debarred. Therefore, we are not questioning the related costs.

Subrecipient Monitoring

The City did not include required elements in its subrecipient agreements, such as the subrecipient's unique entity identifier, the federal award identification number (FAIN), federal award date, the Assistance Listing Number (ALN), and the indirect cost rate. Without this information, subrecipients are at an increased risk of not knowing that the award comes from a federal program. This also increases the risk that the subrecipients would not know that they need to comply with specific program requirements, which could potentially lead to spending funds for unallowable purposes.

The City also did not complete risk assessments for these subawards. Without conducting risk assessments, the City risks not performing adequate monitoring to ensure its subrecipient complied with program requirements and used federal funds appropriately.

Since the City did not monitor its subrecipients, there was no way for it to confirm the assistance was paid to eligible recipients.

Recommendation

Suspension and Debarment

We recommend the City strengthen its internal controls to ensure all contractors it expects to pay \$25,000 or more, all or in part with federal funds, are not suspended or debarred from participating in federal programs.

Subrecipient Monitoring

We recommend the City:

- Review available guidance and consult with its awarding agency and/or legal counsel to ensure it correctly classifies entities it contracts with as subrecipients or contractors
- Ensure all federally required elements for subrecipients are clearly identified on the contract, as per 2 CFR § 200.332
- Clearly identify all funds passed through to subrecipients on its Schedule of Expenditures of Federal Awards (SEFA)
- Perform risk assessments of subrecipients and monitor them accordingly

City's Response

Suspension and Debarment

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following action in each of the areas listed below:

- *Work with Legal and Procurement to update contract templates to add a clause, or condition into the contract that states the contractor is not suspended or debarred, or have contractor self-certify they not suspended or debarred or*
- *Check System for Award Management for exclusion records and keep a record of that with the contract files.*

Subrecipient Monitoring

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following actions in each of the areas listed below:

1. *The City will work with Legal and Procurement to update contract templates to include required subrecipient federal elements.*
2. *The City will inform vendors/providers that they will be subject to Title 2 CFR Part 200, Uniform Guidance section 332, requirements for pass-through entities.*
3. *The City will perform risk assessments of subrecipients and develop a monitoring checklist based on criteria.*
4. *The City will develop a checklist on subrecipient versus contractor criteria.*
5. *The City will train departmental staff on these tools.*

Auditor's Remarks

We appreciate the City's commitment to improving its processes and resolving this issue. We thank the City for its cooperation and assistance during the audit. We will review the status of the City's corrective action during the next audit.

Applicable Laws and Regulations

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 331, Subrecipient and contractor determinations. The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for pass-through entities, establishes subrecipient monitoring and management requirements for pass-through entities.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.

SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

City of Tacoma January 1, 2021 through December 31, 2021

2021-003 The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.

CFDA Number and Title:	66.958 – Water Infrastructure Finance and Innovation (WIFIA)
Federal Grantor Name:	Environmental Protection Agency
Federal Award/Contract Number:	N1911WA
Pass-through Entity Name:	Environmental Protection Agency
Pass-through Award/Contract Number:	N/A
Known Questioned Cost Amount:	\$0

Background

The purpose of the Water Infrastructure Finance and Innovation (WIFIA) grant is to provide long-term, low-cost, supplemental credit assistance under customized terms to creditworthy water and wastewater projects of national and regional significance. The WIFIA Act of 2014 established this federal credit program, which the U.S. Environmental Protection Agency administers directly to borrowers. The program offers loans to creditworthy borrowers for up to 49 percent of eligible project costs.

Federal regulations require recipients to establish and maintain internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

Federal requirements prohibit recipients from contracting with or purchasing from parties suspended or debarred from doing business with the federal government. Whenever the City enters into contracts or purchases goods or services that it expects to equal or exceed \$25,000, paid all or in part with federal funds, it must verify the contractor has not been suspended, debarred or otherwise excluded. The City may accomplish this verification by collecting a written certification from the contractor, adding a clause or condition into the contract that states the contractor is not suspended or debarred, or checking the System for Award Management

(SAM.gov) for exclusion records. The City must perform this verification before awarding the contract or paying the contractor more than \$25,000, and it must keep documentation demonstrating compliance with this federal requirement.

Description of Condition

Our audit found the City's internal controls were inadequate for ensuring staff verified the suspension and debarment status of contractors for purchases exceeding \$25,000, paid all or in part with federal funds. The City did not verify a construction contractor was not suspended or debarred from participating in federal programs before paying them \$1,954,350 for electrical engineering work.

We consider this deficiency in internal controls to be a material weakness, which led to material noncompliance.

The issue was not reported as a finding in the prior audit.

Cause of Condition

It is the City's practice to check SAM.gov to ensure it does not pay federal funds to any contractor or subrecipient that has been suspended or debarred. However, City staff did not keep documentation showing they reviewed SAM.gov for any exclusion records relating to the contractor.

Effect of Condition

The City did not obtain a written certification, insert a clause into the contract, or keep records showing staff checked SAM.gov to verify one contractor was not suspended or debarred.

Without this verification, the City increases its risk of providing federal funds to contractors that are excluded from participating in federal programs. Any payments the City made to an ineligible party would be unallowable, and the federal grantor could potentially recover them.

We subsequently verified the contractor was not suspended and debarred. Therefore, we are not questioning costs.

Recommendation

We recommend the City strengthen its internal controls to ensure staff verify and keep documentation showing that all contractors are not suspended or debarred.

City's Response

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following action in each of the areas listed below:

- *Work with Legal and Procurement to update contract templates to add a clause, or condition into the contract that states the contractor is not suspended or debarred, or have contractor self-certify they not suspended or debarred, or*
- *Check System for Award Management for exclusion records and keep a record of that with the contract files.*

Auditor's Remarks

We appreciate the City's commitment to improving its processes and resolving this issue. We thank the City for its cooperation and assistance during the audit. We will review the status of the City's corrective action during the next audit.

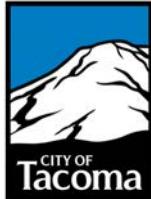
Applicable Laws and Regulations

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 180, OMB *Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement)*, establishes nonprocurement debarment and suspension regulations implementing Executive Orders 12549 and 12689.



City of Tacoma
Finance

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

City of Tacoma January 1, 2021 through December 31, 2021

This schedule presents the status of findings reported in prior audit periods.

Audit Period:	Report Ref. No.:	Finding Ref. No.:
01/01/2020 – 12/31/2020	1029959	2020-002
Finding Caption:		
The City's internal controls over accounting and preparing financial statements were inadequate for ensuring accurate and complete financial reporting.		
Background:		
During the period under audit, the City determined its deferred compensation fund needed to be reclassified, and did so as part of the General Fund. Our audit found the City incorrectly reported receivables and liabilities of the deferred compensation fund on its financial statements which overstated the General Fund assets by \$584,338,000 and liabilities by \$584,341,000		
The City experienced an issue with its reporting software while preparing its 2020 financial statements, which required staff to manually update them. During this process, the City incorrectly included assets and liabilities of the deferred compensation fund in the General Fund.		
This was subsequently corrected.		
Status of Corrective Action: (check one)		
<input checked="" type="checkbox"/> Fully Corrected	<input type="checkbox"/> Partially Corrected	<input type="checkbox"/> Not Corrected
		<input type="checkbox"/> Finding is considered no longer valid
Corrective Action Taken:		
<i>A contra account was created to ensure that the third party balance of the deferred compensation account does not reflect as assets or liabilities in the City's ERP system.</i>		

INDEPENDENT AUDITOR'S REPORT

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

City of Tacoma January 1, 2021 through December 31, 2021

Mayor and City Council
City of Tacoma
Tacoma, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 the City of Tacoma, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 27, 2022.

Our report includes a reference to other auditors who audited the financial statements of the Power, Wastewater, Water, Solid Waste, and Tacoma Rail funds, as described in our report on the City's basic financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

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

compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, appearing to read "Pat McCarthy".

Pat McCarthy, State Auditor

Olympia, WA

July 27, 2022

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

City of Tacoma January 1, 2021 through December 31, 2021

Mayor and City Council
City of Tacoma
Tacoma, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Adverse and Unmodified Opinions

We have audited the compliance of the City of Tacoma, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Adverse Opinion on 21.023 – Emergency Rental Assistance Program and 21.027 – Coronavirus State and Local Fiscal Recovery Funds

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion and Unmodified section of our report, the City did not comply, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 21.023 – Emergency Rental Assistance Program and 21.027 – Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2021.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2021.

Basis for Adverse and Unmodified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 adverse opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Adverse Opinion on 21.023 – Emergency Rental Assistance Program and 21.027 – Coronavirus State and Local Fiscal Recovery Funds

As described in the accompanying schedule of findings and questioned costs, the City did not comply with the requirements regarding 21.023 – Emergency Rental Assistance Program and 21.027 – Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2021-001 and 2021-002 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion for the City to comply with the requirements applicable to that program.

Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the Tacoma Community Redevelopment Authority (TCRA), which expended \$8,189,090 in federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2021. Our audit, described below, did not include the operations of the Tacoma Community Redevelopment Authority (TCRA) because it has arranged for a separate audit of its federal awards.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001, 2021-002 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

City's Response to Findings

The City's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2021-001, 2021-002 and 2021-003 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City's Response to Findings

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

February 7, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

City of Tacoma January 1, 2021 through December 31, 2021

Mayor and City Council
City of Tacoma
Tacoma, 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 the City of Tacoma, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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 the City of Tacoma, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Power, Wastewater, Water, or Solid Waste funds, which are presented as major funds and in aggregate represent 91.7 percent, 90.4 percent, and 87.2 percent, respectively, of the assets, net position, and revenues of the business-type activities. We also did not audit the financial statements of the Tacoma Rail fund, which represents 1.4 percent, 1.4 percent and 3.8 percent, respectively, of the assets, net position, and revenues of the business-types activities and 1.8 percent, 1.2 percent, and 4.1 percent, respectively, of the assets, net position, and revenues of the aggregate remaining fund information. Those financial 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 Power, Wastewater, Water, Solid Waste, and Tacoma Rail funds, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform

the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 City 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.

Matter of Emphasis

As discussed in Note 11 to the 2021 financial statements, as a result of the COVID-19 pandemic, the full extent of the financial impact on the City is unknown at this time. Management's plans in response to this matter are also described in Note 11. 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 City'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 City'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 City's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule is 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. The information has been subjected to the 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 taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Pat McCarthy, State Auditor

Olympia, WA

July 27, 2022

FINANCIAL SECTION

City of Tacoma January 1, 2021 through December 31, 2021

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2021

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2021

Statement of Activities – 2021

Balance Sheet – Governmental Funds – 2021

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position – 2021

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds – 2021

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities – 2021

Statement of Net Position – Proprietary Funds – 2021

Reconciliation of Total Enterprise Net Position to the Government Wide Statement of Net Position – 2021

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds – 2021

Reconciliation of the Statement of Revenues, Expenses and Changes in Net Position of Enterprise Funds to the Statement of Activities – Business-Type Activities – 2021

Statement of Cash Flows – Proprietary Funds – 2021

Statement of Fiduciary Net Position – Fiduciary Funds – 2021

Statement of Changes in Fiduciary Net Position – Fiduciary Funds – 2021

Notes to Financial Statements – 2021

REQUIRED SUPPLEMENTARY INFORMATION

Proportionate Share of Net Pension Liability – LEOFF 1, LEOFF 2, TERS – 2021

Schedule of the City of Tacoma's Contributions – LEOFF 2, TERS – 2021

Schedule of Changes in Total Pension Liability and Related Ratios – Firefighters and Police Pension Funds – 2021

Schedule of Changes in Total OPEB Liability and Related Ratios – 2021

Notes to Required Supplementary Information – 2021

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
– General Fund – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2021
Notes to the Schedule of Expenditures of Federal Awards – 2021

Management's Discussion and Analysis For the Year Ended December 31, 2021

As management of the City of Tacoma, we offer readers of the City of Tacoma's financial statements this narrative overview and analysis of the financial activities of the City of Tacoma for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our Letter of Transmittal, which can be found on page 1-1 to 1-6 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- Total assets and deferred outflows of resources exceeded the City's liabilities and deferred inflows of resources by \$3.2 billion. Of this amount, \$344.5 million is reported as unrestricted net position, representing amounts which are available to meet the City's on-going obligations to citizens and creditors.
- The City's overall net position increased by \$179.5 million in 2021. Governmental activities increased the City's net position by \$116.1 million and business-type activities increased the net position by \$63.4 million.
- Tacoma Power's net Position for 2021 was \$876.0 million which was a decrease of \$1.0 million from 2020.
- Tacoma Water's net position for 2021 was \$652.6 million which was an increase of \$16.5 million from 2020.
- Tacoma Wastewater's net position for 2021 was \$502.8 million which was an increase of \$12.7 million from 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Tacoma's basic financial statements. The City of Tacoma's basic financial statements consist of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements 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 a broad overview of the City of Tacoma's finances, and are similar to private sector financial statements. The statements also include the discretely presented component units: Tacoma Community Redevelopment Authority (TCRA) and the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPD). Previous statements presented Foss Waterway Development Authority as a discreet component unit. That arrangement dissolved as of 12/31/2020. For more information regarding the change, please refer to Note 13.

The Statement of Net Position includes information on all assets and deferred outflows of resources and all liabilities and deferred inflows of resources of the City of Tacoma's general government as well as its business-type activities. The difference between the assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases and decreases

Management's Discussion and Analysis For the Year Ended December 31, 2021

in net position may serve as a useful indicator of whether the financial position of the City of Tacoma is improving or deteriorating.

The Statement of Activities presents information showing how the government'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 the related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

Both the Statement of Net Position and the Statement of Activities differentiate the functions of general government from the functions of business-type activities. Governmental activities reflect the City's basic functions such as general government, public safety, transportation, economic environment, social services, and culture and recreation. Governmental activities are primarily supported by taxes and intergovernmental revenues. Business-type activities, primarily utilities, are intended to recover most if not all of their costs through user fees and charges for services. The government-wide financial statements can be found on pages 3-2 to 3-5 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Tacoma, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City of Tacoma can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

The focus of the governmental fund statements is on major funds. A fund is considered major if it represents at least 10% of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of its fund category and at least 5% of the corresponding totals for the governmental and business-type activities combined. All other governmental funds are combined and presented as a single column in the respective governmental fund statements. Individual fund data for each of these combined non-major funds is provided in the form of combining statements elsewhere in this report.

Management's Discussion and Analysis For the Year Ended December 31, 2021

The City of Tacoma adopts a biennial budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 3-6 to 3-9 of this report.

Proprietary Funds

There are two types of proprietary funds, internal service and enterprise, both of which the City of Tacoma uses. Internal service funds are used to accumulate and allocate costs internally among the City of Tacoma's various functions. Because these services primarily benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. There are two exceptions with the Self Insurance and Utility Fleet funds which only services utilities funds and are included within business-type activities. Enterprise funds account for various utilities which provide services such as power, water, wastewater, and solid waste collection. The service area for these utilities is generally broader than the corporate limits of the City. The activities in these funds are primarily supported by user fees and are presented as business-type activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 3-10 to 3-21 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Tacoma's programs. The accounting used by the fiduciary funds is similar to that used for proprietary funds. The basic fiduciary fund statements can be found on pages 3-22 to 3-23 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-25 to 3-89 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain **Required Supplementary Information** (RSI) concerning the City of Tacoma's budget. Required supplementary information can be found on pages 4-1 to 4-8 of this report. The **Combining Statements** referred to earlier in connection with Non-Major governmental funds, Non-Major enterprise funds, and internal service funds can be found on pages 5-1 to 5-91 of this report. The **Statistical Section** provides financial trends, revenue and debt capacity, and demographic and economic information about the City's operations. The Statistical Section can be found on pages 6-1 to 6-34.

Management's Discussion and Analysis **For the Year Ended December 31, 2021**

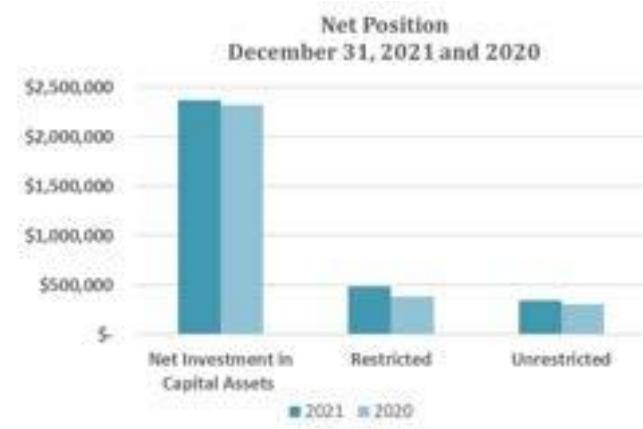
Government-wide Financial Analysis

Statement of Net Position

The following table is a condensed Statement of Net Position for the City of Tacoma for December 31, 2021, which compares the current year to the prior year.

STATEMENT OF NET POSITION (in thousands \$)							
	Governmental Activities		Business-type Activities		Total Primary Government		
	2021	2020	2021	2020	2021	2020	
Current and other assets	\$ 658,702	\$ 498,032	\$ 1,028,890	\$ 1,026,902	\$ 1,687,592	\$ 1,524,934	
Capital assets, net of accumulated depreciation	791,611	775,474	3,012,277	2,936,249	3,803,888	3,711,723	
Total assets	1,450,313	1,273,506	4,041,167	3,963,151	5,491,480	5,236,657	
Deferred Outflows of Resources	83,351	54,794	80,346	49,361	163,697	104,155	
Long-term liabilities	465,379	433,711	1,497,199	1,450,943	1,962,578	1,884,654	
Other liabilities	62,375	69,602	147,361	134,084	209,736	203,686	
Total liabilities	527,754	503,313	1,644,560	1,585,027	2,172,314	2,088,340	
Deferred Inflows of Resources	139,073	74,305	146,980	160,901	286,053	235,206	
Net position							
Net investment in capital assets	646,034	620,972	1,722,339	1,700,269	2,368,373	2,321,241	
Restricted	325,466	213,926	156,412	171,938	481,378	385,864	
Unrestricted	(104,663)	(84,216)	451,222	394,377	346,559	310,161	
Total net position	\$ 866,837	\$ 750,682	\$ 2,329,973	\$ 2,266,584	\$ 3,196,810	\$ 3,017,266	

As noted earlier, net position may serve as a useful indicator of a government's financial position. The City's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3.2 billion on December 31, 2021. The City's investment in capital assets less any outstanding debt used to acquire those assets, known as the Net Investment in Capital Assets is 74.1% of the total net position. The City uses these capital assets to provide services to its citizens; thus, they do not represent resources available for future spending. Unrestricted net position is 10.8% of the total net position, these are funds readily available for meeting the City's ongoing obligations such as road maintenance, employee salaries and other general government services. The remaining 15.1% of net position is restricted for other



Management's Discussion and Analysis **For the Year Ended December 31, 2021**

purposes such as debt redemption and new capital construction. Governmental activities represent 27.1% of total net position and business-type activities represent 72.9% of total net position.

Changes in Net Position

The following table is a condensed version of the City's changes in net position. This table will show the revenue, expenses, and related changes in net position for the governmental activity as well as business-type activities.

CHANGES IN NET POSITION (in thousands \$)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Charges for services	\$ 30,532	\$ 47,245	\$ 869,904	\$ 830,832	\$ 900,436	\$ 878,077
Operating grants and contributions	72,676	47,185	-	-	72,676	47,185
Capital grants and contributions	24,603	10,775	35,331	38,277	59,934	49,052
General revenues						
Property taxes	81,783	81,388	-	-	81,783	81,388
Retail Sales & Use Tax	106,635	77,718	-	-	106,635	77,718
Business	46,381	52,042	-	-	46,381	52,042
Excise taxes	23,340	14,747	-	-	23,340	14,747
Investment earnings	(988)	4,992	(3,885)	18,509	(4,873)	23,501
Miscellaneous revenue	2,353	498	3,101	4,836	5,454	5,334
Total revenues	387,315	336,590	904,451	892,454	1,291,766	1,229,044
Expenses:						
General government	44,056	28,171	-	-	44,056	28,171
Public safety	160,016	188,563	-	-	160,016	188,563
Transportation	47,414	75,468	-	-	47,414	75,468
Nature and Economic Environment	29,618	28,745	-	-	29,618	28,745
Social Service	14,368	6,818	-	-	14,368	6,818
Culture and recreation	20,417	19,276	-	-	20,417	19,276
Debt Service			-	-	-	-
Interest on long-term debt	9,531	7,719	-	-	9,531	7,719
Solid Waste	-	-	64,787	63,262	64,787	63,262
Waste Water	-	-	102,481	108,263	102,481	108,263
Water	-	-	103,268	107,093	103,268	107,093
Power	-	-	441,413	435,080	441,413	435,080
Nonmajor Business-Type Activities	-	-	75,496	76,545	75,496	76,545
Total expenses	325,419	354,760	787,445	790,243	1,112,864	1,145,003
Change in net position before transfers	61,896	(18,170)	117,006	102,211	178,902	84,041
Transfers	53,569	46,703	(53,569)	(46,703)	-	-
Change in net position	115,465	28,533	63,437	55,508	178,902	84,041
Net Position, January 1, as Previously Reported	750,682	723,316	2,266,584	2,211,246	3,017,266	2,934,562
Prior Period Adjustment	690	(1,167)	(48)	(170)	642	(1,337)
Net Position, January 1, as Restated	751,372	722,149	2,266,536	2,211,076	3,017,908	2,933,225
Net position, December 31	\$ 866,837	\$ 750,682	\$ 2,329,973	\$ 2,266,584	\$ 3,196,810	\$ 3,017,266

Governmental Activities net position increased by \$116.2 million which was a 15.5% increase from 2020. In 2021, revenues increased approximately \$50.7 million from 2020, and expenditures also decreased by

Management's Discussion and Analysis For the Year Ended December 31, 2021

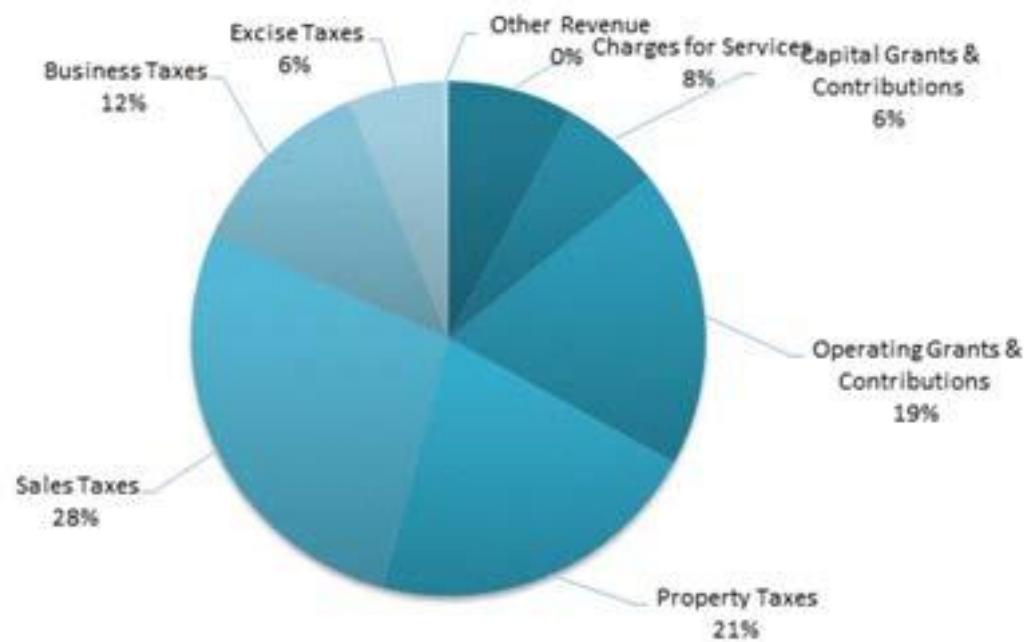
\$29.3 million from 2020. Some key revenue and expenditure highlights of governmental activities for 2021 are as follows:

- Operating grants and contributions increased by \$25.5 million, which was 54.0% increase from 2020. The majority of this increase was due to \$30.5 million in America Rescue Plan Act Funding that the City received. The City Council used these dollars to address emergency issues and restore services lost during the pandemic.
- Capital grants and contributions increased \$13.8 million a 128.3% increase from 2020. This increase is attributable to more transportation work performed in 2021 compared to 2020 and increase in social services allocated to emergency shelter funds from the American Rescue Plan grant
- Charges for services decreased by \$16.7 million, which was 35.4% decrease from 2020.
 - General government decreased \$5.9 million primarily due to a decrease in business licenses, non-business licenses, and cable TV Franchise Fees.
 - Public Safety decreased \$6.0 million, and Culture and Recreation decreased \$2.8 million.
 - Natural and Economic Environment decreased by \$0.5 million, Social Services decreased \$0.3 million, and Transportation decreased \$1.3 million.
- Overall general tax revenues increased by \$32.4 million which is a 14.3% increase from 2020.
 - Retail & use tax revenue increased by \$28.9 million or 37.2%
 - Excise taxes revenues increased by \$8.6 million which or 58.3%.
 - Business tax revenues decreased by \$5.7 million or 10.9%
- Governmental activities expenditures decreased by \$29.3 million which was a 8.3% decrease. The most significant portion of the decrease in expenditures can be attributed to transportation activities decrease of \$28.1 million (37.2 %) and public safety decrease of \$28.5 million (15.1%). These decreases are offset by general government activities increase of \$15.9 million (56.4%), social service increase of \$7.6 million (110.7%), culture and creation increase of \$1.1 million (5.9%), and nature and economic environment increase of \$0.8 million (3.0%). Interest expense on long term debt decreased by \$1.8 million (23.5%).

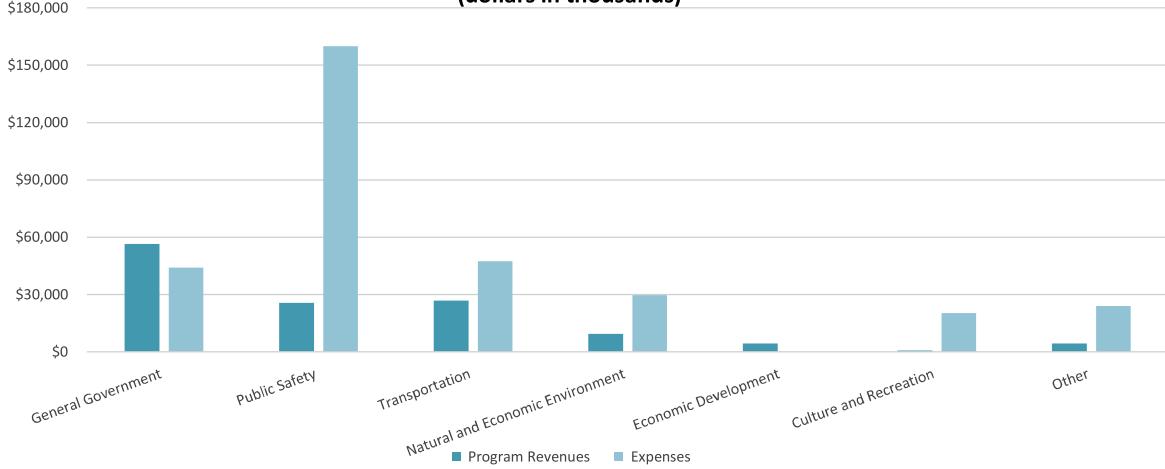
There are two charts depicted below for governmental activities. The first chart provides a summary of the governmental revenue sources by activity while the second shows the relationship of the revenues to expenses for the varying activities of the City.

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Revenue by Source - Governmental Activities



**Expenses and Program Revenues- Governmental Activities
(dollars in thousands)**



Business-Type Activities net position increased by \$63.4 million which was a 2.8% increase with an ending net position of \$2.3 billion. The major enterprise funds are the Solid Waste, Wastewater, Water and Power funds.

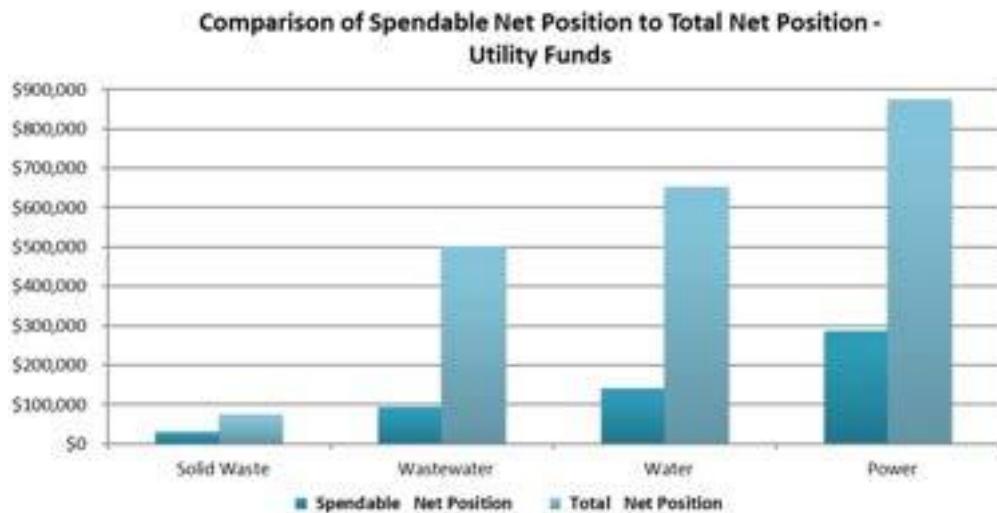
- Charges for Services increased by \$39.1 million or a 4.7% in 2021. The largest portion of this increase is from non-major business-type activities accounting for \$14.2 million due to an increase of live events at Tacoma Venues and Events compared to 2020. Tacoma Dome also received \$10.0

Management's Discussion and Analysis For the Year Ended December 31, 2021

million Shuttered Venue Operators Grant program which is designed to provide emergency assistance for eligible venues affected by the pandemic. Power increased \$8.3 million, solid waste revenues increased \$7.9 million, water increased \$6.8 million, and wastewater increased \$1.9 million.

- Capital grants and contributions decreased \$2.9 million. The largest portion of this decrease was due to \$15.2 million decreased in Power. Water decreased \$7.8 million. Wastewater increased \$1.6 million, and Nonmajor Business-Type Activities increased \$18.5 millions
- Investment Earnings decreased a \$22.4 million to \$(3.9) million in 2021. The Annual GASB 31 mark to market value adjustment accounted for \$10.7 million of the decrease. Interest earnings were \$11.7 million lower due to lower interest rates than 2020.
- The business-type activities expenses overall decreased by 0.4% in 2021 to \$787.3 million. Power expenses increased by \$6.3 million (1.4 %), wastewater expenses decreased by \$5.8 million (5.4 %), and water expenses decreased by \$3.9 million (3.6 %). Solid waste expenses increased in 2021 by \$1.5 million (2.4 %). Non major business-types activities expenses decreased \$1.1 million (1.4%).

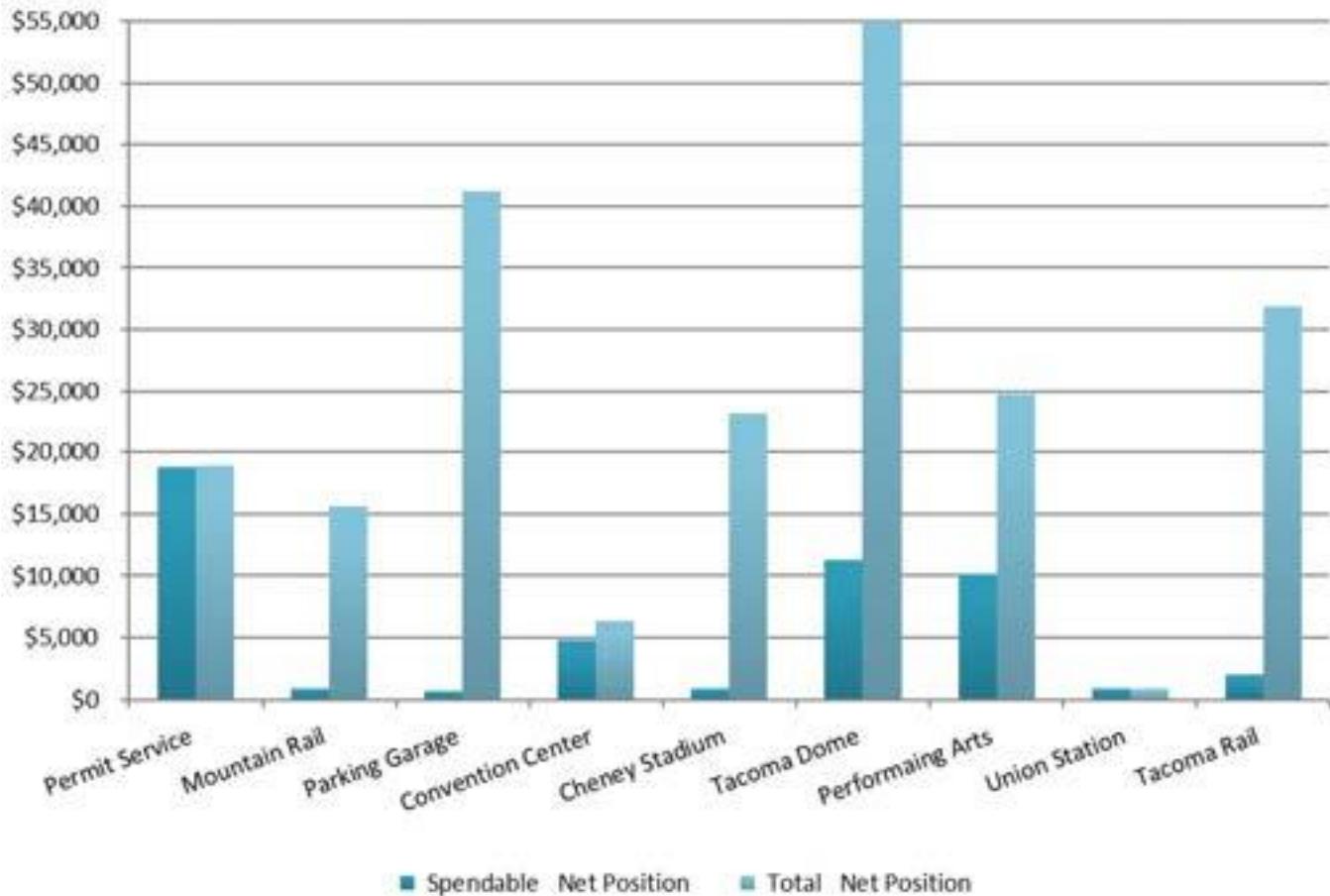
The following charts present the business-type activities. The first chart provides a summary of the business-type activities while the second chart shows the relationship of spendable net position to the total net position of the utility funds. A majority of the net position in each of these funds is related to capital infrastructure such as hydroelectric dams, water mains, Wastewater mains. Therefore, these funds are not readily available for spending in support of ongoing expenses.



The following table shows the remaining enterprise funds and their relationship between net positions that is spendable to the total net position. Like the major enterprise funds, a majority of the net position in each of these funds is related to capital infrastructure such as parking garages, buildings. Therefore, these funds are not readily available for ending in support of ongoing expenses.

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Comparison of Spendable Net Position to Total Net Position - Other Enterprise Funds



Financial Analysis of the City's Fund Statements

The City prepares fund statements for both governmental funds and proprietary funds.

Governmental Fund Statements

Fund balance for the City's General Fund was \$105.3 million, an increase of \$12.5 million or 13.4% higher than 2020. Overall general fund revenues increased \$7.2 million or a 3.4% increase in 2021. Retail Sales & Use tax increased \$20.8 million with the City council's passage of Substitute Ordinance No. 28747 on March 30, 2021, a sales tax increase of 1/10th of 1 percent in support of affordable housing went into effect July 1st, 2021. In addition, with higher inflation and higher cost of products subject to retail sales tax increase. Property tax increased \$2.0 million due to the increase in the assessed value of property. Charges for Service increased \$6.8 million. Business tax decreased \$5.5 million. Licenses and permit decreased \$4.9 million. Intergovernmental revenue decreased \$8.9 million. Investment earnings decreased \$1.5 million. And other categories contributed a decreased of 1.6 million.

Management's Discussion and Analysis For the Year Ended December 31, 2021

Fund balance for the Transportation Capital and Engineering fund is \$6.9 million, a decrease of \$1.0 million from 2020. This decrease is due to an overall \$7.3 million increase in expenditures, offset by an increase in transportation revenues of \$6.4 million which was driven by increased intergovernmental revenues.

Fund balance for the Non-Major governmental funds, which include debt service funds, capital projects funds, and special revenue funds, was \$220.7 million, an increase of \$58.0 million. Overall other governmental funds revenue increased by \$45.4 million, with intergovernmental revenues being the largest contributors due to \$30.5 million received from American Rescue Plan Act. An expenditure increase of \$20.5 million from 2020 was primarily due to an increase in principal payments of \$16.6 million in debt service attributable to city refunding of 2009B Bonds, 2009C Bonds, 2010A Bonds, 2010B Bonds, and 2010E Bonds.

Fund Balances

On December 31, 2021, the City's governmental funds reported combined ending fund balances of \$332.9 million. Of this amount, \$8.1 million is nonspendable, either due to its form or legal constraints. \$148.4 million is restricted for specific programs by external constraints. \$41.3 million is committed for specific purposes as approved by City Council. \$33.8 million is assigned to specific purposes by management and the remaining \$101.2 million is unassigned.

Proprietary Fund Statements

Total net position for enterprise funds for 2021 was \$2.3 billion an increase of \$49.8 million from 2020. Power, Water, Solid Waste and Wastewater utilities make up the majority of the proprietary funds and activity in these utilities contributed \$40.5 million for the change in the net position, and non-major enterprise funds contributed \$9.3 million.

The Power fund net position for 2021 was \$876 million this is a \$1.0 million decrease in net position or 0.1% from 2020. Operating Revenues totaled \$470.3 million in 2021, an increase of \$9.3 million or 2.0%. Sales of Electric energy increased by \$17.7 million primarily due to an increase in revenues from residential, commercial, general, and industrial customers of \$11.4 million. A 1.5% rate increase effective April 1, 2021 attributed to \$8.0 million of the increase. Click! Network Operating Revenue decreased \$6.2 million since Rainier Connect entered into an indefeasible right of use agreement and took operational control of the Click! Commercial Network on April 1, 2020. Other operating Revenues decreased \$2.2 million. Total operating expenses increased \$19.3 million or 4.7% compared to 2020. Salaries, Wages, and Pension expense attributed to \$4.9 million of the increase. Administrative and general expense increased \$8.6 million or 14.4%. Bad debt expense increased \$5.0 million in relation to aging account receivable. Assessments and internal allocations increased \$3.4 million primarily due to an increase in Technology projects. Self-insurance expense increased \$1.2 million. Telecommunications expense decreased \$4.2 million or 81.7% for the same reason as stated in the decrease of Click! Network Operating revenue. The remaining variance was spread across multiple functional accounts and not attributed to a specific event.

The Water fund had a net position of \$652.6 million in 2021, increased \$16.5 million or 2.6% from 2020. Tacoma Water's operating revenues were \$111.4 million in 2021, an increase of \$6.9 million or 6.6% compared to 2020. Sale of water is increased in 2021 by a net of \$6.3 million of which \$0.8 million is due to an average service rate increase of 1.5% effective January 1, 2021 and \$5.5 million is due to an increase in consumption. In addition, other operating revenues increased by \$0.2 million and an increase in contract resource obligations revenues of \$0.4 million from Regional Water Second Supply (RWSS) Partners to reimburse Tacoma Water for O&M related expenses. Operating expenses increased \$6.7 million or 8.0%.

Management's Discussion and Analysis For the Year Ended December 31, 2021

Salaries and Wages increased \$2.3 million. Depreciation increased by \$2.0 million primarily due to the transfer of Fleet division assets to Water in 2020. Assessments from internal service funds increased by \$0.9 million compared to 2020. Bad debt expense increased \$0.8 million due to an increase in aging accounts receivable. An increase of \$0.6 million is attributed to general increased on electricity, insurance, rent, and credit card fees.

The Wastewater fund net position was \$502.8 million in 2021 which increased by \$12.7 million or 2.6% from 2020. Operating revenues were \$123.2 million in 2021 compared to \$119.0 million in 2020. Approved average rate increases for Wastewater were 1.5% for 2021. The average rate increases for Surface Water were 1.5% for 2021 and the rate increases went into effect January 1st of each year. Wastewater residential revenues increased \$2.9 million or 5% in 2021. Wastewater commercial and public authority (PA) revenues decreased \$0.5 million or 2% in 2021 compared to 2020. Operating expenses were \$95.9 million in 2021, an increase of \$2.2 million. Labor expense including all payroll associate costs increased \$1.0 million mainly due to the increase in Western Metal Pension withdrawal expenses of \$0.8 million. Bad debts increased \$1.2 million due to an increase in aging account receivable.

The Solid Waste fund net position increased in 2021 by \$12.2 million to \$74.3 million, this was a 19.7% increase over 2020. Operating revenue increased \$7.8 million or 10%. A special recycle surcharge to residential customer increased 1.5% went into effect at the beginning of the year, residential customer revenues increased by \$1.9 million. Revenue from commercial customers increased \$3.1 million due to an economic recovery and commercial recycling rates increased in 2021. Disposal revenues increased \$2.2 million due to increased self-haul disposal fees from \$145 to \$170 per ton and minimum fee from \$20 to \$40 beginning January 2021. Salvage revenues increased \$0.5 million due to the price increased for recycle material sales in 2021. Operating expenses were \$63.3 million in 2021, an increase of \$2.3 million from 2020. There was \$6.6 million that was transferred to the general fund for gross earnings tax. Solid Waste received \$0.3 million federal funds from Neighborhood & Community Services to assist overdue utility accounts receivable.

General Fund Budgetary Highlights

The City of Tacoma budgets on a biennial basis; that is, the City Council adopts a budget that spans two years. Each budget begins on January 1 of an odd-numbered year and is concluded on December 31 of an even-numbered year. City departments, with the approval of the City Manager and City Council, will adjust their budgets at the conclusion of the odd-numbered year, if necessary, as the needs of the department and city residents shift.

Major General Fund Variances for 2021 include:

- \$8.2 million in revenues above projection. The increase revenues included higher collection than expected sales tax collections (primarily Retail, Wholesaling, Manufacturing, and Service Taxes), utility taxes, and business taxes.
- \$4.6 million in expenditure savings. The primary area of under-spending is personnel costs.

The 2021 Mid-biennial modification focused on enhancements related to Council priorities, restoring services and updating projections of revenues and expenses. Changes were focused on:

- Continued investment in Affordable Housing and homelessness and implementation of the Affordable Housing Action Strategy
- Jump starting implementation of the Climate Action Plan

Management's Discussion and Analysis For the Year Ended December 31, 2021

- Following through on our commitments in the Community Safety and Health
- Restoring Investments in Deferred Maintenance
- Updating Projections and supporting Transformational work

Capital Assets, Infrastructure, Bond Debt Administration

Capital Assets

The City of Tacoma's capital assets net of accumulated depreciation for its governmental and business-type activities as of December 31, 2021 is \$3.80 billion. This investment in capital assets includes land, construction in process, property, plant and equipment, and infrastructure. The vast majority of this amount represents assets held by the City's various utilities and infrastructure.

In 2021, The Foss Waterway Development Authority (FWDA) was dissolved, and the City acquired \$25,805,510.00 in net capital assets.

Land for governmental activities increased by a net of \$3.8 million. This increase is as a result of a 7.0 million land transfer from FWDA to the city that was offset by \$2.0 million on the sale of Old City Hall, \$1.1 Million of land donated to Metro Parks, and \$0.1 million of land donated to the Tacoma Community Redevelopment Authority (TCRA). Construction in progress in governmental activities increased by \$18.4 million primarily due to a \$13.2 million increase in street capital projects, \$3.6 million in American Rescue Plan grant funds used to acquire the Comfort Inn, and a \$1.5 million increase in public safety projects.

Construction in Progress in business activities increased by \$8.4 million. Wastewater and Surface Water had an increase of \$31.9 million due to major projects such as Central Treatment Plant (CTP) Electrical Replacement, CTP Energy Management Improvement, and Jefferson and Hood St SW Interceptor. This increase is offset by a decrease in Construction in Progress as projects are put into service and transferred to capital assets. As such, Power, Wastewater, Solid Waste and other funds have caused an overall decrease of 23.5 million.

Property, plant and equipment in governmental activities increased \$31.8 million primarily due to the transfer of \$18.6 million in value of Marinas, \$7.5 million in value of Building, and \$1.9 million in value of Parks from FWDA to the City.

Property, plant and equipment in business activities increased \$157.6 million. The increase is attributable to power fund increase of \$75.1 million, Water Fund increase of \$36.3 million, Wastewater and Surface water increase of \$24.6 million, Solid Waste increase of \$13.3 million, Tacoma Rail increase of \$7.6 million, and other funds increase of \$0.7 million.

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

Schedule of Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
					Primary Government	
Land	\$ 39,628	\$ 35,844	\$ 165,932	\$ 164,157	\$ 205,560	\$ 200,001
Art	3,018	3,004			3,018	3,004
Construction in progress	52,199	33,841	135,213	126,845	187,412	160,686
Property, plant and equipment	322,987	291,174	4,855,858	4,698,301	5,178,845	4,989,475
Infrastructure	1,499,425	1,487,511			1,499,425	1,487,511
Less Accumulated depreciation	(1,125,646)	(1,075,900)	(2,144,726)	(2,053,054)	(3,270,372)	(3,128,954)
	\$ 791,611	\$ 775,474	\$ 3,012,277	\$ 2,936,249	\$ 3,803,888	\$ 3,711,723

Additional information on the City's capital assets can be found in Notes 1-D5 and 3-C of the Notes to the Financial Statements.

Outstanding Debt

The City's debt on December 31, 2021 was \$2.0 billion, an increase of \$31.7 million from governmental activities and an increase of \$46.3 million from business-type activities caused the \$78.0 million increase total primary government from 2020. Approximately 76.3% of the bonded debt is related to business-type activities with repayment pledged by specific revenue sources generated by the business-type activities. Of the remaining 23.7% bonded debt, debt is either secured by voter approved special levies or general government resources.

In 2021, the City issued \$17.3 million of General Obligation Bonds to refund 2010A, 2009B, 2009C and 2010E. Wastewater fund acquired two new State Revolving loans totaling \$2.6 million and a Water Infrastructure Finance and Innovation Act Loan of \$15.0 million for a treatment plant upgrade. Power fund issued revenue bonds of \$121.9 million for refunding of a Bank Note.

Additional information on the City of Tacoma's long-term debt can be found in Note 3-F and Note 14 of the Notes to the Financial Statements.

**Management's Discussion and Analysis
For the Year Ended December 31, 2021**

	Schedule of Long Term Liabilities					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonded debt and loans	\$ 145,893	\$ 155,604	\$ 1,369,756	\$ 1,379,160	\$ 1,515,649	\$ 1,534,764
Claims and judgments	39,013	37,288	-	-	39,013	37,288
Accrued landfill liability	-	-	16,374	16,127	16,374	16,127
Net OPEB Obligation	-	-	-	-	-	-
Total OPEB Liability	192,965	177,614	36,298	30,808	229,264	208,422
Net Pension Obligation	-	-	-	-	-	-
Total Pension Liability Police and Firefighters	41,519	43,808	-	-	41,519	43,808
Pension Liability	21,490	-	47,870	-	69,360	-
Compensated absences	24,498	19,397	26,900	24,848	51,398	44,245
	\$ 465,379	\$ 433,711	\$ 1,497,199	\$ 1,450,943	\$ 1,962,578	\$ 1,884,654

The City's debt rating for 2021 is as follows:

Bond Ratings			
Bond Ratings	Moody's	S&P	Fitch
GO	Aa2	AA	AA
LTGO	Aa2	AA	AA
Solid Waste	A1	AA	AA-
Sewer	Aa2	AA+	AA+
Water	Aa2	AA+	--
RWSS	Aa2	AA+	--
Power	Aa3	AA	AA-
Convention Center Revenue	A2	A+	A+

Economic Factors

On January 1, 2022, rate increases for Solid Waste Management of approximately 2% for residential and commercial services went into effect. The rate increases are expected to bring an additional \$1.4 million in operating revenues for 2022. The rate increases remain competitive with surrounding jurisdictions.

On March 23, 2022, Sewer (Surface Water and Wastewater) issued \$89.38 million in Revenue bonds to provide funds necessary to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the utility. The proceeds are expected to be used to finance the following capital improvements to the stormwater utility: pipe replacement, main extensions, holding facility improvements for the stormwater collection system, pump station upgrades and repairs and additional projects identified through the asset management process. Also, the proceeds are expected to be used to finance the following capital improvements to the wastewater utility: large trunk replacement and improvements, bio-tower replacement and improvements, digester rehabilitation, sediment tank upgrades,

Management's Discussion and Analysis For the Year Ended December 31, 2021

upgrades to pump station facilities and additional projects identified through the asset management process. The reserve fund requirement for the bonds is zero. The bonds will be redeemed over the next 30 years.

On March 11, 2021, the American Rescue Plan Act (“ARPA”) was signed into law. ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City expects to receive approximately \$60.9 million in ARPA assistance. The City received approximately \$30.5 million of the \$60.9 million in May of 2021, the second tranche of funds (\$30.4 million) is expected to be received in Mid-May of 2022. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

The Tacoma Streets Initiative had completed its sixth year in 2021. The initiative was made up of two voter passed propositions in November of 2015. Proposition A raised sales tax by 1/10 of 1% over ten years, while Proposition 3 authorized an additional 1.5% earning tax to natural gas, electric and phone companies, and increase in the regular property tax levy of \$.20 per \$1,000 of assessed value. Including grant and partnership funding, the program has raised approximately \$154.4 million, of the end goal of \$325 million over 10 years. Maintenance performed from the initiative has improved or maintained 248.5 blocks in 2021 through the use of either overlays, surface treatments, or other preventative maintenance to bring the total up to 2,952 blocks out of the estimated 5,614 blocks.

Requests for Information

This financial report is designed to provide a general overview of the City’s finances 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 the City of Tacoma Finance Department, 747 Market Street Room 132, Tacoma, Washington 98402.

STATEMENT OF NET POSITION

December 31, 2021

(amounts expressed in thousands)

Page 1 of 2

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 395,399	\$ 550,563	\$ 945,962
Accounts Receivables (Net)	51,428	131,729	183,157
Due From Other Governmental Units	27,350	1,196	28,546
Internal Balances	1,507	(1,507)	-
Inventory	4,215	15,783	19,998
Prepays	1,704	19,764	21,468
Restricted Cash			
Cash and Cash Equivalents	-	232,378	232,378
Notes and Contracts Receivable	-	102	102
Non Current Assets			
Cash and Cash Equivalents	-	28,473	28,473
Long-Term Contracts and Notes	-	10,170	10,170
Net Pension Asset	177,099	-	177,099
Other Non Current Assets	-	40,239	40,239
Capital Assets			
Depreciable Capital Assets (Net of Accumulated Depreciation)	696,834	2,711,131	3,407,965
Non-Depreciable Capital Assets	94,777	301,146	395,923
Total Assets	1,450,313	4,041,167	5,491,480
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows related to Bond Refunding	411	6,090	6,501
Deferred Outflows related to Pensions	40,888	64,736	105,624
Deferred Outflows related to OPEB	42,052	9,520	51,572
Total Deferred Outflows of Resources	83,351	80,346	163,697
LIABILITIES			
Accounts Payable	32,174	46,572	78,746
Deposits Payable	64	24,046	24,110
Due to Other Governmental Units	150	892	1,042
Unearned Revenue	10,308	8,922	19,230
Other Liabilities Payable	19,679	65,912	85,591
Payable From Restricted Assets:			
Other Current Liabilities	-	1,017	1,017
Special Assessment Debt with Government Commitment	19,595	-	19,595
Bonds and Other Debt Payable:			
Due Within One Year	53,812	47,200	101,012
Due in More Than One Year	391,972	1,449,999	1,841,971
Total Liabilities	527,754	1,644,560	2,172,314
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Advanced Payment of Special Assessments	20,305	-	20,305
Deferred Inflows - Property Taxes	1,749	-	1,749
Deferred Inflows - Rate Stabilization	-	130,575	130,575
Deferred Inflows related to Bond Refunding	2,093	165	2,258
Deferred Inflows related to Pensions	92,640	10,244	102,884
Deferred Inflows related to OPEB	22,286	5,996	28,282
Total Deferred Inflows of Resources	139,073	146,980	286,053
NET POSITION			
Net Investment in Capital Assets	646,034	1,722,339	2,368,373
Restricted:			
Capital Projects	34,843	2,850	37,693
Debt Service	14,031	13,957	27,988
Utility Donations & System Development	-	73,158	73,158
Culture and recreation	9,782	13,337	23,119
Self Insurance	-	7,894	7,894
Environmental Services and Programs	-	4,095	4,095
Inspection	-	1,057	1,057
Pension	177,099	-	177,099
Reserves	5,913	40,064	45,977
Public Safety	4,411	-	4,411
Transportation	24,756	-	24,756
Grants	23,945	-	23,945
Housing and Economic development	30,686	-	30,686
Unrestricted	(104,663)	451,222	346,559
Total Net Position	\$ 866,837	\$ 2,329,973	\$ 3,196,810

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

Component Units			
TCRA	GTRCC	PFD	FWDA
\$ 7,026	\$ 3,080	\$ 939	-
-	-	-	-
261	-	-	-
-	-	-	-
-	-	-	-
24	-	-	-
-	-	-	-
1,590	-	-	-
-	-	-	-
40,548	-	-	-
-	-	-	-
186	-	-	-
7,990	-	-	-
1,585	-	-	-
59,210	4,019	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
178	-	-	-
-	-	-	-
-	4,019	-	-
-	-	-	-
746	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
5,393	-	-	-
6,317	4,019	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,682	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
48,212	-	-	-
\$ 52,894	\$ -	\$ -	\$ -

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

STATEMENT OF ACTIVITIES
 For the Year Ended December 31, 2021
 (amounts expressed in thousands)
 Page 1 of 2

	Expenses	Program Revenues			
		Charges for Services and Fines	Operating Grants and Contributions	Capital Grants and Contributions	
FUNCTIONS / PROGRAMS:					
Primary Government					
Governmental Activities:					
General Government	\$ 44,056	\$ 16,967	\$ 39,527	\$ -	
Public Safety	160,016	9,545	16,072	64	
Transportation	47,414	1,273	5,157	20,393	
Natural and Economic Environment	29,618	1,899	7,516	-	
Economic Development	-	-	4,404	-	
Social Services	14,368	154	-	4,146	
Culture and Recreation	20,417	694	-	-	
Interest on Long-Term Debt	9,531	-	-	-	
	<u>325,419</u>	<u>30,532</u>	<u>72,676</u>	<u>24,603</u>	
Business-Type Activities					
Solid Waste	64,787	83,797	-	-	
Waste Water	102,481	124,804	-	5,153	
Water	103,268	112,172	-	18,548	
Power	441,413	470,952	-	12,329	
Nonmajor Business-Type Activities	75,496	78,179	-	(699)	
	<u>787,445</u>	<u>869,904</u>	<u>-</u>	<u>35,331</u>	
Total Primary Government	<u>\$ 1,112,864</u>	<u>\$ 900,436</u>	<u>\$ 72,676</u>	<u>\$ 59,934</u>	
Component Units					
TCRA	3,243	450	3,721	-	
GTRCC PFD	5,410	-	-	-	
FWDA	25,131	-	2,457	-	
Total Component Units	<u>\$ 33,784</u>	<u>\$ 450</u>	<u>\$ 6,178</u>	<u>\$ -</u>	
General Revenues:					
Taxes:					
Property Tax					
Retail Sales & Use Tax					
Business Tax					
Excise Tax					
Gain on Sale of Capital Assets					
Total General Revenues					
Investment Earnings					
Transfers					
Change in Net Position					
Net Position, January 1					
Prior Period Adjustment					
Net Position, January 1 restated					
Net Position, December 31					

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

Net (Expense) Revenue and Changes in Net Position			Component Units		
Governmental Activities	Business-Type Activities	Total	TCRA	GTRCC PFD	FWDA
\$ 12,438	\$ -	\$ 12,438	\$ -	\$ -	\$ -
(134,335)	-	(134,335)	-	-	-
(20,591)	-	(20,591)	-	-	-
(20,203)	-	(20,203)	-	-	-
4,404	-	4,404	-	-	-
(10,068)	-	(10,068)	-	-	-
(19,723)	-	(19,723)	-	-	-
(9,531)	-	(9,531)	-	-	-
<u>(197,608)</u>	<u>-</u>	<u>(197,608)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	19,010	19,010	-	-	-
-	27,476	27,476	-	-	-
-	27,452	27,452	-	-	-
-	41,868	41,868	-	-	-
-	1,984	1,984	-	-	-
<u>-</u>	<u>117,790</u>	<u>117,790</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (197,608)</u>	<u>\$ 117,790</u>	<u>\$ (79,818)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		928	-	-	-
		-	(5,410)	-	-
		-	-	(22,674)	-
		<u>\$ 928</u>	<u>\$ (5,410)</u>	<u>\$ (22,674)</u>	
\$ 81,783	\$ -	\$ 81,783	\$ -	\$ -	\$ -
106,635	-	106,635	-	5,415	-
46,381	-	46,381	-	-	-
23,340	-	23,340	-	-	-
2,353	3,101	5,454	-	-	-
<u>260,492</u>	<u>3,101</u>	<u>263,593</u>	<u>-</u>	<u>5,415</u>	<u>-</u>
(988)	(3,885)	(4,873)	(10)	(5)	-
<u>53,569</u>	<u>(53,569)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
115,465	63,437	178,902	918	-	(22,674)
<u>750,682</u>	<u>2,266,584</u>	<u>3,017,266</u>	<u>51,834</u>	<u>-</u>	<u>22,674</u>
690	(48)	642	142	-	-
<u>751,372</u>	<u>2,266,536</u>	<u>3,017,908</u>	<u>51,976</u>	<u>-</u>	<u>22,674</u>
<u>\$ 866,837</u>	<u>\$ 2,329,973</u>	<u>\$ 3,196,810</u>	<u>\$ 52,894</u>	<u>\$ -</u>	<u>\$ -</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 92,148	\$ 5,409	\$ 205,159	\$ 302,716
Accounts Receivables (Net)	13,940	29	36,965	50,934
Due From Other Governmental Units	15,444	2,592	9,314	27,350
Inventory	1,463	-	1,671	3,134
Prepaids	56	-	-	56
Total Assets	<u>123,051</u>	<u>8,030</u>	<u>253,109</u>	<u>384,190</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deffered Outflows	<u>123,051</u>	<u>8,030</u>	<u>253,109</u>	<u>384,190</u>
LIABILITIES				
Account Payable	8,495	1,123	6,722	16,340
Customer Deposits	39	-	25	64
Other Liabilities Payable	1,604	7	2,067	3,678
Due to Other Governmental Units	150	-	-	150
Unearned Revenue	-	-	3,627	3,627
Total Liabilities	<u>10,288</u>	<u>1,130</u>	<u>12,441</u>	<u>23,859</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	<u>7,484</u>	<u>2</u>	<u>19,948</u>	<u>27,434</u>
Total Deferred Inflow of Resources	<u>7,484</u>	<u>2</u>	<u>19,948</u>	<u>27,434</u>
FUND BALANCE				
Nonspendable	1,519	-	6,599	8,118
Restricted	369	4,801	143,197	148,367
Committed	916	-	40,431	41,347
Assigned	1,247	2,097	30,493	33,837
Unassigned	101,228	-	-	101,228
Total Fund Balance	<u>\$ 105,279</u>	<u>\$ 6,898</u>	<u>\$ 220,720</u>	<u>\$ 332,897</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 123,051</u>	<u>\$ 8,030</u>	<u>\$ 253,109</u>	<u>\$ 384,190</u>

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

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

December 31, 2021

(amounts expressed in thousands)

Total governmental fund balances as reported on this statement	\$ 332,897
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	751,338
Other non-current assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Net pension asset	177,099
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the governmental funds.	
Unearned revenue beyond the city's measurable and available period	19,004
Unavailable revenue reported for special assessments	<u>(20,305)</u>
	(1,301)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, fleet, maintenance and information technology, to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net position.	
Some liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds and loans payable	(145,227)
Premium on Bonds Payable	(761)
Deferred amount on bond refunding	(1,587)
Deferred amounts related to OPEB	19,766
Deferred amounts related to pensions	(62,814)
Interest payable	(4,419)
Net pension liability	(11,106)
Police and Fire liability	(41,519)
Total OPEB liability	(192,965)
Compensated absences payable	<u>(18,710)</u>
	(459,342)
Net position of government activities as reported on the statement of net position	<u>\$ 866,837</u>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)

	General Fund Fund #0010	Trans Capital & Engineering Fund #1060	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 64,678	\$ -	\$ 18,905	\$ 83,583
Retail Sales & Use	76,621	-	30,014	106,635
Business	43,962	-	2,419	46,381
Excise	2,680	-	20,660	23,340
Licenses and Permits	1,858	-	1,428	3,286
Intergovernmental	9,453	20,761	61,562	91,776
Charges for Services	10,011	61	8,436	18,508
Fines and Forfeitures	797	-	5,658	6,455
Investment Earnings	(102)	(23)	(400)	(525)
Miscellaneous	610	69	1,604	2,283
Total Revenues	210,568	20,868	150,286	381,722
EXPENDITURES				
Current:				
General Government	36,338	-	516	36,854
Public Safety	153,939	-	31,564	185,503
Transportation	-	1,420	34,363	35,783
Natural and Economic Environment	5,306	-	14,398	19,704
Social Services	8,499	-	6,157	14,656
Culture and Recreation	14,014	-	4,184	18,198
Debt Service:				
Principal	-	-	30,214	30,214
Interest and Other Costs	3	9	6,751	6,763
Capital Outlay	1,053	26,391	7,896	35,340
Total Expenditures	219,152	27,820	136,043	383,015
Excess (Deficiency) of Revenues OVER EXPENDITURES	(8,584)	(6,952)	14,243	(1,293)
OTHER FINANCING SOURCES (USES)				
Sales of Capital Assets	14	-	1,988	2,002
Insurance Recoveries	26	-	135	161
Issuance of Debt	-	-	19,762	19,762
Transfers In	52,147	5,935	78,323	136,405
Transfers Out	(31,695)	-	(55,722)	(87,417)
Total Other Financing Sources and Uses	20,492	5,935	44,486	70,913
Net Change in Fund Balance	11,908	(1,017)	58,729	69,620
Fund Balance - January 1, as Previously Reported	92,811	7,915	162,761	263,487
Prior Period Adjustment	560	-	(770)	(210)
Fund Balance - January 1, restated	93,371	7,915	161,991	263,277
Fund Balance - Ending	\$ 105,279	\$ 6,898	\$ 220,720	\$ 332,897

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021
(amounts expressed in thousands)

Net change in fund balances per the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 69,620
Amount reported as change in net position in the Statement of Activities are different because:	
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 Outlays	35,340
Depreciation Expense	<u>(45,480)</u>
The net effect of various miscellaneous transactions involving capital assets.	27,229
Debt proceeds are reported as financing sources in governmental fund and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	
Issuance of new debt	(19,762)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Property taxes	(1,800)
Special assessments	(1,998)
Amortization of bond premium	<u>(3,867)</u>
	(7,665)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on the net position.	
	30,178
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	
	(12,300)
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.	
Change in accrued interest payable	3,133
Change in net pension obligation or asset	34,919
Change in net other postemployment benefits	(434)
Change in compensated absences payable	<u>687</u>
	38,305
Change in net position on the Statement of Activities	<u>\$ 115,465</u>

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

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2021

(amounts expressed in thousands)

Page 1 of 4

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 54,678	\$ 128,553	\$ 63,100	\$ 248,356
Accounts Receivables (Net)	9,417	18,127	14,631	78,498
Due From Other Governmental Units	108	178	482	-
Inventory	-	2,362	3,168	8,423
Prepaid Expenses	-	268	2,868	12,920
Restricted Cash:				
Debt Service	394	1,376	3,970	16,852
Construction	-	29,410	-	1
Other	45	-	118,224	34,026
Note, Contracts, Lease Receivable	-	102		
Total Current Assets	<u>64,642</u>	<u>180,376</u>	<u>206,443</u>	<u>399,076</u>
Noncurrent Assets				
Restricted Cash, Bond Reserves	2,109	4,672	21,692	-
Long-Term Contracts and Notes	-	-		1,961
Other non-current assets	-	581	3,452	36,175
Capital Assets:				
Land	3,241	25,301	26,931	74,546
Property, Plant, and Equipment	205,671	896,292	1,195,259	2,210,959
Construction in Progress	189	72,647	20,470	36,898
Less: Accumulated Depreciation	(118,939)	(332,225)	(333,491)	(1,197,844)
Total Capital Assets (Net of A/D)	<u>90,162</u>	<u>662,015</u>	<u>909,169</u>	<u>1,124,559</u>
Total Noncurrent Assets	<u>92,271</u>	<u>667,268</u>	<u>934,313</u>	<u>1,162,695</u>
Total Assets	<u>156,913</u>	<u>847,644</u>	<u>1,140,756</u>	<u>1,561,771</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflow from Bond Refunding	-	3,219	614	-
Deferred Outflow related to Pensions	5,406	9,761	8,571	35,750
Deferred Outflow related to OPEB	855	1,901	1,485	3,225
Total Deferred Outflow of Resources	<u>6,261</u>	<u>14,881</u>	<u>10,670</u>	<u>38,975</u>

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

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2021

(amounts expressed in thousands)

Page 2 of 4

	Enterprise Funds		Governmental Activities	
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 41,790	\$ 536,477	\$ 106,769	
Accounts Receivables (Net)	11,056	131,729	494	
Due From Other Governmental Units	428	1,196	-	
Inventory	1,354	15,307	1,557	
Prepaid Expenses	3,708	19,764	1,648	
Restricted Cash:				
Debt Service	3,111	25,703	-	
Construction	-	29,411	-	
Other	24,969	177,264	-	
Note, Contracts, Lease Receivable	-	102	-	
Total Current Assets	86,416	936,953	110,468	
Noncurrent Assets				
Restricted Cash, Bond Reserves	-	28,473	-	
Long-Term Contracts and Notes	8,209	10,170	-	
Other non-current assets	31	40,239	-	
Capital Assets:				
Land	35,913	165,932	357	
Property, Plant, and Equipment	343,842	4,852,023	134,673	
Construction in Progress	4,942	135,146	5,067	
Less: Accumulated Depreciation	(159,105)	(2,141,604)	(99,044)	
Total Capital Assets (Net of A/D)	225,592	3,011,497	41,053	
Total Noncurrent Assets	233,832	3,090,379	41,053	
Total Assets	320,248	4,027,332	151,521	
DEFERRED OUTFLOW OF RESOURCES				
Deferred Outflow from Bond Refunding	2,257	6,090	-	
Deferred Outflow related to Pensions	4,346	63,834	14,043	
Deferred Outflow related to OPEB	2,054	9,520	-	
Total Deferred Outflow of Resources	8,657	79,444	14,043	

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

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2021

(amounts expressed in thousands)

Page 3 of 4

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,401	12,647	3,435	22,951
Due to Other Governmental Units	-	780	-	-
Customer Deposits	43	-	186	9,475
Interest Payable	-	156	1,631	10,907
Environment Liabilities - Current	632	215	-	325
Notes, Contract, Lease Payable - Current	-	4,843	164	-
Compensated Absences - Current	181	368	327	1,502
Bonds Payable - Current	2,209	6,595	14,745	5,945
Payable From Restricted Assets:				
Debt Principal Payable - Current	201	600	-	-
Interest Payable	193	776	-	-
Deposits and Other Payable	48	-	-	-
Unearned Revenue	292	512	-	2,017
Other Liabilities Payable	1,105	1,634	2,985	12,357
Total Current Liabilities	<u>7,305</u>	<u>29,126</u>	<u>23,473</u>	<u>65,479</u>
Noncurrent Liabilities				
Bonds Payable	51,423	228,540	339,676	524,255
Unearned Revenue	-	-	6,049	-
Compensated Absences	1,381	3,316	2,942	13,519
Environmental Liabilities	12,881	2,321	-	-
Other LT Liabilities Payable	421	3,854	13,542	1,931
Notes, Contracts, and Lease Payables	-	53,571	64,793	10,000
Total OPEB Liability	3,201	3,856	4,781	13,296
Net Pension Liability	3,998	7,218	6,338	26,436
Total Noncurrent Liabilities	<u>73,305</u>	<u>302,676</u>	<u>438,121</u>	<u>589,437</u>
Total Liabilities	<u>80,610</u>	<u>331,802</u>	<u>461,594</u>	<u>654,916</u>
DEFERRED INFLOW OF RESOURCES				
Deferred Inflow - Rate Stabilization	7,000	25,000	35,575	63,000
Deferred Inflow Related to Bond Refunding	116	-	-	-
Deferred Inflow related to Pensions	855	1,545	1,357	5,656
Deferred Inflow related to OPEB	295	1,400	305	1,179
Total Deferred Inflow of Resources	<u>8,266</u>	<u>27,945</u>	<u>37,237</u>	<u>69,835</u>
NET POSITION				
Net Investment in Capital Assets	43,606	409,094	512,097	589,358
Restricted for:				
Capital Purchase	-	-	-	-
Debt Service	2,109	-	2,339	5,945
Utility Donations & System Development	-	-	73,158	-
Culture and Recreation	-	-	-	-
Self Insurance	-	-	-	-
Environment Service & Program	-	-	-	-
Inspection	-	-	-	-
Pension	-	-	-	-
Reserves	-	4,672	-	29,028
Unrestricted	<u>28,583</u>	<u>89,012</u>	<u>65,001</u>	<u>251,664</u>
Total Net Position	<u>\$ 74,298</u>	<u>\$ 502,778</u>	<u>\$ 652,595</u>	<u>\$ 875,995</u>

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

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2021

(amounts expressed in thousands)

Page 4 of 4

	Enterprise Funds		Governmental Activities
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
LIABILITIES			
Current Liabilities:			
Accounts Payable	3,020	44,454	14,274
Due to Other Governmental Units	112	892	-
Customer Deposits	14,342	24,046	-
Interest Payable	221	12,915	-
Environment Liabilities - Current	-	1,172	-
Notes, Contract, Lease Payable - Current	844	5,851	-
Compensated Absences - Current	311	2,689	3,119
Bonds Payable - Current	7,167	36,661	-
Payable From Restricted Assets:			
Debt Principal Payable - Current	-	801	-
Interest Payable	-	969	-
Deposits and Other Payable	-	48	-
Unearned Revenue	52	2,873	-
Other Liabilities Payable	1,471	19,552	46,539
Total Current Liabilities	27,540	152,923	63,932
Noncurrent Liabilities			
Bonds Payable	51,699	1,195,593	-
Unearned Revenue	-	6,049	-
Compensated Absences	2,791	23,949	2,931
Environmental Liabilities	-	15,202	-
Other LT Liabilities Payable	7,279	27,027	14,820
Notes, Contracts, and Lease Payables	2,487	130,851	-
Total OPEB Liability	11,164	36,298	-
Net Pension Liability	3,213	47,203	10,384
Total Noncurrent Liabilities	78,633	1,482,172	28,135
Total Liabilities	106,173	1,635,095	92,067
DEFERRED INFLOW OF RESOURCES			
Deferred Inflow - Rate Stabilization	-	130,575	-
Deferred Inflow Related to Bond Refunding	49	165	-
Deferred Inflow related to Pensions	688	10,101	2,222
Deferred Inflow related to OPEB	2,817	5,996	-
Total Deferred Inflow of Resources	3,554	146,837	2,222
NET POSITION			
Net Investment in Capital Assets	167,404	1,721,559	41,053
Restricted for:			
Capital Purchase	2,850	2,850	-
Debt Service	3,564	13,957	-
Utility Donations & System Development	-	73,158	-
Culture and Recreation	13,337	13,337	-
Self Insurance	-	-	7,894
Environment Service & Program	4,095	4,095	-
Inspection	1,057	1,057	-
Pension	-	-	-
Reserves	6,364	40,064	-
Unrestricted	20,507	454,767	22,328
Total Net Position	\$ 219,178	\$ 2,324,844	\$ 71,275

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

**RECONCILIATION OF TOTAL ENTERPRISE NET POSITION
TO THE GOVERNMENT WIDE STATEMENT OF NET POSITION**

December 31, 2021
(amounts expressed in thousands)

NET POSITION - TOTAL ENTERPRISE FUNDS \$ 2,324,844

Amounts reported for business activities in the statement of net position are different because:

Internal service funds are used by management to charge the cost of support services to individual enterprise funds. In this case the support service is Fleet Management. The assets and liabilities of the Fleet fund are included in the business activities in the government-wide statement of net position. 5,129

NET POSITION OF BUSINESS-TYPE ACTIVITIES \$ 2,329,973

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)
Page 1 of 2

	Enterprise Funds			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
OPERATING REVENUES				
Charges for Services	\$ 82,922	\$ 119,291	\$ 98,999	\$ 448,242
Interfund Insurance Premiums	-	-	-	-
Other Operating Revenue	446	3,930	12,367	22,054
Total Operating Revenue	<u>83,368</u>	<u>123,221</u>	<u>111,366</u>	<u>470,296</u>
OPERATING EXPENSES				
Salaries and Benefits	23,490	38,121	31,632	129,253
Supplies	1,302	5,282	3,163	148,364
Services	31,027	32,247	21,549	77,424
Taxes	1,420	1,687	5,856	21,396
Depreciation	6,057	18,589	27,728	50,607
Total Operating Expenses	<u>63,296</u>	<u>95,926</u>	<u>89,928</u>	<u>427,044</u>
Operating Income (Loss)	<u>20,072</u>	<u>27,295</u>	<u>21,438</u>	<u>43,252</u>
NON-OPERATING REVENUE (EXPENSE)				
Interest Revenue	485	1,391	1,882	2,481
Operating Contributions	415	-	482	-
Other Non-Operating Revenues	14	1,583	324	656
Gain (Loss) on Sale of Capital Assets	336	20	2,118	606
Unrealized Net Gain(Loss) on Fair Value Investment	(823)	(2,480)	(3,064)	(3,578)
Interest Expense	(1,665)	(9,448)	(17,095)	(19,410)
Other Non-Operating Expenses	(254)	-	-	-
External Contributions	-	-	-	(2,086)
Total Non-Operating Revenues (Expenses)	<u>(1,492)</u>	<u>(8,934)</u>	<u>(15,353)</u>	<u>(21,331)</u>
Income (Loss) Before Contributions & Transfers	<u>18,580</u>	<u>18,361</u>	<u>6,085</u>	<u>21,921</u>
Capital Contributions	-	5,153	18,548	12,329
Transfers In	286	391	203	1,086
Transfers Out	(6,636)	(11,185)	(8,306)	(36,341)
Change in Net Position	<u>12,230</u>	<u>12,720</u>	<u>16,530</u>	<u>(1,005)</u>
Net Position, January 1	62,068	490,058	636,065	877,000
Prior Period Adjustment	-	-	-	-
Net Position, January 1 restated	<u>62,068</u>	<u>490,058</u>	<u>636,065</u>	<u>877,000</u>
Net Position, December 31	<u>\$ 74,298</u>	<u>\$ 502,778</u>	<u>\$ 652,595</u>	<u>\$ 875,995</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)
Page 2 of 2

	Enterprise Funds		
	Non-Major Enterprise Funds	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES			
Charges for Services	\$ 61,484	\$ 810,938	\$ 88,641
Interfund Insurance Premiums	-	-	102,305
Other Operating Revenue	615	39,412	-
Total Operating Revenue	<u>62,099</u>	<u>850,350</u>	<u>190,946</u>
OPERATING EXPENSES			
Salaries and Benefits	35,772	258,268	59,674
Supplies	1,630	159,741	2,790
Services	25,699	187,946	122,748
Taxes	640	30,999	-
Depreciation	10,397	113,378	6,797
Total Operating Expenses	<u>74,138</u>	<u>750,332</u>	<u>192,009</u>
Operating Income (Loss)	<u>(12,039)</u>	<u>100,018</u>	<u>(1,063)</u>
NON-OPERATING REVENUE (EXPENSE)			
Interest Revenue	600	6,839	850
Operating Contributions	15,253	16,150	-
Other Non-Operating Revenues	827	3,404	27
Gain (Loss) on Sale of Capital Assets	21	3,101	194
Unrealized Net Gain(Loss) on Fair Value Investment	(779)	(10,724)	(1,569)
Interest Expense	(2,448)	(50,066)	-
Other Non-Operating Expenses	(169)	(423)	(10)
External Contributions	(2)	(2,088)	-
Total Non-Operating Revenues (Expenses)	<u>13,303</u>	<u>(33,807)</u>	<u>(508)</u>
Income (Loss) Before Contributions & Transfers	<u>1,264</u>	<u>66,211</u>	<u>(1,571)</u>
Capital Contributions	1,144	37,174	(1,843)
Transfers In	12,651	14,617	4,626
Transfers Out	(5,718)	(68,186)	(45)
Change in Net Position	<u>9,341</u>	<u>49,816</u>	<u>1,167</u>
Net Position, January 1	209,885	2,275,076	69,208
Prior Period Adjustment	(48)	(48)	900
Net Position, January 1 restated	209,837	2,275,028	70,108
Net Position, December 31	<u>\$ 219,178</u>	<u>\$ 2,324,844</u>	<u>\$ 71,275</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION OF ENTERPRISE FUNDS
TO THE STATEMENT OF ACTIVITIES
BUSINESS-TYPE ACTIVITIES**
For the Year Ended December 31, 2021
(amounts expressed in thousands)

NET CHANGE IN NET POSITION - TOTAL ENTERPRISE FUNDS	\$ 49,816
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Amounts reported for business activities in the statement of activities are different because:

The net revenue of certain activities of internal service funds is reported with business activities.	13,621
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NET POSITION OF BUSINESS ACTIVITIES	<u>\$ 63,437</u>
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)
Page 1 of 4

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
CASH FLOW FROM OPERATING ACTIVITIES				
Receipt from customers and users	\$ 79,304	\$ 118,991	\$ 108,845	\$ 479,770
Receipts from interfund services provided	-	-	-	-
Contribution received - employee/employer	-	-	-	-
Payments to suppliers	(31,130)	(33,921)	(25,981)	(214,272)
Payments to employees	(23,708)	(38,711)	(31,637)	(133,420)
Payments for taxes	(1,294)	(2,160)	(5,782)	(21,332)
Payments for interfund services used	-	-	-	-
Other operating or non-operating revenues	-	-	-	221
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>23,172</u>	<u>44,199</u>	<u>45,445</u>	<u>110,967</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	286	391	203	1,086
Grants and contributions received	307	522	-	-
Payments paid on noncapital debts	(332)	(1,055)	-	-
Transfer to other funds	(6,636)	(11,185)	(8,306)	(37,341)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITES	<u>(6,375)</u>	<u>(11,327)</u>	<u>(8,103)</u>	<u>(36,255)</u>
CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	-	-
Proceeds received from capital debts	-	30,439	-	145,605
Proceeds from sales of capital assets	368	89	2,020	1,127
Contributions and donations	-	1,237	13,076	5,677
Acquisitions and constructions of capital assets	(11,922)	(49,985)	(32,272)	(73,483)
Principals paid on capital debts	(2,315)	(11,275)	(15,461)	(152,470)
Interest and issuance costs paid on capital debts	(2,074)	(10,030)	(18,124)	6,985
Transfers to other funds	-	-	-	-
Other Long-Term Liabilities	-	-	1,816	(104)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITES	<u>(15,943)</u>	<u>(39,525)</u>	<u>(48,945)</u>	<u>(66,663)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Interests and dividends received	(338)	(1,089)	(1,183)	(1,096)
Change in fair value of investment	-	-	-	-
Other Non-Operating Revenues	(272)	1,181	432	(198)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(610)</u>	<u>92</u>	<u>(751)</u>	<u>(1,294)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>244</u>	<u>(6,561)</u>	<u>(12,354)</u>	<u>6,755</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>56,982</u>	<u>170,572</u>	<u>219,340</u>	<u>292,480</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 57,226</u>	<u>\$ 164,011</u>	<u>\$ 206,986</u>	<u>\$ 299,235</u>

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)
Page 2 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES	
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
CASH FLOW FROM OPERATING ACTIVITIES				
Receipt from customers and users	\$ 65,557	\$ 852,467	\$ 15,708	
Receipts from interfund services provided	-	-	74,298	
Contribution received - employee/employer	-	-	100,814	
Payments to suppliers	(25,269)	(330,573)	(33,242)	
Payments to employees	(35,914)	(263,390)	(143,637)	
Payments for taxes	(734)	(31,302)	(1,236)	
Payments for interfund services used	(2,343)	(2,343)	(2,906)	
Other operating or non-operating revenues	1,378	1,599	19	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,675</u>	<u>226,458</u>	<u>9,818</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	7,305	9,271	2,643	
Grants and contributions received	11,236	12,065	18	
Payments paid on noncapital debts	3,849	2,462	-	
Transfer to other funds	(2,911)	(66,379)	(45)	
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITES	<u>19,479</u>	<u>(42,581)</u>	<u>2,616</u>	
CASH FLOWS PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES				
Transfers from other funds	540	540	1,983	
Proceeds received from capital debts	3,984	180,028	-	
Proceeds from sales of capital assets	-	3,604	216	
Contributions and donations	6,651	26,641	-	
Acquisitions and constructions of capital assets	(6,695)	(174,357)	(2,911)	
Principals paid on capital debts	(9,520)	(191,041)	-	
Interest and issuance costs paid on capital debts	(2,721)	(25,964)	-	
Transfers to other funds	(2,803)	(2,803)	(1,843)	
Other Long-Term Liabilities	-	1,712	-	
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITES	<u>(10,564)</u>	<u>(181,640)</u>	<u>(2,555)</u>	
CASH FLOW FROM INVESTING ACTIVITIES				
Interests and dividends received	609	(3,097)	850	
Change in fair value of investment	(779)	(779)	(1,569)	
Other Non-Operating Revenues		1,143	-	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(170)</u>	<u>(2,733)</u>	<u>(719)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>11,420</u>	<u>(496)</u>	<u>9,160</u>	
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>58,450</u>	<u>797,824</u>	<u>97,609</u>	
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 69,870</u>	<u>\$ 797,328</u>	<u>\$ 106,769</u>	

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)
Page 3 of 4

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS			
	Solid Waste Fund #4200	Wastewater Fund #4300	Water Fund #4600	Power Fund #4700
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 20,072	\$ 27,295	\$ 21,438	\$ 43,252
Adjustments to reconcile operating income (loss) to net cash provided (used) by:				
Operating Activities:				
Depreciation and amortization expenses	6,057	18,589	27,728	50,607
(Increase) decrease in accounts receivable	(1,700)	(1,047)	(2,443)	(15,526)
(Increase) decrease in intergovernmental receivables	-	-	-	221
(Increase) decrease in inventories	-	(216)	(393)	(313)
(Increase) decrease in prepaid items	-	9	(481)	-
(Increase) decrease in other assets	-	103	-	5,845
Increase (decrease) in deposit payable	(17)	(4)	(63)	3,189
Increase (decrease) in accounts payable	(242)	(2,041)	(410)	(1,188)
Increase (decrease) in accrued wages payable	73	80	176	745
Increase (decrease) in compensated absences	(38)	46	27	1,414
Increase (decrease) in intergovernmental payable	-	-	-	-
Increase (decrease) in deferred revenues	-	44	-	25,000
Increase (decrease) in other current liabilities	170	11	74	-
Increase (decrease) long term liabilities	(1,203)	1,268	(208)	(2,279)
Miscellaneous non-operating revenues (expenses)	-	62	-	-
Prior Period Adjustment	-	-	-	-
Total adjustments	<u>3,100</u>	<u>16,904</u>	<u>24,007</u>	<u>67,715</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 23,172</u></u>	<u><u>\$ 44,199</u></u>	<u><u>\$ 45,445</u></u>	<u><u>\$ 110,967</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contribution of capital assets	-	3,852	7,283	1,083

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

STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
For the Year Ended December 31, 2021
(amounts expressed in thousands)
Page 4 of 4

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		GOVERNMENTAL ACTIVITIES	
	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (12,039)	\$ 100,018	\$ (1,063)	
Adjustments to reconcile operating income (loss) to net cash provided (used) by:				
Operating Activities:				
Depreciation and amortization expenses	10,397	113,378	6,797	
(Increase) decrease in accounts receivable	1,873	(18,843)	(74)	
(Increase) decrease in intergovernmental receivables	-	221	-	
(Increase) decrease in inventories	(96)	(1,018)	(391)	
(Increase) decrease in prepaid items	(1,322)	(1,794)	(73)	
(Increase) decrease in other assets	51	5,999	(7)	
Increase (decrease) in deposit payable	3,573	6,678	-	
Increase (decrease) in accounts payable	(1,037)	(4,918)	551	
Increase (decrease) in accrued wages payable	63	1,137	1,738	
Increase (decrease) in compensated absences	278	1,727	(2,029)	
Increase (decrease) in intergovernmental payable	1	1	-	
Increase (decrease) in deferred revenues	(657)	24,387	-	
Increase (decrease) in other current liabilities	873	1,128	3,345	
Increase (decrease) long term liabilities	765	(1,657)	101	
Miscellaneous non-operating revenues (expenses)	-	62	23	
Prior Period Adjustment	(48)	(48)	900	
Total adjustments	14,714	126,440	10,881	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,675	\$ 226,458	\$ 9,818	
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Contribution of capital assets	-	12,218	-	

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2021
(amounts expressed in thousands)

	Seizure Fund	Pension Trust Fund
ASSETS		
Cash and Cash Equivalents	\$ 60	2,939
Investments	-	55,279
Equities	-	969,866
Fixed income	-	783,126
Real estate	-	117,040
Venture capital and partnerships	-	361,673
Securities lending collateral	-	111,556
Due From Other Governments	-	2,136
Interest and Dividends	-	2,844
Investment Sales	-	59,719
Capital Assets, net of accumulated depreciation	-	7
Net pension assets	-	-
Total Assets	60	2,466,185
DEFERRED OUTFLOW OF RESOURCES	-	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	-	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	-	2,511
Accrued Wages and Benefits Payable	-	111
Investments Purchase Payable	-	237,790
Other Current Liabilities	60	5
Total Current Liabilities	60	240,417
Noncurrent Liabilities		
Accrued Employee Leave Benefits	-	156
Total Noncurrent Liabilities	-	156
Total Liabilities	60	240,573
DEFERRED INFLOW OF RESOURCES	-	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	-
NET POSITION		
Net position restricted for pensions and other purposes	\$ -	2,225,612

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended December 31, 2021
 (amounts expressed in thousands)

	Seizure Fund	Pension Trust Fund
ADDITIONS		
Employer Contributions	\$ -	32,335
Member Contributions	-	28,444
Other Contributions	-	-
Total Contributions	<u>-</u>	<u>60,779</u>
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	(2)	324,648
Interest and Dividends	2	34,388
Total Investment Income	<u>-</u>	<u>359,036</u>
Less Investment Expenses:		
Investment Management Fees	-	(8,629)
Securities Lending - Agent Fees	-	(66)
Securities Lending - Broker Rebates	-	16
Total Investment Expense	<u>-</u>	<u>(8,679)</u>
Net Investment Income	-	350,357
Total Additions	<u>-</u>	<u>411,136</u>
DEDUCTIONS		
Wages and Benefit Payments	-	976
Healthcare Benefit Payments	-	96,997
Refunds of Contributions	-	2,236
Administrative Expense	-	1,075
Total Deductions	<u>-</u>	<u>101,284</u>
Net Increase (Decrease)	-	309,852
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Net position - beginning	2	1,915,760
Prior period adjustment	(2)	-
Net position - beginning (restated)	<u>-</u>	<u>1,915,760</u>
Net position - ending	<u>\$ -</u>	<u>2,225,612</u>

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

Notes to the Financial Statements For the Year Ended December 31, 2021

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tacoma's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for the fiscal year 2021, the City applied the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 98 – The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Division has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 98.

For more information on the accounting changes, please see Note 7A – *Accounting changes*.

A. Reporting Entity

The City of Tacoma is a municipal corporation incorporated January 7, 1884. The City operates under a Council-Manager form of government, and under its charter has all powers granted by the constitution and laws of the State of Washington. The City provides the full range of services contemplated by statute or charter. Areas under City Council include:

1. Governmental functions: City Attorney, Community & Economic Development, Environmental Policy & Sustainability, Environmental Services, Finance, Fire, Governmental Relations, Hearing Examiner, Human Resources, Information Technology, Library, Municipal Court, Media & Communications, Neighborhood & Community Services, Office of Management and Budget, Planning & Development Services, Police, Tacoma Venues and Events, and Public Works; and,
2. Utility functions: Power, Water, Wastewater, Surface Water, Solid Waste and Rail.

The accompanying financial statements present the City and its component units.

Component units are required to be blended if the component unit's governing body is substantively the same as the governing body of the primary government and (1) there is a financial benefit/burden relationship between the primary government and the component unit or (2) management of the primary government has operational responsibility for the component unit. Additionally, per GASB Statement No. 80, a component unit should be included using blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member. A component unit should be presented as blended when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

Discretely presented component units are separate legal entities for which the City is financially accountable and there is a financial benefit/burden relationship with the City. Exclusion of these entities would cause the City's financial statements to be misleading or incomplete. To be presented as a discretely presented component unit all of the following criteria must be met:

1. The economic resources received or held by the organization are almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

Notes to the Financial Statements For the Year Ended December 31, 2021

3. The economic resources received or held by an individual organization of the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

For related party transactions refer to Note 3 Section G.

Blended Component Units:

Tacoma Transportation Benefit District (TBD) is governed by a Board, comprised of Tacoma City Councilmembers acting ex officio and independently of their elected position, as required by the authorizing state law. Though it is legally separated from the City, the TBD is reported as if it was part of the primary government because its sole purpose is to acquire, construct, improve, and provide funding for transportation improvements for the benefit of the City and City management has operational responsibility and services are provided entirely to the City. The authority to form a TBD was granted under Washington State RCW 35.21.225 and RCW 36.73.020. During 2012 City Council created the TBD, by ordinance No. 28099 and RCW 82.80.140 gives the TBD the authority to impose taxes, fees, charges, and tolls. The TBD approved Resolution No. TBD001 imposing a \$20 vehicle registration fee within the district's boundaries, effective in 2013.

Financial statements for the TBD can be found in the Combining Statements located in the Financial Section of this report.

Discretely presented Component Units:

Tacoma Community Redevelopment Authority (TCRA) is a separate public development authority established through City ordinances and the laws of the State of Washington. TCRA was created to administer Housing and Urban Development (HUD) and Economic Development Administration (EDA) funds assisting the City in housing rehabilitation and business economic development projects. The Tacoma Community Redevelopment Authority is governed by a 10-member board appointed by the Tacoma City Council. Although it is legally separated from the City, the TCRA is a component unit of the primary government because its sole purpose is to finance and provide housing rehabilitation and community & economic development loans to residents and businesses in the City of Tacoma. The City has operational responsibility for administration and contract approval.

Separate financial statements for TCRA can be obtained from: TCRA, 747 Market Street, Room 132, Tacoma, Washington 98402.

The Greater Tacoma Regional Convention Center Public Facilities District (the District) is a public corporation organized under the Laws of Washington, Chapter 165, 1999 Regular Session, Sections 1 through 23 and pursuant to an interlocal agreement between the Cities of Tacoma, Fife, University Place, Lakewood and Pierce County. Liability of the District is limited to the District's assets with no recourse to the City of Tacoma assets or property. Although it is legally separated from the City, the District is a component unit of the primary government because its sole purpose is to assist finance, and otherwise facilitate the construction and operation of a Convention Center. The City appoints a voting majority of the board and has responsibility for administration for the debt service on bonds issued by the City for the construction of the Convention Center. The District imposed the 0.033 percent sales and use tax authorized by RCW 82.08 and 82.12. The District pays these revenues to the City of Tacoma primarily for the debt service for bond issued by the City of Tacoma to fund the design, development, construction and operation of Convention Center inclusive of real property, buildings, fixtures, furnishings, appurtenances and improvements.

Separate financial statements for the District can be obtained from: GTRCC PFD, c/o the City of Tacoma Finance Department, 747 Market Street, Room 132; Tacoma, Washington 98402.

Joint Ventures:

Notes to the Financial Statements For the Year Ended December 31, 2021

Tacoma-Pierce County Health Department

The Health Department is a joint venture of the City and County providing personal and environmental health services throughout the County. The Department provides community leadership in protecting the public's health, preventing health problems, and promoting healthy and safe living. The Health Department was created pursuant to the provisions of Chapter 70.08 of the Revised Code of Washington (RCW) to serve the needs of the constituents of the City of Tacoma, Pierce County, and other cities and towns within the County. The operations of the Health Department are governed by an agreement, dated May 23, 2006, between the City of Tacoma and Pierce County. The Health Department is managed by the Board of Health, which consists of the Pierce County Executive or a duly designated representative, three members of the County Council, Mayor of the City of Tacoma or a duly designated representative, one member of the City Council, one member representing Pierce County Cities and Towns Association, and one member-at-large appointed by the first six representatives. The City of Tacoma and Pierce County are responsible for its debts and are entitled to the surplus.

Financial information for both entities is included in Note 7 Section F. The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

B. Government-wide and fund financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are payments-in-lieu of taxes, charges between the City's utilities and various other functions of the government, and some indirect cost allocations between the general fund and other funds of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given governmental function or business segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 given function or segment. Taxes, transfers between funds, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to the Financial Statements For the Year Ended December 31, 2021

The City uses encumbrance accounting. Purchase orders, contracts and other commitments are recorded as encumbrances. Encumbrances at year-end are no longer specifically reported as reservations of fund balances for governmental type funds. They are included in the restricted, committed, or assigned fund balance as defined by GASB Statement No. 54.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to generally be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred and when goods and services are received, 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.

Franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Deferred Inflows of Resources includes property taxes that were not available to finance expenditures of the current period and grant revenues received in advance. Detailed information on property taxes is contained in the Statistical Section, Table 8. All other revenue items are considered to be measurable and available only when cash is received by the government.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is necessary to explain the adjustments needed to transform the fund based financial statements into the governmental column of the government-wide presentation. In addition, the City has two Internal Service Funds that provides 100% support to business-type activities only. A reconciliation is provided to explain the adjustment needed to transform the fund based financial statements into the business-type column of the government-wide presentation. These reconciliations are included as part of the basic financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's various utilities and internal service funds are charges to customers for sales and services. The City enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Internal service funds account for support services provided to other City departments, such as motor pool, facilities and telecommunication services, and computer and system support.

Fiduciary fund statements for the pension trust are prepared using the economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, and additions to and deductions from (including contributions, benefits, and refunds) plan net position of the retirement funds are recognized when the transactions or events occur. Employee and employer contributions are reported in the period in which the contributions are due. Member benefits, including refunds, are due and payable by the plan in accordance with plan terms.

The City reports the following major governmental funds:

- The General fund (#0010) is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Transportation Capital and Engineering fund (#3-1060) accounts for maintenance, engineering, and construction of city streets.

Notes to the Financial Statements For the Year Ended December 31, 2021

The City reports the following major proprietary funds:

- The Solid Waste fund (#4200) provides solid waste collection and disposal services for residential and commercial customers. Services include recycling, long-haul to an outside landfill, and disposal in the City owned landfill.
- The Wastewater and Surface Water (Sewer) fund (#4300-01) accounts for the planning, design, construction, operation, and maintenance of the wastewater and surface water facilities owned by the City.
- The Tacoma Water fund (#4600) accounts for the activities of the City's water distribution system.
- The Tacoma Power fund (#4700) accounts for the activities of the City's electric production and distribution operations.

D. Assets, liabilities and net position or fund balances

1. Cash and investments

The City's cash and cash equivalents include cash on hand, cash working fund, restricted cash, short term investments with original or remaining maturities of three months or less when purchased, and cash and investments in the City-wide investment pool. Investments, including equity in pooled cash and investments are stated at fair value, except for the Pension trust fund which is reported on a trade date basis, at fair value. No direct investments restricted or otherwise, are considered to be cash equivalents. The City uses a pooled investment portfolio. Each fund receives interest based on a pro-rata share of its cash balance to the total cash invested. Portfolio earnings are distributed monthly based on average daily cash balances of the participating funds.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds," if current, or "advances to/from other funds," if long-term. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the governmental fund financial statements, are included in the non-spendable classification in fund balance unless the proceeds from collection are restricted, committed, or assigned.

Property taxes are levied in November and become a property lien as of January 1. The first half is due April 30 and the second half on October 31. If the first half is not paid by April 30, the total annual tax becomes delinquent. Property taxes are collected by Pierce County and remitted to the City monthly. An allowance for uncollectible accounts is deemed unnecessary as delinquent taxes become an enforceable lien on the property. Property taxes collected within 60 days after year-end are considered measurable and available and are recognized as revenues in the fund statements. The total levy is recognized as revenue in the government-wide financial statements, regardless of when collected.

Utility receivables are shown net of an allowance for uncollectables. The uncollectable amount is established based on an analysis of historical experience. Allowances for other receivables are not utilized because the amounts are not material.

Notes and contracts receivable signed between the City and/or the Tacoma Community Redevelopment Authority (TCRA) and various parties represent economic development efforts of either a business nature or with homeowners. A large majority of the Power utility notes and contracts receivable represent energy conservation efforts between the City and homeowners or businesses.

Notes to the Financial Statements For the Year Ended December 31, 2021

3. Inventories and prepaid items

Inventories for proprietary funds are valued at first-in/first out, moving average cost method, or lower of cost or market, depending on the fund. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items accounted for under the consumption method and are expensed over the period the services are provided rather than when purchased.

4. Restricted assets

Restricted assets in the enterprise funds are monies which are restricted by legal or contractual requirements. These assets are generally intended for either construction of capital assets or for the repayment of debt. See Note 3 Section H for further information.

5. Capital assets

Capital assets; which include land, property, plant, equipment, and work in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated life in excess of one year except for land, easements, rights-of-way, infrastructure and buildings and improvements. Land, easements, and rights-of-way are capitalized regardless of cost. Infrastructure capitalization threshold is \$5,000 or more. Building and infrastructure improvements are capitalized when the cost is greater than \$5,000 and increases its useful life or service capacity. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or the life of the asset are expensed.

Depreciation on all capital assets is recorded as an allocated expense in the government-wide Statement of Activities and in the proprietary fund statements. Capital assets are reported net of depreciation. The City uses a combination of group depreciation and straight-line depreciation over the life of the assets.

The estimated useful lives for all City assets are:

Property, plant, and equipment	3-100 years
Water Plant	13-60 years
Power Plant	2-62 years
Parks	33 years
Library materials	5 years
Intangibles	3-25 years
Infrastructure	5-60 years

6. Compensated absences

The City has two different policies for compensated absences. The City's original policy allows employees to accrue vacation based on the number of years worked with a maximum accrual equal to the amount earned in a two-year period. These employees also accrue one day of sick leave per month without any ceiling on the maximum accrued. An employee is entitled to 100% of the value of the vacation leave; 25% of the value of the sick leave at retirement or death, or 10% of the value of the sick leave upon termination for any other reason. Under a revised City policy, employees earn Personal Time off (PTO) without distinction between vacation and sick leave with a maximum accrual of 960 hours. Employees who worked for the City prior to the change, or are covered by a collective bargaining agreement that provides only for vacation and sick leave could choose to stay with the original policy or may opt to convert to the new policy. The amount of leave

Notes to the Financial Statements For the Year Ended December 31, 2021

earned is based on years of service. The Tacoma Public Library has slightly different rules governing sick leave and vacation leave, but these differences are not considered material to the City's financial statements.

7. Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and the Tacoma Employees Retirement System (TERS) sponsored pension plan and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the respective sponsors. 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. Related restricted net position of the net pension asset is calculated using the GASB preferred method which is equal to the net pension asset balance, excluding deferred inflows and deferred outflows.

8. Long-term obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method or weighted average of the bonds outstanding. Bonds payable are reported net of the applicable bond premium or discount.

In proprietary funds, unamortized debt issue costs for insurance are recorded as an asset and bonds are displayed net of premium or discount; annual interest expense is decreased by amortization of debt premium and increased by the amortization of debt issue costs and discount.

9. Fund equity

Fund balance

The City of Tacoma implemented Governmental Accounting Standards Board (GASB) Statement No. 54 in 2011. For governmental fund financial statements fund balances are reported in five classifications.

1. **Nonspendable:** Includes amounts that are not in a spendable form, such as inventories, prepaid items, long-term interfund receivables, and amounts that are legally or contractually required to be maintained intact or required to be retained in perpetuity, such as the principal of an endowment fund.
2. **Restricted:** Includes amounts that can be spent only for the specific purposes stipulated by external resource providers. Amounts should be reported as restricted when constraints placed on use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
3. **Committed:** Fund Balance can only be used for specific purposes as determined by formal action by the City Council. The City 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 to remove or revise the limitation. The amount committed in the General Fund is accounted for under Fund 1030 Contingency Fund.
4. **Assigned:** Includes amounts that have been allocated by the General Fund through the encumbrance process, previously classified as unassigned. The authority to assign funds is delegated to City Management through the adoption of the biennium budget by the City Council. Fund balances of special revenue funds, debt service funds, capital project funds, that are not classified as nonspendable, restricted, or committed will be classified as assigned for the purpose of the fund. The authority to create

Notes to the Financial Statements For the Year Ended December 31, 2021

funds is determined by formal action by the City Council, by adoption of an ordinance, or by state statute.

5. Unassigned: Includes amounts that do not fall into one of the above four categories. The General Fund is the only fund that should report this category as a positive fund balance. In other governmental funds, if the expenditures incurred for specific purposes exceeds the amounts, restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

It is the policy of the City of Tacoma to spend funds in the following order:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

Use of resources will be spent in the following hierarchy:

1. Bond Proceeds
2. Federal Funds
3. State Funds
4. Local Non-city Funds
5. City Funds

For detailed information on fund balances of governmental funds, please refer to Note 3 Section J.

Net position

Proprietary fund financial statements report reservations of net position amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Restricted net position is subject to restrictions by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Note 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The Tacoma City Council adopts a biennial budget using an appropriation ordinance. While not legally required by law, the City also adopts budgets for debt service funds, proprietary funds, and some selected trust funds. Capital project budgets are adopted for fiscal periods that correspond to the lives of the projects.

The description of the budget process and the budget reconciliation schedule are included in the budget notes in the Required Supplementary Information (RSI) and Combining Statements – Non-Major funds sections. Budgetary data for the general fund is included in the RSI and Non-Major governmental funds are included in the Combining Statements – Non-Major funds section. The budgetary statements show the original budget, revised amended budget and actual amounts expended to date for the biennium.

For budgetary tracking purposes, in the General Fund, assessments are budgeted as negative revenues. These negative revenues are considered a budgetary authority increase to both revenues and expenditures for reporting purposes in the original and final adopted budgets. The budgeted amount totaled \$1,228,079 for 2021.

B. Deficits in fund balance or net position

Notes to the Financial Statements For the Year Ended December 31, 2021

The following governmental and proprietary funds had deficit net position.

Voted Bonds fund has a net fund balance deficit of \$3 thousand due to General Obligation Bonds refunding in April 2021.

TPU Fleet Service fund has a net position deficit of \$1.3 million due to an increase in capital contribution to the Power fund.

Third Party Liability Claims Fund has a net position deficit of \$29.9 million, creating a deficit \$2.8 million larger than the prior year. This is due to the increases in liability claims.

The City continues studying these programs to ensure that future claims are fully funded.

Net Deficit (expressed in thousands)	
FUND	AMOUNT
Voted Bond (#2010)	\$ (3)
TPU Fleet Service (#5050)	(1,258)
Third Party Liability Claims (#5550)	(29,869)
	<u>\$ (31,130)</u>

C. Legal and contractual compliance

The City has complied, to the best of its knowledge, with all material finance related legal and contractual provisions.

Note 3 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Legal, Contractual and Administrative Provisions

Certificates of deposit (CDs) and Demand Deposits: The City places certificates of deposit and demand deposits only with State of Washington banks and savings and loan institutions approved as qualified public depositories under chapter 39.58 RCW by the Washington State Public Deposit Protection Commission (WSPDPC). Qualified public depositories are limited to banks operating within Washington State, which have executed a Deposit Pledge Agreement with the WSPDPC. Until July 1, 2009, the WSPDPC maintained a multiple financial institution collateral pool wherein the qualified public depositories pledge and transmit to a third party trustee, securities through the execution of the pledge agreement, providing common collateral for their deposits of public funds. The assets of the pool and the power to make additional assessments against the members of the pool insured there would be no loss of public funds because of default of a member. Effective July 1, 2009, the WSPDPC required public depositaries to fully collateralize their uninsured public deposits at 100%. The WSPDPC allows for deposits up to the net worth of a qualified institution.

At year-end, the carrying amount of the City's deposits was \$106,394,647.

Other investments: State statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, bankers' acceptances, commercial paper, and repurchase agreements. The City is also

Notes to the Financial Statements For the Year Ended December 31, 2021

authorized to enter into reverse repurchase agreements.

The City sustained no investment losses during 2021, there was no significant loss potential, and there were no significant or recurring violations of administrative, legal or contractual provisions.

Investment committee guidelines: The City's Investment Committee, composed of the Mayor, the Finance Director and the City Treasurer, recommended the following portfolio mix guidelines. These guidelines are intended to limit risk and generate a competitive return on investments. The Committee recognizes that daily transactions may misalign this mix.

1. **U.S. Treasury Bills, Certificates, Notes and Bonds:** Portfolio mix guidelines allow for a maximum of 100% of the total portfolio to be invested in these securities.
2. **U.S. Government Agency Securities:** Portfolio mix guidelines suggest a maximum of 90% of the total portfolio with no more than 50% of the total portfolio per agency.
3. **Supranational Agency Bonds:** U.S. dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment: (1) the Supranational is rated within one of the two highest rating categories of a NRSRO; and the institution has the United States government as its largest shareholder. No more than 10% of the Portfolio may be invested in Supranational Agency obligations with no more than 5% being invested in obligations of a single Supranational Agency.
4. **Bankers Acceptances:** City investment policy allows for purchases of bankers acceptances from the top 50 world banks as published by American Banker. A maximum of 20% of the total portfolio may be invested in bankers' acceptances with no more than 5% of the total portfolio in any one bank.
5. **Commercial Paper:** Portfolio mix guidelines require the highest rating by at least two nationally recognized rating agencies for purchase with no more than 10% of the portfolio invested in commercial paper with an additional limit of no more than 5% in any one issuer.
6. **Repurchase Agreements:** Portfolio mix guidelines suggest repurchase agreements be limited to maximum of 25% of the total portfolio. The market value of collateral must exceed the dollar amount of the repurchase agreement by 2% over the term of the agreement. The collateral must be an investment instrument which the City is authorized to purchase.
7. **Reverse Repurchase Agreements:** The City did not participate in any reverse repurchase agreements in 2021.
8. **Municipal Bonds:** A maximum of 30% of the portfolio invested in municipal bonds with no more than 5% of the portfolio being invested in bonds of any one municipal bond issuer. The maximum maturity for investments in municipal bonds shall be limited to five years.
9. **Certificates of Deposit (CDs):** The percentage of CDs may not exceed 25% of the total assets of the portfolio with the percentage limited to 3% for any single bank or savings and loan association. Maturities shall not exceed one year.
10. **Corporate Notes:** Unsecured debt obligations purchased on the secondary market, provided that such investments are made in accordance with the investment policies and procedures adopted by the State Investment Board. No more than 10% of the portfolio may be invested in corporate notes and no more than 2% with any one issuer.
11. **Money Market Funds:** Money Market Funds meeting the requirements outlined in the City's Investment Policy are permissible investments exclusively for bond proceeds invested in accordance

Notes to the Financial Statements For the Year Ended December 31, 2021

with Section 1.148 of the U.S. Internal Revenue Code, related to arbitrage rebate. A maximum of 25% of such bond proceeds may be invested in Money Market Funds.

12. Local Government Investment Pools: A maximum of 25% of the portfolio may be invested in local government investment pools.

2. Deposits and investments – December 31, 2021

Custodial credit risk – All bank deposits are covered 100% by federal depository insurance and pledged collateral on deposit with WSPDPC.

Foreign currency risk – The City has no deposits subject to foreign currency risk.

All certificates of deposit held by the City are in the City's name and are insured by FDIC up to \$250,000 and by the Washington State Public Deposit Protection Commission (WSPDPC) for amounts over \$250,000. Under Washington State statute, members of the WSPDPC, a multiple financial institution collateral pool, may be assessed on a prorated basis if the pool's collateral is insufficient to cover a loss.

At December 31, 2021, the City's total deposits and investments consisted of the following:

Schedule of Deposits and Investments
December 31, 2021
(amounts expressed in thousands)

Reconciliation of Cash and Investments:	2021
Investments (less Component Units)	\$ 3,501,958
Treasurer's Cash, net	106,120
Petty Cash Funds	274
Sub-total	<u>3,608,352</u>
Component Units:	
Tacoma Community Redevelopment Authority (TCRA)	1,674
TCRA - External Cash	5,352
Public Facilities District (PFD)	3,080
Sub-total (Component Units)	<u>10,106</u>
Total	<u>\$ 3,618,458</u>

Notes to the Financial Statements
For the Year Ended December 31, 2021

Reconciliation of cash, cash equivalents, deposits and investments to Statement of Net Position:

	<u>Amounts expressed in thousands</u>
From Statement of Net Position	
Cash and cash equivalents	\$ 945,962
Restricted cash and cash equivalents	<u>260,851</u>
Total Primary Government	1,206,813
Component Units	
TCRA	7,026
GTRCC PFD	<u>3,080</u>
Total Component Units	10,106
Fiduciary Funds	
Cash and cash equivalents	2,999
Investments at fair value	55,279
Pension Trust	<u>2,343,261</u>
Total Fiduciary Funds	2,401,539
Total cash and investments	<u><u>\$ 3,618,458</u></u>

At year-end, the government's investment balances, expressed in thousands, were as follows:

Investments:	Fair Value at 12/31/2021
Financial Institutions	
WA State Local Government Investment Pool	\$ 95,864
Government Agencies (various)	1,012,307
Equity in Pool Transferred to Component Units	<u>(7,752)</u>
Total Investments with Financial Institutions	1,100,419
Pension Trust	
Equities	969,866
Fixed Income	783,127
Real Estate	117,040
Venture Capital & Partnerships	361,673
Short Term Bill & Notes	28,648
Other Assets	16
Cash and Cash Equivalents	29,613
Securities Lending Collateral	<u>111,556</u>
Total Other Investments - Pension Trust	<u>2,401,539</u>
Total	<u><u>\$ 3,501,958</u></u>

Notes to the Financial Statements For the Year Ended December 31, 2021

3. General Disclosure and Disclosure Relating to Interest Rate Risk/Segmented Time Distribution Method

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. City of Tacoma Investment Policy allows for authorized investments up to 60 months in maturity. One way the City manages its exposure to interest rate risk is by timing cash flows from maturities so that portions of the portfolio are maturing over time to provide cash flow and liquidity needed for operations. The city has deposits of \$95,155,537 with the State Treasurer's Local Government Investment Pool and \$107,333,660 in the city's deposit accounts with commercial banks. The monies from these accounts are available immediately.

Investment Type	Par	Maturing (in months)					
		Less than 12	13-24	25-36	37-48	49-60	
Main Bank Demand Deposits	\$ 107,333,660	\$ 107,333,660	-	\$ -	\$ -	\$ -	-
Bank Demand Deposits & State Pool	95,864,422	95,864,422	-	-	-	-	-
Fixed Rate Non-Callable Municipal Securities	5,094,110	5,094,110	-	-	-	-	-
Fixed Rate Non-Callable Agency Securities	350,758,768	123,474,498	119,057,979	54,860,415	53,365,876	-	-
Fixed Rate Callable Agency Securities	24,981,260	-	24,981,260	-	-	-	-
Totals	\$ 584,032,220	\$ 331,766,690	\$ 144,039,239	\$ 54,860,415	\$ 53,365,876	\$ -	-
Percent of Total		56.81%	24.66%	9.39%	9.14%	0.00%	

4. Disclosure Relating to Credit Risk

Credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by state statute, which is the same in the City Investment policy and the actual rating as of the end of the year 2020 for each type of investment. AAA is the highest rating for bonds. The Bank Certificates of Deposit and Demand Deposit Accounts are protected by the Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. All CD and DDA deposits not covered by FDIC are covered by the Washington State Public Deposit Protection Commission (PDPC) of the State of Washington. The PDPC is a statutory authority established under the Revised Code of Washington (RCW) 39.58. It constitutes fully insured or fully collateralized pool. The WA State Treasurers Local Government Investment Pool (LGIP) is authorized by the Revised Code of Washington (RCW) 43.250. The LGIP operates like a 2A7 fund and is collateralized by short term legal investments.

Investment Type	Par	Minimum Legal Requirement		FDIC and PDPC	AAA	AA	A
		FDIC	PDPC				
Bank Demand Deposits & State Pool	\$ 203,198,082	FDIC & PDPC	\$ 203,198,082	\$ -	\$ -	\$ -	-
Fixed Rate Non-Callable Municipal Securities	5,094,110	A	-	994,150	4,099,960	-	-
Fixed Rate Non-Callable Agency Securities	350,758,768	AAA	-	350,758,768	-	-	-
Fixed Rate Callable Agency Securities	24,981,260	AAA	-	24,981,260	-	-	-
Total	\$ 584,032,220		\$ 203,198,082	\$ 376,734,178	\$ 4,099,960	\$ -	-

5. Concentration of Credit Risk

Concentration Risk disclosure is required for all investments in any one issuer that is 5% or more of the total City's investments.

Notes to the Financial Statements For the Year Ended December 31, 2021

The following, which are more than 5%, are Financial, State Government, or Government Sponsored Agencies.

Issuer	Investment Type	Amount Reported	Percentage
Washington State	Municipal Securities	\$ n/a	n/a
Federal Farm Credit Bank	Agency Securities	98,608,480	9.7%
Federal Home Loan Bank	Agency Securities	119,113,543	11.8%
Federal Home Mortgage Corporation	Agency Securities	82,805,205	8.2%
Federal National Mortgage Association	Agency Securities	75,212,800	7.4%
Total		<hr/> <u>\$ 375,740,028</u>	

6. Disclosure of Custodial Credit Risk

The city policy states that all security transactions will be settled "delivery versus payment" by the City's safekeeping bank.

7. Investments Measured at Fair Value

The City measures and records its investments 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, where fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1 – Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement date. Observable markets include exchange markets, dealer markets, brokered markets and principal-to-principal markets.
- Level 2 – Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are sourced from pricing vendors using models that are market-based and corroborated by observable market data including: quoted prices; nominal yield spreads; benchmark yield curves; and other corroborated inputs.
- Level 3 – Level 3 inputs are unobservable inputs for the asset or liability and should only be used when relevant Level 1 or Level 2 inputs are unavailable.

The fair value evaluations are provided by Interactive Data. Interactive Data utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information and for structured securities, cash flow and, when available, loan performance data. Because many fixed income securities do not trade on a daily basis, Interactive Data's evaluated pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing, to prepare evaluations. In addition, Interactive Data uses model processes, such as the Option Adjusted Spread model to assess interest rate impact and development payment scenarios. Their models and processes take into account market convention. For each asset class, a team of evaluators gathers information from market sources and integrates relevant credit information, perceived market movements and sector news into the evaluated pricing applications and models.

Cash and cash equivalents include highly liquid investments including short-term investment funds. Cash and cash equivalents are valued at cost and, therefore, excluded from the fair value schedule.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Data regarding the City's investments, valued and categorized according to the above outlined levels is included below:

Investments Measured at Fair Value

Debt Securities	As of				
	12/31/2021	Level 1	Level 2	Level 3	
U.S. Treasury Securities	\$ 549,528,777	\$ -	\$ 549,528,777	\$ -	\$ -
Supranational Securities	25,416,670	-	25,416,670	-	-
Municipal Bonds	5,094,110	-	5,094,110	-	-
Agency Securities	375,740,028	-	375,740,028	-	-
Money Market	708,884	708,884	-	-	-
Corporate Securities	56,527,275	-	56,527,275	-	-
Total	<u>\$ 1,013,015,744</u>	<u>\$ 708,884</u>	<u>\$ 1,012,306,860</u>	<u>\$ -</u>	<u>\$ -</u>

B. Receivables

Receivables as of year-end for the governments and enterprise's individual major and non-major funds, internal service and fiduciary funds, including applicable allowances for uncollectible accounts are as follows:

(amounts expressed in thousands)

Accounts Receivable (amounts expressed in thousands)	Trans Capital Non-Major					
	General Fund	& Enginerring Fund	Governmental Funds	Solid Waste Fund	Waste Water Fund	
Accounts Receivable (net short-term)	\$ 13,940	\$ 29	\$ 36,965	\$ 9,417	\$ 18,127	
Due from other Funds	-	-	-	-	-	
Advances to other Funds	-	-	-	-	-	
Due from Other Governments	15,444	2,592	9,314	108	178	
Interest Receivable (net short-term)	-	-	-	-	-	
Notes and Contracts Receivable (net short-term)	-	-	-	-	102	
Notes and Contracts Receivable (net long-term)	-	-	-	-	-	
TOTAL	<u>\$ 29,384</u>	<u>\$ 2,621</u>	<u>\$ 46,279</u>	<u>\$ 9,525</u>	<u>\$ 18,407</u>	

Accounts Receivable (amounts expressed in thousands)	Non-Major Internal					
	Water Fund	Power Fund	Enterprise Funds	Service Funds	Fiduciary Funds	Total
Accounts Receivable (net short-term)	\$ 14,631	\$ 78,498	\$ 11,056	\$ 494	\$ -	\$ 183,157
Due from other Funds	-	-	-	-	-	-
Advances to other Funds	-	-	-	-	-	-
Due from Other Governments	482	-	428	-	2,136	30,682
Interest Receivable (net short-term)	-	-	-	-	2,844	2,844
Notes and Contracts Receivable (net short-term)	-	-	-	-	-	102
Notes and Contracts Receivable (net long-term)	-	1,961	8,209	-	-	10,170
TOTAL	<u>\$ 15,113</u>	<u>\$ 80,459</u>	<u>\$ 19,693</u>	<u>\$ 494</u>	<u>\$ 4,980</u>	<u>\$ 226,955</u>

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

C. Capital assets

Capital asset activity for the year-ended December 31, 2021 was as follows:

(amounts expressed in thousands)

Governmental activities	Beg Bal	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	\$ 35,844	\$ 7,002	\$ (3,218)	\$ 39,628
Art	3,004	14	-	3,018
Construction Work in progress	33,841	29,814	(11,456)	52,199
Total Capital assets, not being depreciated	<u>72,689</u>	<u>36,830</u>	<u>(14,674)</u>	<u>94,845</u>
Capital assets, being depreciated				
Property, plant, and equipment	291,174	38,876	(7,063)	322,987
Infrastructure	1,487,511	11,914	-	1,499,425
Total capital assets, being depreciated	<u>1,778,685</u>	<u>50,790</u>	<u>(7,063)</u>	<u>1,822,412</u>
Less Accumulated depreciation:				
Property, plant, and equipment	(186,854)	(23,741)	2,347	(208,248)
Infrastructure	(889,046)	(28,352)	-	(917,398)
Total accumulated depreciation	<u>(1,075,900)</u>	<u>(52,093)</u>	<u>2,347</u>	<u>(1,125,646)</u>
Governmental activities, capital assets (net of accumulated depreciation)	<u>\$ 775,474</u>	<u>\$ 35,527</u>	<u>\$ (19,390)</u>	<u>\$ 791,611</u>

Business Type Activities	Beg Bal	Increases	Decreases	End Bal
Capital assets not being depreciated:				
Land	\$ 164,157	\$ 1,867	\$ (92)	\$ 165,932
Construction Work in progress	126,845	85,758	(77,390)	135,213
Total Capital assets, not being depreciated	<u>291,002</u>	<u>87,625</u>	<u>(77,482)</u>	<u>301,145</u>
Capital assets, being depreciated				
Property, plant, and equipment	4,698,301	176,613	(19,056)	4,855,858
Total capital assets, being depreciated	<u>4,698,301</u>	<u>176,613</u>	<u>(19,056)</u>	<u>4,855,858</u>
Less Accumulated depreciation:				
Property, plant, and equipment	(2,053,054)	(113,564)	21,886	(2,144,732)
Total accumulated depreciation	<u>(2,053,054)</u>	<u>(113,564)</u>	<u>21,886</u>	<u>(2,144,732)</u>
Business Type Activities, capital assets (net of accumulated depreciation)	<u>\$ 2,936,249</u>	<u>\$ 150,674</u>	<u>\$ (74,652)</u>	<u>\$ 3,012,271</u>

Notes to the Financial Statements
For the Year Ended December 31, 2021

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$ 913
Public Safety	2,880
Transportation	29,463
Economic Environment	10,322
Social Services	3
Culture and Recreation	1,899
Capital Assets held by Internal Services funds which are charged to various functions based on their usage of the assets	<u>6,613</u>
Total depreciation expense - governmental activities	<u>52,093</u>

Business-type activities:

Permit	\$ 34
Mountain Rail	785
Parking Garage	1,380
Convention Center	1,740
Baseball Park	1,474
Tacoma Dome	1,607
Performing Arts	1,109
TPU Fleet *	186
Solid Waste	6,057
Waste Water	18,589
Tacoma Rail	2,268
Water	27,728
Power	<u>50,607</u>
Total depreciation expense - business-type activities	<u>113,564</u>

* Internal Service Fund that solely supports business-type activities.

Notes to the Financial Statements For the Year Ended December 31, 2021

D. Leases

Tacoma Power obtained a lease agreement with Mason County Public Utility District No. 3 (PUD 3) for a Telecommunication Network. This is a 20-year capital lease for the use of multiple segments on PUD 3's internal network. The value for this lease is \$812 and there is no interest on the lease.

(amounts expressed in thousands)

Year Ending December 31	Amount
2022	32
2023	32
2024	32
2025	32
2026	32
2027 - 2037	345
	\$505

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

The annual debt service requirements to maturity, including principal and interest, for general obligation bonds as of December 31, 2021 are as follows:

Governmental activities		Business-type activities	
Principal	Interest	Principal	Interest
11,962	3,409	\$ 2,533	\$ 1,939
9,394	3,727	2,505	1,816
9,230	3,887	2,625	1,690
8,525	4,017	2,750	1,559
8,591	3,960	2,890	1,422
40,399	19,056	16,670	4,981
33,118	10,482	14,258	1,323
3,575	193	-	-
\$ 124,794	\$ 48,731	\$ 44,231	\$ 14,730

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

General obligation bonds are direct obligations and pledge the full faith and credit of the government and are being repaid with general governmental revenue sources. General obligation bonds currently outstanding are as follows:

General obligation bonds outstanding (amounts expressed in thousands)		Outstanding December 31, 2021
	Interest Rates to Maturity	
Governmental activities	1.12580 - 7.2020%	\$ 124,794
Business-type activities	2.2439 - 3.2066%	\$ 44,231

Special assessment bonds

The City has issued special assessment bonds for various capital construction purposes. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other foreclosure proceeds are received. As of December 31, 2021, the amount of LID Special Assessment delinquency equals \$2,326,276. The bond interest rates range from 3.125 to 5.75% and are payable over the next twenty-six years.

Annual debt service requirements to maturity, including principal and interest, for special assessment bonds outstanding at year-end are as follows:

	Governmental activities Special Assessment Bonds (amounts expressed in thousands)			Total
	Principal	Interest		
2022	\$ -	\$ 1,010	\$	1,010
2023	-	1,010		1,010
2024	-	1,010		1,010
2025	-	1,010		1,010
2026	-	1,010		1,010
2027-2031	-	5,049		5,049
2032-2036	1,380	5,049		6,429
2037-2041	-	4,825		4,825
2042-2046	15,075	2,224		17,299
2047-2054	3,140	98		3,238
Total	<u>\$ 19,595</u>	<u>\$ 22,294</u>	<u>\$</u>	<u>41,889</u>

Revenue Bonds and Loans

The City also issues bonds where the City pledges income derived from acquired or constructed assets to pay debt service. Revenue bonds are secured by net operating revenue and cash and equity in pooled investment balances in the bond construction, reserve, and debt service funds. The bonds are also subject to certain financial and non-financial covenants. The original amount of outstanding revenue bonds, Washington State Public Works Trust Fund loans, Washington State Department of Transportation Rail loans, and Drinking Water State Revolving Fund loans issued in prior years was \$1.3 billion. During 2021, new debt issues amounted to \$164 million for capital improvements in the Tacoma Power fund and refunding bonds in the Water and Sewer funds.

Notes to the Financial Statements
For the Year Ended December 31, 2021

Business-type activities
 Revenue Bonds and Loans
 (amounts expressed in thousands)

	Principal	Interest	Total
2022	40,090	52,945	93,036
2023	38,106	52,714	90,820
2024	39,719	51,489	91,207
2025	38,042	50,048	88,090
2026	39,350	48,885	88,235
2027-2031	230,772	215,649	446,421
2032-2036	317,345	148,863	466,207
2037-2041	253,890	77,739	331,629
2042-2046	162,126	25,228	187,354
2047-2054	65,519	4,738	70,257
Total	<u>\$ 1,224,959</u>	<u>\$ 728,298</u>	<u>\$ 1,953,257</u>

Changes in long-term liabilities for the year ended December 31, 2021 are as follows:

Changes in long-term liabilities

Governmental activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
	\$	\$	\$	\$	\$
General obligation bonds	\$ 132,485	\$ 18,873	\$ (28,276)	\$ 123,081	\$ 11,392
Add: Unamortized premium	-	888	(127)	761	-
Less: Unamortized discount	(38)	(66)	9	(95)	-
Public works trust fund loans	2,281	-	(571)	1,710	570
Bond anticipation notes	841	-	-	841	841
Special assessment debt	20,035	-	(440)	19,595	-
Claims and judgments	37,288	10,240	(8,515)	39,013	31,893
Total OPEB Liabilities	177,614	60,122	(44,771)	192,965	-
Total pension liability-Police and Firefighters'	43,808	-	(2,289)	41,519	4,152
Net pension liability	-	21,490	-	21,490	-
Compensated absences	19,397	35,339	(30,238)	24,498	4,964
Total governmental activities - long-term liabilities	<u>\$ 433,711</u>	<u>\$ 146,886</u>	<u>\$ (115,219)</u>	<u>\$ 465,379</u>	<u>\$ 53,812</u>

Long-term liabilities are included as part of the above totals for governmental activities. At year-end, \$5.8 million of internal service funds compensated absences were included in the above amounts. Additionally, the governmental activities, claims and judgments, and employee benefits are generally liquidated by the Third Party Claims and Workers' Compensation funds, Information Services fund, and the General fund respectively.

The additions for governmental activities general obligations bonds in the amount of \$18.9 million listed above represents the Governmental Funds issuance of long-term debt (\$18.9) million reported in the government wide financial statements.

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

Business-Type activities

Long-term liabilities (amounts expressed in thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Revenue Bonds, Public Works Trust Fund loans	\$ 1,019,721	\$ 121,855	\$ (31,672)	\$ 1,109,904	\$ 28,801
General obligation bonds	46,714	887	(3,369)	44,232	2,533
Add: Unamortized premium	53,944	23,959	(5,099)	72,804	-
Less: Unamortized discount	(10)	(4)	3	(11)	-
Muckleshoot liability	6,412	-	(167)	6,244	164
State COP Loan	12,795	-	(525)	12,270	565
State Revolving Fund (SRF) Loan	104,394	2,627	(11,086)	95,935	10,405
WIFIA Loan	-	15,049	-	15,049	-
WA State Rail Loan	3,940	275	(886)	3,329	844
Revolving line of credit	131,250	23,750	(145,000)	10,000	-
Environmental liability	1,692	2,132	(963)	2,861	540
Landfill postclosure care cost liability	14,435	-	(922)	13,513	632
Total OPEB liabilities	30,808	36,298	(30,808)	36,298	-
Compensated absences	24,848	29,186	(27,134)	26,900	2,715
Net pension liability	-	47,870	-	47,870	-
Total business-type activities - long-term liabilities	<u>\$ 1,450,943</u>	<u>\$ 303,884</u>	<u>\$ (257,628)</u>	<u>\$ 1,497,199</u>	<u>\$ 47,200</u>

Note 14 summarizes changes in long-term debt.

Debt issued in 2021

Governmental activities

On April 13, 2021 the City issued Limited Tax General Obligation Bonds in the amount of \$16.085 million with the interest rates of 2.2158%-2.7447%. The bonds were issued to refund bond 2009B, 2010B, 2009C, and 2010E. The City also issued Unlimited General Obligation Bonds in the amount of \$3.675 million with the interest rates of 1.258% to refund 2010A Bonds.

Business-type activities:

Tacoma Power issued \$121.9 million of Electric System Revenue Bonds, Series 2021 (Green Bonds) in September 2021. The proceeds of the issuance were used to pay down \$145.0 million of the Wells Fargo line of credit. In August and October 2021 Tacoma Power took a draw of \$13.8 million and \$10.0 million, respectively, on the line of credit agreement with Wells Fargo.

In 2021, Tacoma Sewer received a State Revolving Fund Loan of \$2,626,625 with interest rate of 1.2% to reimburse a portion of costs related to the design of the Central Treatment Plant Electrical Distribution System Replacement projects. Also, a loan was placed with US Environmental Protection Agency (EPA) in accordance with a Water Infrastructure Finance and Innovation Act (WIFIA) with the amount of \$15,026,875 with the interest rate of 1.2%. The outstanding balance of WIFIA loan as of December 31, 2021 is \$15,049,415 including \$22,540 of interest.

Bond Defeasance

As of December 31, 2020, there was \$4.6 million 2013 Electric System Revenue Refunding Bonds, Series A considered defeased in substance. As of December 31, 2021, there were no bonds defeased in substance. Total \$4.6 million of 2013 Electric System Revenue Refunding Bonds, Series A, was paid off through the escrow account during 2021.

Notes to the Financial Statements For the Year Ended December 31, 2021

As of December 31, 2021, there was no Sewer Revenue Refunding bonds defeased in substance. Total of \$34.3 million of outstanding Sewer Revenue Refunding bond, 2006 and 2011, in the market was called and paid off through the escrow account on December 1, 2021.

These refunded bonds constitute a contingent liability of Tacoma Power only to the extent that cash and investments presently in the control of the refunding trustees are not sufficient to meet debt service requirements and are therefore excluded from the financial statements because the likelihood of additional funding requirements is considered remote.

Arbitrage

Under US Treasury Department regulations, all tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. In general, the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed interest expenditures on the related debt, must be remitted to the Federal government on every fifth anniversary of each bond issue. At the fund level, the City recognizes this liability only when it is due and payable. The city has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement and, as of December 31, 2021, has no outstanding arbitrage liability.

F. Restricted assets

The balance of the current restricted assets accounts in the enterprise funds are as follows:

(amounts expressed in thousands)

Cash for debt service	\$ 25,703
Cash for bond reserve	28,473
Cash for construction	29,411
Cash for other special purposes	<u>177,264</u>
	<u>\$ 260,851</u>

G. Related party transactions

The City of Tacoma's Mayor appoints the Governing Board for the Tacoma Housing Authority, which is not considered a component unit of the City. The City is under no obligation to subsidize, nor does it exercise any other prerequisite for inclusion.

City Officials serve on boards of several organizations, Workforce Central, Pierce Transit and South Sound 911. There is no evidence City Council can influence the programs and activities of these organizations or that they create a significant financial benefit or burden to the City. There are no material financial transactions between the City and these organizations and therefore are not included in the reporting entity.

H. Fund balances

The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. Balances previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, and unassigned. Please refer to Note 1 Section C for fund balance descriptions.

The following shows a composition of the fund balances of the governmental funds:

Notes to the Financial Statements
For the Year Ended December 31, 2021

* The City Council adopted through Ordinance No. 19315 the establishment of the Council Contingency fund per RCW 35.21.070. This fund rolls into the General Fund for financial reporting purposes. Use of the Contingency Fund requires approval from majority of the City Council through the adoption of an ordinance detailing the facts surrounding its reason for withdrawal.

	Major Funds			Non-major Funds				
	General Fund	Transp Capital & Engr		Special Revenue	Debt Service		Capital Project	Total Funds
Fund balances:								
Nonspendable:								
Accounts Receivable	\$ -	\$ -	\$ 35	\$ -	\$ -	\$ -	\$ 35	
Economic development programs	-	-	4,876	-	-	-	4,876	
Inventory	1,463	-	1,671	-	-	-	3,134	
Prepays	56	-	-	-	-	-	56	
Trust	-	-	17	-	-	-	17	
Total nonspendable	1,519	-	6,599	-	-	-	8,118	
Restricted:								
Crime Prevention & Safety	336	-	4,075	-	-	-	4,411	
Culture and recreation	-	-	-	-	-	3	3	
Debt service	-	-	8,134	4,541	1,356	14,031		
Grants	-	-	23,945	-	-	-	23,945	
Housing Development	-	-	5,647	-	-	-	5,647	
Library, Culture, Arts, Preservation	-	-	9,779	-	-	-	9,779	
Neighborhoods	-	-	1,387	-	-	-	1,387	
Other capital & purchase	-	-	-	-	702	702		
Other reserves	-	-	5,913	-	-	-	5,913	
Paths & Trails	-	-	360	-	-	-	360	
Public services	33	-	23,619	-	-	-	23,652	
Public Works projects	-	-	13,303	-	20,478	20,478	33,781	
Sidewalk & Street projects	-	4,801	1,500	-	18,455	18,455	24,756	
Total restricted	369	4,801	97,662	4,541	40,994	40,994	148,367	
Committed:								
Council contingency*	916	-	-	-	-	-	916	
Crime Prevention & Safety	-	-	-	-	4,311	4,311		
Library, Culture, Arts, Preservation	-	-	4,432	-	1,179	1,179	5,611	
Neighborhoods	-	-	2,858	-	754	754	3,612	
Public services	-	-	4,363	-	-	-	4,363	
Public Works projects	-	-	22,461	-	73	73	22,534	
Total committed	916	-	34,114	-	6,317	6,317	41,347	
Assigned:								
Business & Training Assistance	-	-	428	-	-	-	428	
Crime Prevention & Safety	421	-	33	-	-	-	454	
Demolitions	-	-	2,933	-	-	-	2,933	
Economic development programs	76	-	4,542	-	-	-	4,618	
Library, Culture, Arts, Preservation	-	-	2,763	-	-	-	2,763	
Neighborhoods	443	-	2,913	-	-	-	3,356	
Open Space Properties	-	-	532	-	-	-	532	
Police activities	-	-	1,557	-	-	-	1,557	
Public services	28	-	2,673	-	-	-	2,701	
Public Works projects	-	2,097	5,269	-	14	14	7,380	
Sidewalk & Street projects	-	-	6,780	-	-	-	6,780	
Other purposes	279	-	56	-	-	-	335	
Total assigned	1,247	2,097	30,479	-	14	14	33,837	
Unassigned:								
101,228	-	-	-	-	-	-	101,228	
Total fund balances:	\$ 105,279	\$ 6,898	\$ 168,854	\$ 4,541	\$ 47,325	\$ 47,325	\$ 332,897	

Notes to the Financial Statements For the Year Ended December 31, 2021

I. Restricted fund balance – governmental funds

In the governmental funds financial statements fund balance is restricted when constraints placed on fund balance use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Amounts expressed in thousands.

Purpose	
Crime prevention & safety	\$ 4,411
Debt service	14,031
Culture and recreation	3
Library arts & preservation	9,779
Neighborhoods	1,387
Grants	23,944
Other capital	6,615
Paths & trails	360
Public services	23,653
Public works projects	33,781
Sidewalks & street projects	24,756
Housing development	5,647
	<hr/>
	\$ 148,367

Note 4 – PENSION PLANS OBLIGATIONS AND OTHER POST-EMPLOYMENT BENEFITS

Employees of the City, other than law enforcement officers, firefighters, and railroad employees, are covered by the Tacoma Employees' Retirement System (the System), an actuarially funded system operated by the City. Law enforcement officers and firefighters are covered by the Law Enforcement Officer and Firefighter Retirement System (LEOFF), a cost-sharing multi-employer plan administered by the State of Washington for law enforcement officers and firefighters throughout the State of Washington. Additionally, the City administers two single employer Pension funds as required by State Statute - a Police Relief and Pension fund and a Firemen's Relief and Pension fund.

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the year 2021:

<u>Aggregate Pension Amounts - All Plans</u>	
Pension liabilities	\$ (69,360,121)
Pension assets	\$ 177,099,205
Deferred outflows of resources	\$ 105,623,759
Deferred inflows of resources	\$ (102,884,251)
Pension expense/expenditures	\$ 336,565

At December 31, 2021, The City reported the aggregate deferred outflows of resources and deferred inflows of resources for all pension plans as follows:

Notes to the Financial Statements For the Year Ended December 31, 2021

	Deferred Inflows of Resources	Deferred Outflows of Resources
Total - All Plans		
Difference between expected and actual experience	\$ (10,460,984)	\$ 18,984,865
Changes of assumptions	\$ (6,744,209)	\$ 51,642,891
Net difference between projected and actual earnings	\$ (83,483,421)	\$ -
Contributions made subsequent to the measurement date	\$ -	\$ 32,217,678
Changes in employer proportion	\$ (2,195,637)	\$ 2,778,326
Total	<u>\$ (102,884,251)</u>	<u>\$ 105,623,759</u>

A. Tacoma Employees' Retirement System fund (TERS)

The Tacoma Employees' Retirement System (TERS), a pension trust fund of the City of Tacoma, issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information and can be obtained by writing to:

Tacoma Employee's Retirement System
3628 South 35th Street
Tacoma, WA 98409

Or the TERS comprehensive annual financial report may be downloaded from the TERS website at www.cityoftacoma.org/retirement

1. Administration of the system: The Tacoma Employees' Retirement System is a cost-sharing, multiple-employer, defined benefit retirement plan covering substantially all employees of the City of Tacoma, with the exception of police officers, firefighters, and Tacoma Rail employees who are covered by state and federal retirement plans. Employees of the Tacoma-Pierce County Health Department as well as certain employees of Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still departments of the City of Tacoma are also members. The Board of Administration of the Tacoma Employees' Retirement System administers the plan and derives its authority in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code.

At the direction of the City Council, the System is administered by the Board of Administration (the Board) consisting of nine regular members and one alternate member. The members of the Board are: the Mayor, who serves as Chair; the Director of Finance; the City Manager (or designee); the Public Utilities Director (or designee); three elected employee representatives; one elected retired representative; and one City resident (not employed by the City) elected by the other eight members. The nine Board members appoint a TERS member, either active or retired, as an alternate Board member. The Board is required by the Tacoma Municipal Code to make annual reports to the City Council on the financial condition of the Retirement System. The Board, subject to City Council approval, appoints the Director who is responsible for managing the daily operations of the System.

2. Membership: Substantially all employees of the City of Tacoma are members of the System, with the exception of police officers, firefighter, and Tacoma Rail employees, who are covered by state or federal retirement plans. Other members include employees of the Tacoma-Pierce County Health Department, and certain employees of the Pierce Transit and the South Sound 911 who established membership in the System when these agencies were still City of Tacoma departments. The breakdown of membership as of January 1, 2021 is as follows:

Notes to the Financial Statements For the Year Ended December 31, 2021

Retirees and beneficiaries	2,653
Terminated vested and other terminated participants	790
Active members:	
City of Tacoma	2,740
Pierce Transit	10
South Sound 911	2
Tacoma-Pierce County Health Department	285
Total active members	3,037
Total membership	6,480

3. Benefits: There are two formulas to calculate the retirement benefits. The benefit paid will be issued on the formula which provides the higher benefit. The most commonly applied formula, “service retirement”, is a product of the member’s average monthly salary for the highest, consecutive 24-month period, the number of years of membership credit, and a percentage factor (2% maximum) that is based on the member’s age and years of service. The other formula is an annuity based on member contributions. There are several options available for the retiree to provide for their beneficiaries. The System also provides death, disability and deferred retirement. Additionally, the System provides cost of living adjustment (COLA) increases up to 2.125% as of July 1st of each year; the actual COLA granted is dependent on the Consumer Price Index (Seattle Area – all items) over the preceding calendar year.

Any active member who has not retired, and has five or more years of service may purchase up to five additional years of service at the time of retirement. Total service including service purchased cannot exceed 30 years.

The System participates in the portability of public retirement benefits in Washington State public retirement. As provided under Chapter 41.54 of the RCW, this allows a member to use all years of service with qualified Washington systems to determine retirement eligibility and percentage factor for benefits under the System.

4. Contributions: The participating employers are responsible for funding the System at a level sufficient to pay obligations and ensure the actuarial and financial soundness of the System. Contribution rates for the employer and the employee are recommended by the Board of Administration and final approval rests with the Tacoma City Council. Currently, the required contribution rate for employees is 9.66% of their regular base pay; the employer contributes 11.34%, for a combined total of 21.00%. This is consistent with the Board’s goal of maintaining a contribution rate that is greater than or equal to the normal cost rate of 18.97%. The difference of 2.03% between the contribution rate and the normal cost rate will be used to amortize the unfunded liability of the System. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code. *The Normal Cost Rate increased from 18.59% of pay to 18.97% of pay from the prior actuarial valuation. Therefore, the portion of the total 21.00% of pay contribution rate available to amortize the UAAL after Normal Costs are financed decreased from 2.41% of pay at January 1, 2020 (21.00% - 18.59%) to 2.03% of pay at January 1, 2021 (21.00% - 18.97%).

TERS		
Actual Contribution Rates	Employer	Employee*
January - December 2021		
TERS	11.34%	9.66%
TERS UAAL	2.03%	
Administrative fee	0.80%	
Total	14.17%	9.66%

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

5. Significant Assumptions: The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2020
Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contribution rate. This amount is compared to a 25-year amortization for the purposes of calculating the Actuarially Determined Contribution. The amortization method for the ADC is as follows*: <ul style="list-style-type: none"> • Level percent • Open periods • 25 year amortization period • 3.25% amortization grown rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.50%
Salary Increases	Varies by service; details in funding valuation report
Investment Rate of Return	6.75%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, eligibility; details in funding valuation report.
Turnover	Varies by service, gender; details in funding valuation report.
Mortality	105% of Male and 100% of the Female PubG-2010 Amount Weighted Mortality Tables, sex distinct. Generational improvements with projection unisex based on Social Security Administration Data from 1957-2017
Active Members:	Employee Mortality
Inactive Members, Retired Members and Beneficiaries:	Healthy Retiree Mortality
Disabled Members:	Disabled Retired Mortality

*The actual contribution is used if that rate is greater than the rate necessary to amortize the UAAL. Note that the UAAL amortization period is 30 years for years 2017 and earlier and 25 for years beginning January 1, 2018 and later.

Notes to the Financial Statements For the Year Ended December 31, 2021

6. Benefit and Assumption Changes: The comparability of the data from year to year can be affected by changes in actuarial assumptions, benefit provisions, accounting policies, and other factors. Between January 1, 2020 and January 1, 2021 assumptions were not changed.

Significant Changes in Benefits, Contributions, and Assumptions were as follows:

Valuations as of January 1

- 2021 Nearly all economic and non-economic actuarial assumptions were changed
- 2020 No change
- 2019 No change
- 2018 Contribution rates were increased effective February 2018
- 2017 Nearly all economic and non-economic actuarial assumptions were changed
- 2016 No change
- 2015 No change
- 2014 The discount rate (investment return assumption was lowered)
- 2013 The discount rate (investment return assumption) was lowered, along with price and wage inflation. Most active demographic assumptions were changed. The mortality assumption for contributing members, service retirees, beneficiaries, and disabled members was changed.
- 2012 Contribution rates were increased effective January 1, 2012.

7. Target Allocations: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the System's investment advisors as of December 31, 2021. The target asset allocation is based on TERS Investment Policy Statement dated November 2021.

Asset Class	Target Allocation	Arithmetic Real Rate of Return
Investment Grade Fixed income	19.5%	2.00%
US Bank/Leveraged loans	3.0%	3.14%
US long government bonds	3.0%	2.30%
High Yield Bonds	6.0%	3.60%
Emerging Market Debt	5.0%	3.20%
Global equity	34.5%	5.15%
Private Real Estate	10.0%	5.90%
Reivate Equity	10.0%	8.10%
Master Limited Partnerships	4.0%	6.60%
Timber	1.5%	3.88%
Infrastructure	2.0%	7.55%
Agriculture	1.5%	4.23%
Assumed Inflation - Mean		2.50%
Assumed Inflation - Standard Deviation		1.23%
Portfolio 30 year Arithmetic Real Return		7.26%
Portfolio 30 year Geometric Rate of Return		6.71%
Portfolio Standard Deviation		10.97%
Long-Term Expected Rate of return, net of investment expenses		6.75%

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

8. Sensitivity Analysis: The following presents the employer's proportionate share of the collective net pension liability as of the December 31, 2020 measurement date calculated using the discount rate of 6.75%, as well as what the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Employer's proportionate share of the net pension liability	\$307,047,140	\$69,360,120	(\$128,727,913)

9. Deferred outflows of resources and deferred inflows of resources: These balances are presented by source (for example, experience gains and losses, or differences between assumed and actual investment earnings).

For the period ended December 31, 2021, the employer recognizes the following amounts:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ (9,711,560)	\$ 12,553,174
Changes of assumptions	\$ -	\$ 51,581,592
Net difference between projected and actual earnings	\$ (5,085,385)	\$ -
Contributions made subsequent to the measurement date	NA	\$ 29,661,963
Changes in employer proportion	\$ (45,870)	\$ 942
Total	<u>\$ (14,842,815)</u>	<u>\$ 93,797,671</u>

10. Deferred outflows for contribution subsequent to the measurement date: The total contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period.

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.* Note that the employer reporting date is one year later than the measurement date.

Year Ending December 31	
2021	\$ 7,240,096
2022	\$ 24,130,966
2023	\$ (7,951,145)
2024	\$ 20,316,529
2025	\$ 5,556,446
Thereafter	\$ -

11. Schedule of Pension Amounts by Employer: The employer's percentage of the collective net pension liability, how it was determined, and any change in the percentage since the previous measurement.

The following table is a schedule of the proportionate share by employer. Each employer in TERS contributes at the same rate of payroll. Using the actual contributions for the year provides a reasonable basis for each employer's projected long-term contribution effort.

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

Employer	2020 Employer Contributions	Rounded		Beginning Net Pension Liability*	Ending Net Pension Liability**
		Total Contributions	Percentage of Total Contributions		
City of Tacoma	\$ 28,635,219	92.22974%	\$ (18,606,284)	\$ 69,360,120	
South Sound 911	27,296	0.08792%	(17,732)	66,116	
Pierce Transit	99,496	0.32046%	(53,437)	240,999	
Health Department	2,285,696	7.36189%	(1,458,516)	5,536,404	
Grand Total	\$ 31,047,707	100.00000%	\$ (20,135,969)	\$ 75,203,639	

*Based on unrounded contributions from 2019

**Based on unrounded contributions from 2020

B. Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report 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 98540-8380

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

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 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% 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 (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 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 I had no required employer or employee contributions for fiscal year 2021. Employers paid only the administrative expense of 0.18 percent of covered payroll.

Notes to the Financial Statements For the Year Ended December 31, 2021

LEOFF Plan 2 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the final average salary (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 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 2 members are vested after the completion of five years of eligible service.

The LEOFF Plan 2 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate includes an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

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

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

LEOFF Plan 2		
Actual Contribution Rates	Employer	Employee
January - June 2021		
State and local governments	5.15%	8.59%
Administrative Fee	0.18%	
Total	5.33%	8.59%
Ports and Universities	8.59%	8.59%
Administrative Fee	0.18%	
Total	8.77%	8.59%
July - December 2021		
State and local governments	5.12%	8.53%
Administrative Fee	0.18%	
Total	5.30%	8.53%
Ports and Universities	8.53%	8.53%
Administrative Fee	0.18%	
Total	8.71%	8.53%

The City of Tacoma's actual contributions to the plan were \$4,982,250 for the year ended December 31, 2021.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For fiscal year ending June 30, 2020, the state contributed \$78,170,320 to LEOFF Plan 2. The amount recognized by the City as its proportionate share of this amount is \$4,866,699.

Notes to the Financial Statements For the Year Ended December 31, 2021

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increase:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 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 changes in methods and assumptions since the last valuation.

- For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.
- To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

Notes to the Financial Statements For the Year Ended December 31, 2021

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return	
		Arithmetic	
Fixed Income	20%	2.20%	
Tangible Assets	7%	5.10%	
Real Estate	18%	5.80%	
Global Equity	32%	6.30%	
Private Equity	23%	9.30%	
	100%		

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the City of Tacoma's proportionate share* of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the City of Tacoma's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

		1% Decrease	Current Discount	1% Increase
		(6.4%)	(7.4%)	(8.4%)
		Rate	Rate	Rate
LEOFF 1	\$ (31,774,954)	\$ (35,295,141)	\$ (38,340,700)	
LEOFF 2	\$ (89,431,743)	\$ (141,804,064)	\$ (184,694,734)	

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Notes to the Financial Statements For the Year Ended December 31, 2021

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City of Tacoma reported its proportionate share of the net pension liabilities as follows:

	<u>Liability (or Asset)</u>
LEOFF 1	\$ (35,295,141)
LEOFF 2	\$ (141,804,064)

The amount of the asset reported above for LEOFF Plans 1 and 2 reflects a reduction for State pension support provided to the City of Tacoma. The amount recognized by the City of Tacoma 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 City of Tacoma were as follows:

	LeOFF 1 Asset	LeOFF 2 Asset
Employer's proportionate share	\$ (35,295,141)	\$ (141,804,064)
State's proportionate share of the net pension asset associated with the employer	\$ (238,735,457)	\$ (91,479,100)
Total	\$ (274,030,598)	\$ (233,283,164)

At June 30, the City of Tacoma proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2020	Proportionate Share 6/30/2021	Change in Proportion
LEOFF 1	1.03%	1.03%	0.00%
LEOFF 2	2.50%	2.44%	(0.06%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Nonemployer Allocations for all plans except LEOFF 1.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2021. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). The state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

In fiscal year 2021, the state of Washington contributed 39 percent of LEOFF 2 employer contributions pursuant to [RCW 41.26.725](#) and all other employers contributed the remaining 61 percent of employer contributions.

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

Pension Expense

For the year ended December 31, 2021, the City of Tacoma recognized pension expense as follows:

	<u>Pension Expense</u>
LEOFF 1	\$ (5,216,825)
LEOFF 2	<u>(17,416,460)</u>
Total	\$ (22,633,285)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, the City of Tacoma reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF 1		
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (10,784,838)
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ -	\$ -
Total	\$ -	\$ (10,784,838)

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEOFF 2		
Differences between expected and actual experience	\$ 6,431,691	\$ (749,424)
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (67,613,197)
Changes of assumptions	\$ 61,298	\$ (6,744,209)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 2,777,384	\$ (2,149,767)
Contributions subsequent to the measurement date	\$ 2,555,715	\$ -
Total	\$ 11,826,087	\$ (77,256,597)

Notes to the Financial Statements For the Year Ended December 31, 2021

Deferred outflows of resources related to pensions resulting from the City of Tacoma contributions subsequent to the measurement date but before the end of the reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>LEOFF 1</u>
2022	\$ (2,864,840)
2023	\$ (2,620,422)
2024	\$ (2,472,613)
2025	\$ (2,826,963)
2026	\$ -
Thereafter	\$ -

<u>Year ended December 31:</u>	<u>LEOFF 2</u>
2022	\$ (17,988,042)
2023	\$ (16,758,246)
2024	\$ (15,829,077)
2025	\$ (17,830,031)
2026	\$ (198,050)
Thereafter	\$ 617,222

C. Police and Firefighter's Relief and Pension Funds

The following table represents the aggregate pension amounts for the single plan subject to the requirements of the GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* for the year 2021:

<u>Aggregate Pension Amounts</u>	<u>Firefighters' Pension Fund</u>	<u>Police Pension Fund</u>
Total pension liability	\$ 29,150,827	\$ 12,368,467

1. Plan description:

The Police Relief and Pension Fund (PRP) and the Fire Relief and Pension Fund (FRP) are single-employer defined-benefit pension plans. These funds were established and administered by the City in accordance with the requirements of the Revised Code of Washington (RCW) 41.18 and 41.20. Both pension funds were reclassified from a fiduciary fund to the General Fund in 2016, as prescribed by GASB Statement 73, paragraph 115. The City implemented the rest of GASB Statement 73 that became effective in fiscal year 2017. The City does not collect contributions or hold assets in trust for the PRP or FRP plans. Any monies provided by the City for future benefit payments are not legally protected from creditors and are not dedicated to the provision of pensions to plan members. Per GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the plans do not meet the criteria for pension plans administered through trusts. Therefore, the plans are accounted for as part of the General Fund.

The plans provide retirement and medical benefits to all police officers, firefighters and their beneficiaries for individuals employed before March 1, 1970, the effective date of LEOFF. The LEOFF laws were subsequently amended by the Pension Reform Act, which took effect October 1, 1977. Through the LEOFF Act, the state undertook to provide the bulk of police and fire pensions; however, the municipalities continue

Notes to the Financial Statements For the Year Ended December 31, 2021

to be responsible for all or part of pension benefits for employees hired before March 1, 1970. The plans are closed plans that provide pension and medical benefits, some of which can be in excess of LEOFF benefits. There are 0 active Police Officer and 1 active Firefighters with prior rights covered under these plans as of December 31, 2021. Retirees and beneficiaries of deceased retirees eligible to receive pension benefits currently number 106 for the PRP and 143 for the FRP as of December 31, 2021. There are no terminated employees under either plan who are entitled to benefits but not receiving them.

Each retiree receives the greater of the benefit payable under the Washington Law Enforcement Officers' and Firefighters' Retirement System and the benefits available under the provisions of prior law. Where benefits under the old law exceed those under the new for any police or firefighter, the excess benefits are paid from the FRP and PRP of the city employment them on March 1, 1970.

The Police Pension Board consists of six members authorized by statute: the Mayor as Chair, the City Clerk, the City Treasurer, and three law enforcement officers (active or retired LEOFF 1 or LEOFF 2 officers), who will serve in the elected capacity for three-year terms.

The Fire Pension Board consists of five members authorized by statute: the Mayor as Chair, the Finance Director, the City Treasurer, and two elected firefighters (active or retired LEOFF 1 or LEOFF 2 firefighters). The two elected firefighters serve two year terms and select a third firefighter who serves as an alternate in the event of an absence of one of the regularly elected firefighters.

2. *Benefit Provisions*

The LEOFF Act requires a varying obligation of the City for benefits paid to police officers and firefighters.

- Pension and medical expenses for police officers and firefighters retired prior to March 1, 1970; continue to be paid in their entirety by the City under the old pension laws.
- Police officers and firefighters hired before, but not retired on March 1, 1970, received at retirement the greater of the pension benefit provided under the old pension laws and under the LEOFF Act. Any excess of the old benefit over the LEOFF benefit is provided by the City. The City also pays the reasonable cost of necessary medical expenses of the retiree for life.
- For police officers and firefighters hired on or after March 1, 1970, and prior to October 1, 1977, the City is obligated for lifetime medical expenses only. The LEOFF system pays the entire retirement allowance.
- Police officers and firefighters hired on or after October 1, 1977, are covered entirely by the LEOFF system with no City obligation for either retirement allowance or medical expenses.
- The benefits are directly correlated to the salaries of active employees. Cost of Living Adjustments (COLAs) provided at the state level do not impact the total pension benefits provided to the members. The City's obligation under the Plan consists of paying the difference between pension and medical benefits provided by LEOFF and those provided by the City's Plan. There were no changes in benefit provisions in the current year.

3. *Contributions*

The PRP is funded entirely from annual contributions from the City's General Fund that are budgeted and approved by the City Council. Funding of these benefits is required by RCW 41.20. The FRP contributions are required by RCW 41.18 and are funded from two sources: (1) state contributions of 25% on fire insurance premium collections and is considered a non-employer contributing entity and (2) a property tax levy of up to \$.225 per \$1,000 of assessed valuation. Retirement benefit provisions are established in state statute and

Notes to the Financial Statements For the Year Ended December 31, 2021

may only be amended by the State Legislature. Amendments to each of the Plans are authorized by the separate Police and Fire Pension Boards.

Contributions are determined on a pay-as-you-go basis. There have been no required employee contributions to the police and firefighter's relief and pension plans since March 1, 1970.

The General Fund is responsible for the costs of administering the plans and ensuring that the fund has adequate cash to pay its obligations each year. The total General Fund contributions to the PRD and FRP were \$3.9 million and \$4.6 million for 2021.

The state contributes 25% of taxes on fire insurance premiums to the FRP and the amount contributed in 2021 was \$479,000.

4. *Actuarial Assumptions*

The total pension liability (TPL) was determined by an actuarial valuation as of January 1, 2020, projected forward to the measurement date of December 31, 2021. The liability was calculated based on the discount rate and other actuarial assumptions below.

	Firefighter Relief and Pension	Police Relief and Pension
Discount Rate		
Municipal bond rate	2.00%	2.00%
Actuarial Assumptions:		
Valuation Date	January 1, 2020	January 1, 2020
Measurement Date	December 31, 2021	December 31, 2021
Inflation	2.25%	2.25%
Salary increases including inflation	3.25%	3.25%
 Mortality	 RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for males and forward one year females (set forward two years for disabled members).	 RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Project Scale BB, with ages set back one year for females (set forward two years for disabled members).
Actual Cost Method	Entry Age Normal	Entry Age Normal

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

5. Changes in the Total Pension Liability

	Firefighters' Relief Pension	Police Relief Pension
	Increase (Decrease) Total Pension Liability	Increase (Decrease) Total Pension Liability
Balance as of December 31, 2020	\$ 30,675,679	\$ 13,131,961
Changes for the year:		
Service cost	-	-
Interest	592,446	252,529
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	-	-
Effect of assumptions changes or inputs	-	-
Benefit payments*	(2,117,298)	(1,016,023)
Net changes	(1,524,852)	(763,494)
Balance as of December 31, 2021	29,150,827	12,368,467

*Benefit payments are estimated based on expected payouts.

6. Sensitivity of the Total Pension Liability

The following presents the net pension liability of the City, calculated using the discount rate of 2.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	Current		
	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (1.00%)
Total pension liability - Fire	\$ 31,886,521	\$ 29,150,827	\$ 26,786,794
Total pension liability - Police	\$ 13,439,732	\$ 12,368,467	\$ 11,434,637

7. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

Pension expense of \$113,446 and \$252,529 were recognized in 2021 for the FRP and PRP. As of December 31, 2021, there are no deferred outflows or deferred inflows of resources related to these pension funds. The effects of changes in assumptions/inputs and economic/demographic gains or losses are recognized over the average remaining service life for all active and inactive members, with immediate recognition when the average remaining service life is less than one. There is no effect of changes in assumptions in the current year.

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

D. Defined Benefit Other Post-Employment Benefits (OPEB) Plans

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB 75 for the year 2021:

Aggregate OPEB Amounts - All Plans		
OPEB liabilities	\$	(229,262,808)
OPEB assets	\$	-
Deferred outflows of resources	\$	51,572,376
Deferred inflows of resources	\$	(28,282,385)
OPEB expense/expenditures	\$	917,028

1. Plan description:

The City provides the opportunity to receive medical benefits to most of its retirees until the age of 65. Eligibility and the amount of benefits paid by the City for Other Post-Employment Benefits (OPEB) vary by retirement group (TERS, LEOFF 1, LEOFF 2, or Rail). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both active members and retirees. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma's Human Resources Department. Eligibility and the amount of benefits paid by the City for OPEB vary by retirement group. Each plan provides medical benefits to eligible retired City employees and beneficiaries.

Benefits per retirement group are as follows:

Medical TERS and LEOFF 2 Upon retirement, members are permitted to receive medical benefits. Retirees pay a blended/composite rate that reflects the costs for both active and retired employees under age 65. Spouses and child dependents are also covered while the employee is under age 65 and the retirees pay the same premium regardless of the number of lives covered.

Medical Rail Retirees and their spouses receive medical benefits through age 65, paid fully by the employer if the employee belongs to one of the following personnel sub-areas:

- BL Engineers
- UTU Switch Crew
- UTU Yardmasters

Other Rail employees and their spouses can purchase medical benefits for the same rates as TERS members. Medical LEOFF 1 The necessary hospital, medical and nursing care expenses not payable by workers' compensation, Social Security, or other programs are covered for any retired LEOFF 1 member. These expenses are paid both prior to age 65 and afterwards. The City also pays the Medicare Part B premiums for all LEOFF 1 employees who are over age 65. Spouses of LEOFF 1 members are permitted to purchase medical insurance. The premium rates are set specifically for the spouses of LEOFF 1 members and are not subsidized by the City. We therefore do not include liability for LEOFF 1 spouses.

Dental Non-LEOFF 1 retirees are paid in full by the retirees and are not considered in this valuation.

Dental LEOFF 1 retirees are paid by the city and included in this valuation.

Benefit provisions for TERS are established in accordance with Chapter 41.28 Revised Code of Washington and Chapter 1.30 of the Tacoma City Code. These statutes assign the authority to establish benefit provision for TERS. For LEOFF Plan 2, benefits are established in accordance with RCWs 41.16, 41.18, 41.20 and

Notes to the Financial Statements For the Year Ended December 31, 2021

41.26. These statutes assign the authority to establish benefit provisions. For LEOFF Plan 1, these benefit provision are established by state statute of the State of Washington through the Department of Retirement Systems, per RCW 41.26. LEOFF Plan 1 is closed to new entrants. For the Railroad Retirement System, these are administered by Federal statute under the Railroad Retirement Act (45 U.S.C. 231 et seq.) and authority resides by these Federal statutory provisions.

Financial reports for the LEOFF Plans and Railroad Retirement System plans are available at the addresses below. These reports may be obtained by writing at the following addresses:

LEOFF Plan 1
State of Washington
Office of Financial Management
P.O. Box 43113
Olympia, WA 98504-3113

U.S. Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611-2092

Benefit payments are recognized when due and payable in accordance with benefit terms. Pre-Medicare Retiree Healthcare is a single-employer defined benefit OPEB plan that is treated like a cost-sharing plan for financial reporting purposes, and is administered by the City of Tacoma's Human Resources Department. The membership in the program is as follows:

	Non-LEOFF 1 as of January 1,	Non-LEOFF 1 as of January 1,	Total
	2021	2020	
Inactive employees or beneficiaries currently receiving benefits	322	370	692
Inactive employees entitled to but not yet receiving benefits	562	-	562
Active employees	3,531	1	3,532
Total	4,415	371	4,786

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

2. Actuarial Assumptions and Other Inputs:

The Valuation Date is January 1, 2021 for non-LEOFF 1 members and January 1, 2020 for LEOFF 1 members. This is the date as of which the census data is gathered and the actuarial valuation is performed. The Measurement Date is December 31, 2020. This is the date as of which the total OPEB liability is determined. Note that GASB 75 allows a lag of up to one year between the measurement date and the reporting date. No adjustment is required between the measurement date and the reporting date. The Reporting Date is December 31, 2021. This is the employer's fiscal year ending date.

The total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rates below, and then projected to the measurement dates. There have been no significant changes between the valuation date and fiscal year ends. If there were significant changes, an additional analysis or valuation might be required.

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

	Non-LEOFF 1	LEOFF 1
Valuation Date	January 1, 2020	January 1, 2020
Measurement Date	December 31, 2020	December 31, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Discount Rate – based on 20 Year Tax-Exempt Municipal Bond Yield with an average rating of AA/Aa or higher at the Measurement Date	2.12%	2.12%
Funding Plan	Pay-as-you-go	Pay-as-you-go
Medical Cost and Dental Trends Combined.	2021 6.0% 2022 5.5% 2023 5.0% 2030 4.7% 2040 4.9% 2050 4.9% 2060 4.7%	Pre-65 Post-65 2020-2021 6.10% 5.5% 2021-2022 5.50% 5.2% 2022-2023 4.9% 4.8% 2023-2024 4.8% 4.8% 2024-2025 4.7% 4.7%
*Dental not applicable to Non-LEOFF	Grading down to an ultimate rate of 4.0% in 2074. The trends above assume that, overtime, deductibles and out of pocket maximums will be periodically increased as medical trends increase.	Grading down to an ultimate rate of 3.7% in 2074. The trends above do not reflect increases in costs due to excise tax.
Long-Term Care Inflation Rate	Not applicable	4.5%
Participation Assumption	100% Rail employees eligible for City-paid retiree medical benefits. 25% of TERS and LEOFF 2 active employees who are not eligible for benefits paid entirely by the City. 25% of Rail employees who are not eligible for benefits paid entirely by the City are assumed to receive medical benefits. 5% of terminate-vested members are assumed to receive retiree medical benefits.	100% participation
Experience Study Dates	Social Security Administration data from the most recent 60 years available (1957-2017) (adopted 1/1/2021).	2007-2012
Demographic Assumptions (Eligibility):		
Disability	Five years of service are required for non-service connected disability for TERS and LEOFF 2. Ten years of service are required for non-service connected disability for Rail.	For a duty disability, employee is eligible after six-month waiting period (RCW 41.18.050, RCW 41.20.060). For non-duty disability, employee eligible after 90-day-6 months waiting period (RCW 41.18.080 RCW 41.20.065).

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

	Non-LEOFF 1	LEOFF 1
Retirement	<p>TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).</p> <ul style="list-style-type: none"> - 30 years of service - 60 years of age - Age + Service = 80 years - Age 55 with 10 service years - Age 40 with 20 service year <p>Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefits commence.</p> <p>LEOFF 2 members are eligible for retiree medical benefits after achieving one of the following:</p> <ul style="list-style-type: none"> - Age 53 with 5 service years - Age 50 with 20 service years <p>Certain Rail employees and their spouses are entitled to employer-paid retiree medical benefits until age 65 when retiring at age 60 with 30 service years.</p>	<p>Members are eligible to receive lifetime medical benefits upon service retirement after age 50 with at least five years of service. If they are not eligible to retire at time of termination but have 20 years of service credit, they are eligible for medical benefits when pension benefits commence.</p>
Mortality:		
Contributing Members	105% of Male and 100% of Female PubG-2010 Amount-Weighted Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017 (adopted 1/1/2021)).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males and forward one year for females.
Inactive Members, Retired Members, and Beneficiaries	105% of Male and 100% of Female PubG-2010 Amount-Weighted Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017 (adopted 1/1/2021)).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set back one year for males.
Disabled Members	105% of Male and 100% of Female PubG-2010 Amount-Weighted Employee Mortality Tables, projected with a unisex table based on Social Security Administration data from the most recent 60 years available (1957-2017 (adopted 1/1/2021)).	RP-2000 Mortality Table (combined healthy) with generational projection using 100% of Projection Scale BB, with ages set forward two years for disabled members.

Notes to the Financial Statements For the Year Ended December 31, 2021

3. Sensitivity Analysis:

The following presents the total OPEB liability of the City, calculated using the current healthcare cost trend rates as well as what the City's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	Current Healthcare		
	1% Decrease	Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 201,643,547	\$ 229,262,808	\$ 262,129,286

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.12%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.12%) or one percentage point higher (3.12%) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	1.12%	2.12%	3.12%
Total OPEB Liability	\$ 259,431,218	\$ 229,262,808	\$ 204,053,720

4. Changes in the Total OPEB Liability:

Changes in the Total OPEB Liability for reporting period ending December 31, 2020, are as follows:

	Increase (Decrease)
	Total OPEB Liability
Total OPEB Liability at beginning of period	\$ 208,422,031
Changes for the year:	
Service cost	2,576,496
Interest on total OPEB liability	5,661,711
Effect of plan changes	-
Effect of economic/demographic gains or losses	373,959
Effect of assumptions changes or inputs	21,021,530
Expected benefit payments	(8,792,919)
Total OPEB Liability at end of period	\$ 229,262,808

There was a change in assumption as the discount rate from 4.10% for 2020 and 2.12% for 2021.

The total OPEB liability of \$229,262,808 was determined by an actuarial valuation as of the valuation dates of January 1, 2021, calculated based on the discount rate of 2.12%, and then projected to the measurement date of December 31, 2019. The City recognized an OPEB expense of \$10,342,732. The OPEB expense for December 31, 2021 financial reporting period is as follows:

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

	<u>OPEB Expense</u>
Service Cost	\$ 2,576,496
Interest on total OPEB liability	5,661,711
Effect of plan changes	-
Recognition of deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(533,744)
Recognition of assumptions changes or inputs	<u>2,638,269</u>
OPEB Expense	\$ 10,342,732

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 345,461	\$ (2,453,314)
Changes of assumptions	25,600,134	(9,627,994)
Changes in proportionate share	13,925,624	(13,925,624)
Difference in contributions	2,275,453	(2,275,453)
Contributions made subsequent to the measurement date	9,425,704	-
Total	<u>\$ 51,572,376</u>	<u>\$ (28,282,385)</u>

Deferred outflows of resources of \$9,425,704, resulting from contributions made subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense below. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Year ended December 31:

2021	\$ 2,104,525
2022	\$ 2,104,525
2023	767,741
2024	3,406,505
2025	3,245,644
Thereafter	2,235,347

Note 5 – DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan through a third party created in accordance with Internal Revenue Code Section 457. The plan, available to all City permanent full-time and part-time employees, permits them to defer a portion of their salary into a retirement savings plan. Withdrawals from a participant's account are normally available at separation, retirement, disability, or to a beneficiary in the case of an employee's death. As an active employee a withdrawal can be done through in-service withdrawals upon turning age 59 ½ or older, in-service withdrawal within the one-year period of a qualifying birth or adoption, in the form of a hardship withdrawal or through a loan provision. An employee may defer 100% of their salary net of employee pension contributions and any Section 125 deductions, up to the IRS annual contribution limits. The 2021 contribution

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

limits are \$20,500 for regular deferral, \$41,000 for pre-retirement and \$27,000 for age 50 provision deferrals. The City has agreed through contract negotiation with the Local 6 Police union and the Local 31 Fire union to match contributions made by all Police Officers and Fire Officers up to a maximum of \$211 per pay period. Local 26 Police Officers and Fire/Police Professional Public Safety Management Association employees receive an employer contribution of \$238 per pay period. Tacoma Rail employees also receive matching contributions up to three percent per TMC 1.12.115 and applicable collective bargaining agreements.

Benefit Plan	Third Party Administrator	Pre-Tax	Pre-Tax	After-Tax	Total by Plan
		Employer Contributions	Employee Contributions	Employee Contributions	
457 deferred compensation	MissionSquare	2,001,724	14,545,890	2,235,002	18,782,616
457 deferred compensation	Nationwide	<u>1,525,799</u>	<u>3,091,109</u>	<u>168,738</u>	<u>4,785,646</u>
Total		<u>\$ 3,527,523</u>	<u>\$ 17,636,999</u>	<u>\$ 2,403,740</u>	<u>\$ 23,568,262</u>

Note 6 – INTERFUND ACTIVITY

Interfund activity is composed of three types of transactions. Due to and due from other funds represent internal charges for services. Advances to and from other funds are loans between funds for capital or cash flow purposes. Transfers represent a sharing of resources between funds. At the fund level, these transfers increase or decrease individual funds resources, but they do not affect the City's total resources. These internal activities do not represent inflows or outflows of the City's resources; rather, they reflect resources being moved within the City. The effects of these transactions are included in the City's fund statements but are removed from the entity-wide financial statements.

The information below provides detail of the advances, or interfund payable transactions:

There are no interfund advances for Non-Major Governmental Funds and Non-Major Enterprise Funds.

The composition of interfund transfers for the year ended December 31, 2021 is as follows:

Interfund Transfers (amounts expressed in thousands)												
	Transfer In											
	Trans Capital		Wastewater			Internal		Non-Major		Non-Major		Transfer
	General Fund	& Engineering	Solid Waste	Surface Water	Tacoma Water	Tacoma Power	Service Funds	Governmental Funds	Enterprise Funds	Funds	Funds	Out Total
Transfer Out												
General Fund	\$ 275	\$ 1,380	\$ -	\$ -	\$ -	\$ -	\$ 1,058	\$ 22,309	\$ 6,672	\$ 31,694		
Solid Waste Fund	4,977	-	-	-	-	-	-	-	1,659	-	6,636	
Waste Water Fund	7,509	-	-	-	-	-	-	-	2,503	1,172	11,184	
Water	6,239	-	-	-	-	-	-	-	2,067	-	8,306	
Power	29,151	-	-	-	-	-	-	-	7,189	-	36,340	
Internal Service Fund	-	-	-	-	-	-	-	44	1	-	45	
Non-Major Governmental	1,919	4,555	286	391	203	1,086	3,463	39,013	4,806	55,722		
Non-Major Enterprise	2,077	-	-	-	-	-	60	3,581	-	5,718		
Transfer In Total	\$ 52,147	\$ 5,935	\$ 286	\$ 391	\$ 203	\$ 1,086	\$ 4,625	\$ 78,322	\$ 12,650	\$ 155,645		

The information below provides detail of the interfund transfer transactions:

\$275,000 was transferred from the General Fund to General Fund for Contingency

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

\$1,380,360 was transferred from the General Fund to Trans Capital & Engineering Fund for Broadway LID project

\$1,057,981 was transferred from the General Fund to Internal Service Funds for services and projects

\$22,309,262 was transferred from the General Fund to Non-Major Governmental Funds for grant matches, debt service, capital projects, non-capital projects and regular operations

\$6,672,192 was transferred from the General Fund to Non-Major Enterprise Funds for contributions to support debt services payments, capital projects and regular operations

\$4,976,960 was transferred from the Solid Waste Fund to General Fund for Gross Earnings Tax

\$1,658,987 was transferred from the Solid Waste Fund to Non-Major Governmental Funds for Gross Earning Tax

\$7,509,372 was transferred from the Waste Water Fund to General Fund for Gross Earnings Tax

\$2,503,124 was transferred from the Waste Water Fund to Non-Major Governmental Funds for Gross Earning Tax

\$1,172,500 was transferred from the Waste Water Fund to Non-Major Enterprise Fund for operations of PDS Development Service

\$6,239,133 was transferred from the Water Fund to General Fund for Gross Earnings Tax

\$2,066,764 was transferred from the Water Fund to Non-Major Governmental Funds for Gross Earnings Tax

\$29,151,362 was transferred from the Power Fund to General Fund for Gross Earnings Tax

\$7,189,413 was transferred from the Power Fund to Non-Major Governmental Funds for Gross Earning Tax

\$44,488 was transferred from the Internal Service Funds to Internal Service Fund for purchasing vehicle

\$620 was transferred from the Internal Service Funds to Non-Governmental Funds for operation

\$1,918,592 was transferred from the Non-Major Governmental Funds to General Fund to reimburse capital project

\$4,555,010 was transferred from the Non-Major Governmental funds to Trans Capital & Engineering Fund for capital projects

\$285,726 was transferred from the Non-Major Governmental funds to Solid Waste for Federal grants

\$391,187 was transferred from the Non-Major Governmental Funds to Waste Water Fund for Federal grants

\$202,658 was transferred from the Non-Major Governmental funds to Water Fund for Federal grants

\$1,085,608 was transferred from the Non-Major Governmental funds to Power Fund for Federal grants

\$3,463,238 was transferred from the Non-Major Governmental Funds to Internal Services Funds for purchasing vehicles

\$39,013,131 was transferred from the Non-Major Governmental funds to Non-Major Governmental Funds for various capital projects and debt service payments

Notes to the Financial Statements For the Year Ended December 31, 2021

\$4,805,906 was transferred from the Non-Major Governmental funds to Non-Major Enterprise funds for debt service payments

\$2,076,895 was transferred from the Non-Major Enterprise Funds to General Fund for Gross Earnings Tax

\$59,838 was transferred from the Non-Major Enterprise Funds to the Internal Service Funds for vehicle purchasing

\$3,580,814 was transferred from the Non-Major Enterprise Funds to Non-Major Governmental Funds for Gross Earnings Tax and debt service payments

Note 7 – OTHER INFORMATION

A. Accounting changes

There were no accounting changes effective for the fiscal year 2021.

B. Risk management

The City is self-insured for tort liability, medical, benefits, unemployment and worker's compensation and records its claims and liabilities in the accrual basis of accounting. Liabilities include an estimate for Incurred but Not Reported ("IBNR") claims. The estimate for reported claims is based on Risk Management and Legal Departments' projections and is adjusted annually. The IBNR for the self-insured employee benefits is based on an average of two-month claims from the reporting year. The IBNR for tort liabilities are calculated by a periodic actuarial study. The handling and paying of all tort liability claims for which the City is found legally liable is accounted for in either the Self-Insurance Claim Fund or the Tacoma Public Utility ("TPU") Self Insurance Claim Fund. Money are appropriated from various cost centers based on prior claims history and paid to these funds.

The Self-Insurance Program is maintained in conformity with all laws, rules and regulations pertaining thereto and in accordance with Revised Code of Washington in RCW 35.21.085(2). The General Government of the City carries a supplemental liability policy with a \$15 million limit and a \$5 million self-insurance retention excluding law enforcement for General Government, renewable on May 15 of each year. TPU carries separate supplemental liability policies with total limits of \$52.5 million, \$250,000 retention for wrongful acts claims and a \$24.5 million self-insured retention for all other covered claims, renewable on December 1 of each year. The Belt Line Railroad carries separate Railroad Liability policies with total limits of \$50 million each occurrence and a \$1 million self-insured retention renewable on December 1 of each year. Mountain Rail carries a separate Railroad Liability policy with a limit of \$7 million each occurrence and a \$50,000 self-insured retention renewable on December 2 of each year. These policies are provided to supplement the City's current self-insurance risk for settlements in excess of the self-insured retentions.

The City also has a policy to cover extraordinary worker's compensation claims with a statutory liability limit and a \$1.25 million retention for each occurrence. This policy renews January 1 of each year.

The City carries property coverage with a maximum single occurrence limit of \$500 million with sub-limits, and \$150,000 deductible per occurrence, with exceptions. This policy renews July 1 of each year. TPU carries separate property coverage with a maximum single occurrence limit of \$150 million with sub-limits, and a \$250,000 deductible per occurrence, with exceptions. This policy renews July 1 of each year.

The TPU Self-Insurance Claim Fund was established in 1979 to cover general liability claims of the Light and Water divisions. The Belt Line Railroad became a participant in 1985. Total assets in this fund are \$10.96M. Settlement payments were within amounts available for coverage for the last three years—2021, 2020, and 2019.

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

Changes in estimated claims settlements liability for the past two years were as follows:

	(Amounts expressed in thousands)								
	Self Insurance Fund			Worker Compensation Fund			TPU Self Insurance Fund		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Balance 01/01	\$ 33,131	\$ 35,663	\$ 28,714	\$ 4,158	\$ 3,870	\$ 5,049	\$ 3,099	\$ 4,034	5172
New Claims	84	106	449	1,295	1,566	1,869	1,140	2,679	536
Adjustments to Claims	7,137	2,677	8,657	2,431	2,734	473	(648)	(2,709)	(1,075)
Claims Payment	(4,827)	(5,315)	(2,157)	(4,397)	(4,012)	(3,521)	(521)	(905)	(599)
Balance 12/31	\$ 35,525	\$ 33,131	\$ 35,663	\$ 3,487	\$ 4,158	\$ 3,870	\$ 3,070	\$ 3,099	\$ 4,034

C. Prior-Period Adjustments

Prior year adjustments are used for the correction of an error or the implementation of a new authoritative standard.

Subsequent to the issuance of the December 31, 2021 financial statements, prior period adjustments were made.

Governmental Funds:	Description
Geneal Fund # 0010	Beginning net position increased by \$560,475 from reclassing capital to expenditures, and correcting grant revenus and expenditures

Special Funds # 1065# 1090, # 1155, #1195, and #1267	Beginning net position decreased by \$371,813 from reclassing capital asset to expenditures, AR write-off, and correcting grant revenus and expenditures
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Capital Project Fund # 3211	Beginning net position decreased by \$398,215 from reclassing capital asset to expenditures, and correcting grant revenus and expenditures
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Enterprise Funds:	Description
Permit Service Fund # 4110	Beginning net position decreased by \$7,194 from grant revenue posted incorrectly

Parking Fund # 4140	Beginning net position increased by \$48,965 from misclassified revenue and correction of tax expenses.
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Convention Center Fund # 4165	Beginning net position decreased by \$90,003 from prior year amortized bond premium expense
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Equipment Rental Fund # 5400	Beginning net position increased by \$513,147 from duplicated expenses in previous year
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The prior period adjustments on the fund statements detailed above impacted the Government-Wide statements as follows:

**Notes to the Financial Statements
For the Year Ended December 31, 2021**

Government-wide Statements
(amounts expressed in thousands)

Activity	Amount	Description
Governmental	690,975	General Fund, Public Works Street, Fire, Fire EMS, Community & Economic Development, Police SR, Capital Project, Equipment Rental, and Unemployment Compensation
Business	(48,232)	Permit Service, Parking, and Conventin Center
Total	<u>\$ 642,743</u>	

D. Segment Information

The following are the three segment enterprise funds maintained by the City. Segment information was as follows:

(Amounts expressed in thousands)

CONDENSED STATEMENT OF NET POSITION

	Parking Fund #4140	Convention Center Fund #4165	Union Station Fund #4450
Assets:			
Current assets	\$ 959	\$ 2,769	\$ -
Accounts receivable (net)	275	184	3,275
Prepayments	35	78	-
Restricted assets	-	2,728	2,003
Capital assets (net)	45,608	51,350	-
Other non-current assets	-	31	-
Total assets	<u>46,877</u>	<u>57,140</u>	<u>5,278</u>
Deferred outflow of resources	360	2,738	-
Liabilities:			
Current liabilities	2,266	4,601	1,988
Net pension liabilities	266	355	-
Non-current liabilities	3,424	48,473	2,368
Total liabilities	<u>5,956</u>	<u>53,429</u>	<u>4,356</u>
Deferred inflow of resources	89	93	-
Net position			
Net investment in capital assets	40,501	1,597	-
Restricted	-	2,728	1,951
Unrestricted	691	2,031	(1,029)
Total Net Position	<u>\$ 41,192</u>	<u>\$ 6,356</u>	<u>\$ 922</u>

Notes to the Financial Statements
For the Year Ended December 31, 2021

**CONDENSED STATEMENT OF REVENUES
 EXPENSES, AND CHANGES IN NET POSITION**

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450
Operating revenues	\$ 3,217	\$ 785	\$ -
Depreciation expense	(1,379)	(1,739)	-
Other operating expenses	(3,590)	(4,897)	(4)
Operating income	(1,752)	(5,851)	(4)
Nonoperating revenues (expenses)			
Interest revenue	18	61	-
Interest expense	(185)	(1,929)	(344)
Other nonoperating revenues(expenses)	(43)	3,988	343
Capital contributions	-	-	-
Transfers	2,085	4,806	-
Change in net position	123	1,075	(5)
Beginning net position	41,020	5,371	927
Prior period adjustments	49	(90)	-
Ending net position	\$ 41,192	\$ 6,356	\$ 922

CONDENSED STATEMENT OF CASH FLOW

	Parking Garage Fund #4140	Convention Center Fund #4165	Union Station Fund #4450
Net cash provided (used) by:			
Operating activities	\$ (32)	\$ (4,348)	\$ 435
Noncapital financing activities	3,300	4,017	-
Captial and related financing activities	(5,137)	(545)	(772)
Investing activities	(25)	(22)	-
Net increase (decrease)	(1,894)	(898)	(337)
Beginning cash and cash equivalents	2,853	6,395	2,340
Ending cash and cash equivalents	\$ 959	\$ 5,497	\$ 2,003

- Parking Garage fund (#4140) accounts for the City's parking facilities.
- Convention Center fund (#4165) accounts for activities associated with operating the Convention Center.
- Union Station fund (#4450) accounts for the thirty-year lease with the Federal Government who uses Union Station as a Federal Courthouse.

Notes to the Financial Statements For the Year Ended December 31, 2021

E. Tax expense – Utility Funds

The taxes expense shown in the statements for Enterprise Funds consists primarily of an 8.0% tax upon gross earnings for Tacoma Water, Tacoma Rail, Surface Water, Waste Water, and Solid Waste and a 7.5% tax upon gross earnings for Tacoma Power which is paid to the General Fund. Non-governmental utilities also pay gross earnings tax at the following rates: Natural Gas, 7.5%; Cable TV, 8.0%; Electricity, 7.5%; Solid Waste Collection, 8% and Telephone, 7.5%.

F. Results of operations of joint ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an on-going financial interest or (b) on-going financial responsibility.

The City participates in a joint venture with the Tacoma-Pierce County Health Department (Health Department). The City of Tacoma however, does not report an equity interest in the Government-wide financial statements.

Summary financial information on the joint ventures is listed below for the year of the last audited financials. These figures reflect the information as prepared and submitted to the City by the various entities.

Joint Venture (amounts expressed in thousands)		
	HEALTH DEPARTMENT	
Balance Sheet Date		12/31/2020
Total Assets	\$	20,999
Captial Assets (net of accumulated depreciation)		1,845
Deferred Outflows		4,389
Total Liabilities		5,661
Non-current Liabilities		413
Deferred Inflows		5,565
Total Net Position		15,595
 Total Revenues		55,051
Total Expenditures/Expenses		48,684
Net Increase/(Decrease) in Net Assets		6,367
 City Contribution		-

Additional information about the entity can be obtained from separately published financial statements by contacting the Tacoma/Pierce County Health Department, Christopher Schuler, Business Support Services, 3629 South D Street, Tacoma, WA 98418-6813.

Note 8 – CLAIMS, JUDGEMENTS AND COMMITMENTS

A. Claims

From time to time, claims have been filed against the City involving tort actions for such things as defective sidewalks, automobile accidents, claims of false arrest, etc.; all of which are in a sense routine in nature and common to all local governments. In those instances, when material, where it has been determined that it is probable that a claim will be paid by the City, the expenditure/expense and the related liability are reported in the

Notes to the Financial Statements **For the Year Ended December 31, 2021**

statements of the appropriate fund in the year when such a determination is made. See Note 7B for risk management information.

The City has entered into interlocal agreements with the Tacoma-Pierce County Health Department. If, in fact, this entity was to suffer a catastrophic disaster, claim or lawsuit that exceeded the levels of insurance maintained by the Health Department, their self-insurance funds or otherwise resources were to be depleted; the City and other participating jurisdictions may be required to stand behind and make good the excess liability.

Under state law, the City is required to pay for unemployment and industrial insurance and medical aid. The City has chosen to self-insure rather than remit its payments to the state pool. See Note 7B for risk management information.

B. Construction Commitments

The City has various construction projects as of December 31, 2021. The projects include street and capital project constructions for improvements of existing streets and bridges or new bridges. At year-end the City's major commitments with the contractors are as follows: (amounts expressed in thousands)

Project	Authorized	Spent-to-date	Remaining Commitment
2021 Striping Contract	598,251		598,251
56th St and Cirque Drive Corridor Improvements Phase 2	6,639,949	3,642,442	2,997,507
Asphalt Plant Auger Replacement	195,517	136,044	59,473
Convention Center Guard House		253,769	(253,769)
E. 34th Street Bridge Repair	182,820	161,804	21,016
E. 64th Street, Phase 1, Pacific to McKinley	7,929,245	7,905,422	23,823
East Locomotive Servicing Facility	3,873,766		3,873,766
East Portland Avenue Improvements	2,674,558	2,416,463	258,095
Fawcett Avenue/S. 21st Street	4,653,511		4,653,511
McKinley Ave Crosswalk Improvements - E 36th and E 37th	380,000	358,474	21,526
Murray Morgan Bridge Elevator Window Repair	72,528	72,528	-
On-Call Nuisance Abatement Services, 2019-2020	278,345	320,926	(42,580)
On-Call Securing Properties, 2019-2020	456,225	410,399	45,826
Pipeline Trail Phase 3	2,012,188	1,961,011	51,177
Rail Crossing Improvements 6th Ave & S 19th St	298,824		298,824
Revitalizing Tacoma's Brewery District	6,605,605	222,862	6,382,743
Rialto Theater Fence Security Enhancements		3,040	(3,040)
S 19th St Signal & Crosswalk Improvements at Yakima Ave ↗	520,000	510,773	9,227
Sidewalk Beveling Pilot Project - Joint Contract with City of Seattle		24,754	(24,754)
South 19 and Clay Huntington	592,930	528,660	64,270
South 21st and Fawcett Improvement Project	6,889,462	1,770,391	5,119,070
Streets Initiative Package #13	2,789,820	3,073,179	(283,360)
Streets Initiative Package #14	4,824,847	2,023,956	2,800,891
Streets Initiative Package #22	358,184	2,349,104	(1,990,920)
Streets Initiative Package #33	467,467	360,450	107,017
Taylor Way Rehabilitation	23,644,969	21,177,628	2,467,341
TEMS 4 - S 69th & Proctor - Civil		228,254	(228,254)
TEMS 4 - S 69th & Proctor - Electrical	158,160	161,049	(2,889)
Yakima Avenue Bridge Deck Repair	1,857,822	1,512,839	344,984
	<hr/>	<hr/>	<hr/>
	\$ 78,954,993	\$ 51,586,222	\$ 27,368,770

Notes to the Financial Statements For the Year Ended December 31, 2021

These commitments are being funded by a variety of funding sources such as Federal, State and Local Grants, Gas Tax Revenue, City contributions and long-term debt.

C. Solid waste utility—landfill closure and post closure liabilities

The Division operates a 235-acre landfill site, which became part of the South Tacoma Channel Superfund Site in 1983. In 1991, the City entered a Consent Decree settlement with the United States Environmental Protection Agency (EPA) and the Washington State Department of Ecology (DOE), titled United States et al v. City of Tacoma US District Court Case No. C-89C583T, to “clean-up” the release of hazardous substances at the Landfill. The City completed the majority of the remediation work required by the Consent Decree several years ago. The remaining work mostly involves monitoring the remediation work completed by the City in the 1990s to assure that it continues to protect human health and the environment. The Consent Decree settlement was entered pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. §9601 et seq., and the state Model Toxics Control Act (MTCA), Chapter 70.105D RCW.

The City’s remediation work has included: (1) covering the landfill with a double flexible membrane cap that is impermeable to water; (2) capturing methane gas within and at the landfill perimeter to prevent off-site migration; (3) pumping and treating ground water to remove contamination at the point of compliance and beyond property boundaries; and (4) closing the landfill in accordance with the above-referenced Consent Decree. The City has an obligation under the Consent Decree to monitor the remediation work over the next 20 years, or more years to make sure it continues to be effective at protecting human health and the environment.

The costs for ongoing maintenance of the Tacoma Landfill are not expected to require rate increases above those already projected. The City will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. The City’s on-going monitoring efforts indicate the remedial actions undertaken by the City at the Tacoma Landfill are performing as designed.

In 2014, following closure of the portions of the Tacoma Landfill as required by the Consent Decree, the remaining recovery and transfer facilities continued to be permitted by the Tacoma Pierce County Health Department (TPCHD) through the same permitting process. All closed portions of the Landfill will also be covered by a TPCHD closure permit, which may be incorporated into the overall facility permit. The closure permit will mirror the requirements implemented as a result of the Landfill remedial action. The Tacoma-Pierce County Health Department has determined that the Tacoma Landfill is exempt under RCW 70.105D and WAC 173-351-700(4)(c) from TPCHD closure permit requirements. In February of 2019, the City and the TPCHD executed an agreement where in the City agreed to comply with TPCHD closure permit requirements and a new Solid Waste permit was issued by TPCHD expiring in March of 2020. The new Solid Waste Permit was renewed in 2021 and now expires March 24, 2022.

Long-term plans for the closed capped areas of the Tacoma Landfill include recreational facilities, such as trails and playfields, as well as other governmental facilities, such as greenhouses for grounds maintenance operations. All development on the Tacoma Landfill site must be designed to accommodate differential settlement and allow for continued functioning of the environmental remediation systems.

The Division reported \$13,513,313 as landfill post-closure care liability as of December 31, 2021 based on 100% use of the total capacity of the Tacoma Landfill. This compares to \$14,435,352 at December 31, 2020 based on 100% of capacity. Actual care costs may be higher or lower due to inflation, changes in technology, or changes in regulations. The Division will be responsible for the costs of additional work if migration of pollutants from the site is not completely controlled by current remedial actions. To meet the previous requirements of State and Federal laws and regulations, contributions were made to a reserve for financing closure costs.

Because of the nature of its activities, the Division is subject to various pending and threatened legal actions, which arise in the ordinary course of business. The Division believes, based on the information presently known, the ultimate liability for any legal actions, individually or in the aggregate, taking into account established accruals

Notes to the Financial Statements For the Year Ended December 31, 2021

for estimated liabilities, will not be material to the financial position of the Division, but could be material to results of operations or cash flows for a particular annual period. No assurance can be given, however, as to the ultimate outcome with respect to any particular claim.

Note 9 – CONTINGENT LIABILITIES

Solid Waste (#4200) Long-term Contract – Land Recovery, Inc. - In February 2000, the Division entered into a 20-year contract with Land Recovery, Inc. (LRI) to dispose of all “acceptable waste” collected or handled by the Division (as that term is defined in the agreement), at the 304th Street landfill operated by LRI. The Division entered into this agreement to extend the life of the Tacoma Landfill and to secure a long-term disposal arrangement at a favorable disposal cost. The agreement excludes solid waste that LRI is not authorized by law or permit to receive, or which could create or expose LRI or the Division to potential liability, among other things. Recycling and/or composting waste is not covered by the agreement. The agreement further provides that LRI shall charge a base rate per ton for disposal services, and that said rate shall decrease as the tonnage increases during each contract year. The agreement also provides that the base rate charged by LRI shall increase annually based on the Seattle-Tacoma CPI. The rate per ton is periodically increased by LRI to cover certain increased costs, including the increased cost of landfill closure liabilities. These rate adjustments are part of the existing agreement.

Solid Waste (#4200) Long-term Contract – Pierce County Recycling, Composting and Disposal - In October 2004 the Division entered into a ten (10) year agreement with Pierce County Recycling Composting and Disposal (PCRCRCD) LLC to accept organic material collected by the City curbside or delivered to the City's landfill for processing into compost. Under the agreement, which has two 5-year renewal options, PCRCRCD will charge a base rate per ton for the organic waste it receives from the City. This price may be adjusted beginning on the second anniversary of the agreement, and thereafter annually based on the Seattle-Tacoma-Bremerton CPI. The agreement also includes a revenue sharing component. The Division entered into this agreement to extend the life of the Tacoma landfill and secure a long-term composting arrangement at a favorable cost through 2030.

Wastewater and Surface Water (#4300-01) Olympic View Resource Area - In 2001, the City entered into an Administrative Order on Consent for Removal Action at the Olympic View Resource Area (OVRA) with the Environmental Protection Agency (EPA). Contamination identified during construction of the NRDA site in this location led to the need for sediment cleanup work to be performed as a separate action. The cleanup action was completed in 2002, followed by long-term monitoring to ensure the protectiveness of the cap. In 2014, results of this monitoring indicated the potential of some loss of the capping material present at the site. This material loss was confirmed by subsequent surveys and a cap material replenishment project was designed and subsequently implemented in 2020 under EPA oversight. Because contaminated material was left in place under a cap at the site, long-term monitoring is expected to continue on a periodic basis in perpetuity. The results of this monitoring may result in additional limited maintenance efforts in the future. Included in the financial statements for the years 2021 and 2020 are liabilities of \$420,000 and \$475,000 respectively.

Wastewater and Surface Water (#4300-01) Foss Consent Decree – Under the current long-term Monitoring Plan developed in accordance with the Foss Consent Decree, the City has an obligation for continued monitoring through 2028. It is expected that another long-term Monitoring Plan will be developed following completion of monitoring under the current plan. Because contaminated material is left in place under caps in the waterway, some level of periodic monitoring will continue in perpetuity. Erosion in two areas was identified and requires maintenance to protect the integrity of the remedy. The basis of design evaluation began in 2021, design is continuing in 2022, and construction of the maintenance project is planned for 2023/2024. Ongoing monitoring may result in additional limited maintenance efforts in the future. Included in the financial statements for the years 2021 and 2020 are liabilities of \$2,116,000 and \$817,000, respectively.

The City indemnified certain parties when it purchased real property along the Thea Foss Waterway in the late 1980's and early 1990's. The City expects that any financial obligation it may have related to these indemnities

Notes to the Financial Statements For the Year Ended December 31, 2021

will be de minimus given the historical uses of the indemnified properties and the limited potential for releases from these properties to damage natural resources.

Wastewater and Surface Water (#4300-01) Coal-Gas Site Agreed Order - In 1993 the City became a party to an agreed order with the State Department of Ecology under MTCA (RCW 70.105D.050(1)) for the clean-up of the coal-gas properties located at the head of the Foss Waterway just south of the cable stay bridge below the SR 705 spur. The City is one of several potentially liable parties (PLPs) that are signatories to this agreed order. The agreed order, and subsequent amendments, provided for interim measures to control the coal-tar from migrating from this site into the Foss Waterway but did not provide for final cleanup or closure of the site. In mid-2016, Ecology contacted the City and other potentially liable parties to initiate the negotiations of a new Agreed Order which would address final closure of the Coal Gas Site by completion of a Remedial Investigation/Feasibility Study (RI/FS) and development of a draft Cleanup Plan (dCAP) for the site. Other parties are performing the work under the Agreed Order, and the City's role and cost obligation should be limited. This new Agreed Order was fully executed on September 13, 2018 and work has commenced.

Tacoma Rail (#4500) Estate of Wesley Evans v. the City of Tacoma, TPU and Tacoma Rail – On September 19, 2017 Wesley Evans was killed when the vehicle he was driving collided with a Tacoma Rail train at a railroad crossing located on Milwaukee Way near the intersection of Lincoln Avenue within the city limits of the City of Tacoma. On September 9, 2020, a Complaint for Wrongful Death and Survival was filed in Pierce County Superior Court on behalf of the estate and beneficiaries of Wesley Evans. The City of Tacoma, Tacoma Public Utilities and Tacoma Rail are represented by outside counsel Debra Dickerson, of the law firm of Preg, O'Donnell & Gillett (appointed by our insurance carrier). Trial is scheduled for September 8, 2021.

Tacoma Water (#4600) Capital Improvements – The financial requirement for Tacoma Water's 2021-2022 biennial Capital Improvement program is approximately \$79.3 million and Tacoma Water has substantial contractual commitments relating to the program. At December 31, 2021 the remaining financial requirement for Capital Improvement Programs relating to all prior biennia is approximately \$55.2 million.

Tacoma Water (#4600) Muckleshoot Indian Tribe Settlement – A mutually beneficial settlement agreement was reached with the Muckleshoot Indian Tribe in 1995. The settlement package has a cost of approximately \$30 million and includes five basic elements: 1) building a fish restoration facility and annual operation and maintenance of that facility, or in the alternative, providing \$12 million (indexed at 1995 dollars) into a fish restoration fund; 2) providing for enhanced flows in the Green River; 3) transferring certain lands; 4) establishing a trust fund payable over 40 years which is intended to provide for the general welfare, educational and other needs of the Tribe; and 5) limited access into the Green River Watershed. The settlement resolved past damage claims by the Tribe for Tacoma Water's historical operations on the river, gain the Tribe's support for the Second Supply Project and provide the basis for a long-term, cooperative working relationship on the Green River. Tacoma Water has been implementing this agreement.

Tacoma Water (#4600) General Legal Matters - The Water Division has received several other miscellaneous claims or litigation that either do not allege material amounts or that the Legal Department has determined do not pose a risk of liability to the Utility.

Tacoma Power (#4700) Capital Improvements – The financial requirement for Tacoma Power's 2021/2022 biennial Capital Improvement Program is approximately \$149.9 million. As of December 31, 2021, the remaining financial requirement for the 2021/2022 biennial Capital budget was approximately \$93.1 million.

Tacoma Power (#4700) Kosmos Mill Oil Seep - On November 21, 2019, emergency action was initiated and subsequently completed to install a containment cap on oil seepage near Riffe Lake on the Cowlitz River. A sawmill was historically located at this site near the town of Kosmos before the area was inundated by Riffe Lake. The Division is working with the Department of Ecology towards a remedial investigation of the site and has recognized a liability in the amount of \$325,000 as the known cost for the site investigation progress in 2022.

Notes to the Financial Statements For the Year Ended December 31, 2021

Tacoma Power (#4700) General Legal Matters - Tacoma Power has received several other miscellaneous claims that either do not allege significant amounts or that the Legal Department has determined do not pose a risk to liability to the Utility.

Western Metal Industry Pension Fund - The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (WMIPF). WMIPF is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other WMIPF fiduciaries have discretionary authority to interpret the WMIPF and determine entitlement to WMIPF benefits.

The WMIPF fell into critical status following the 2009 Plan Year and was certified as “critical” in 2010. In an effort to improve the WMIPF funding situation, the Trustees adopted a Rehabilitation Plan on May 28, 2010, and subsequently updated it on July 24, 2012, and December 9, 2016.

The Rehabilitation Plan consists of reductions in adjustable benefits including early retirement benefits and retirement payment options, and contribution increases of 16% per year for up to 11 years over the current contribution level. These contribution increases do not translate into additional benefit accruals but instead are directed solely toward improving the WMIPF funded status. The Trustees have adopted the “free look” rule set forth in subsection 4210(a) of ERISA related to withdrawal liabilities.

Annual reports also are available from the US Department of Labor, Employee Benefits Security Administration's Public Disclosure Room at 200 Constitution Avenue, NW, Room N-1513, Washington, DC 20210, or by calling 202.693.8673. Or, a copy of the Plan's annual report may be obtained by making a written request to the WMIPF administrator.

The employer is required to make contributions to the WMIPF absent terms of a Collective Bargaining Agreement.

On December 11, 2018, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma Rail Mechanics and Track Workers. Contained in these agreements were a call for cessation of the participation in the WMIPF. The contributions submitted for the December 31, 2018 payroll were the final contributions made on behalf of the employees in those two units.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma Rail Yard Clerks. Contained in this agreement was a call for cessation of the participation in the WMIPF. The contributions submitted for the December 31, 2019 payroll were the final contributions made on behalf of the employees in this unit. As December 31, 2020, there were no employees participating in the WMIPF. Rail had 26 employees who participated in the WMIPF, those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2021 and 2020. There were no contributions in 2021 and 2020.

There is currently no schedule to amortize the unfunded liability for the employees who are remaining within the WMIPF and the system is currently functioning on a pay-as-you-go basis. The City's obligation is to pay, in full, the payroll withholdings to the system.

On November 5, 2021, the City received a Withdrawal Liability Demand Letter from the Plan. The actuaries for the WMIPF determined that the withdrawal liability attributed to City of Tacoma is \$44,325,881 in total, but the liability was recorded for 20-year limitation liability of \$17,863,052 in accordance with Section 4219 (c) of the Employee Retirement Income Security Act (ERISA), 20 U.S.C. 1399(c). Each operating division recorded the respective liability based on its proportionate share of the 20-year limitation liability as at December 31, 2021. The initial \$337,619 payment was due on or before January 1, 2022 which was comprised of \$169,829 attributable to the partial withdrawal and \$167,790 attributable to the complete withdrawal. Subsequent payments will be due

Notes to the Financial Statements For the Year Ended December 31, 2021

quarterly. The partial withdrawal quarterly payment will continue until 80 quarterly payments are made for a total of \$13,586,320 while the last quarterly installment for the complete withdrawal will be due on April 1, 2028, for a total of \$4,276,732, the last payment amount will be \$81,982.

As of December 31, 2021, the Division reported a liability of \$2,979,324 for its proportionate share of the collective total withdrawal liability of \$17,525,433 compared to \$2,354,440 at December 31, 2020. The current portion of the withdrawal liability is \$229,581 as of December 31, 2021 and there was no current liability as of December 31, 2020. At December 31, 2021 and 2020, the Division's proportion was 17.0% and 16.8%, respectively. For the year ended December 31, 2021, the Division recognized a withdrawal expense of \$682,279.

On January 26, 2022, the City submitted an appeal over the liability calculation subject to the Employee Retirement Income Security Act of 1974 (ERISA). The outcome of the appeal is uncertain at the time of the report issuance and may affect the liability amount.

Grants

Under the terms of federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will be immaterial.

Note 10 – TAX ABATEMENTS

As of December 31, 2021, the City provides tax abatements for the following programs:

1. Multifamily Housing Property Tax Exemption

The Multifamily Housing Property Tax Exemption Program encourages development of market rate and affordable housing in mixed use areas. This program was established under the Tacoma Municipal Code, Section 6A.110.020.

Criteria: The applicant must be the owner of the property, and the property must be located within the boundaries of a mixed-use center. The Tax Review Committee, made up of City staff from the Community & Economic Development Dept. and the Legal Dept., and a representative from the Pierce County Assessor's Office, approve the request. Once approved, the construction must be completed within 3 years. If the owner sells the property after the tax exemption has been granted, the exemption stays with the property and is transferred to the new owner. The contract includes the agreed upon specifications of the housing improvements. The exemption will begin after the improvements are completed. The City will issue a Final Certificate of Tax Exemption with the Pierce County Assessor's Office and the property owner's assessed value will be adjusted to reflect this exemption. The property tax abatement is determined by a percentage of assessed value. In Pierce County, the tax rate in 2021 is 0.012536078 of assessed value. The City of Tacoma receives 20.564% of that tax.

2. Special Valuation Property Tax Exemption

This Special Valuation Property Tax Exemption Program encourages the owners of historic properties to invest in the improvement and rehabilitation of historic buildings. This program was established under the Washington State RCW Chapter 84.26, Historic Property.

Criteria: Property owners may obtain a reduced tax assessment by submitting an application at the conclusion of project construction. The applicant must be the owner of the property, and the property must be listed on the Tacoma Register of Historic Places or be a historically contributing property within a local historic overlay zone. In addition, the project must meet the Secretary of Interior's Standards for Rehabilitation of

Notes to the Financial Statements For the Year Ended December 31, 2021

Historic Buildings and must not adversely affect the building's historically significant, character defining elements. Exterior modifications must be approved by the Tacoma Landmarks Preservation Commission. The project investment expenditures must be a minimum of 25% of the assessed value of current improvements on the property over a 24 month consecutive period. The reduced assessment begins the tax year following the approval. This program is jointly processed and administered by the City's Historic Preservation Program and the Pierce County Assessor. The property owner's assessed value will be adjusted to reflect this exemption. The property tax abatement is determined by a percentage of assessed value. In Pierce County, the tax rate in 2021 is 0.012536078 of assessed value. The City of Tacoma receives 20.564% of that tax.

The City is required to disclose other abatement arrangements entered into by other governments that reduce the City's tax revenues. The State of Washington's tax abatements that affected the City of Tacoma tax revenue are included below:

3. Aerospace Industries Tax Exemption

Aerospace industries are allowed a tax exemption for computer hardware, software and peripherals. This program was established under the Washington State RCW Chapters 82.08.975 and 82.12.975 Exemptions – Computer parts and software related to the manufacture of commercial airplanes. The City of Tacoma's data is confidential and cannot be disclosed.

4. Manufacturing Facilities Tax Exemption

Manufacturing facilities in counties with high unemployment rates are allowed to defer sales and use tax. This program was established under the Washington State RCW Chapter 82.60, Tax Deferrals for Investment Projects in Rural Counties. The City of Tacoma's data is confidential and cannot be disclosed.

5. Multi-Unit Urban Housing Tax Exemption

The Multi-Unit Urban Housing Exemption encourages increased residential opportunities, including affordable housing opportunities, in cities that are required to plan or choose to plan under the growth management act within urban centers where the governing authority of the affected city has found there is insufficient housing opportunities, including affordable housing opportunities. It also encourages the construction of new multifamily housing and the rehabilitation of existing vacant and underutilized buildings for multifamily housing in urban centers having insufficient housing opportunities that will increase and improve residential opportunities, including affordable housing opportunities within these urban centers. This program was established under the Washington State RCW 84.14, New and Rehabilitated Multiple-Unit Dwellings in Urban Centers.

Information relevant to the disclosure of those programs under contract with the City of Tacoma for the fiscal year ended December 31, 2021 is:

Tax Abatement Program	Amount of Taxes Abated (in thousands)	
Multifamily Property Tax Exemption	\$	1,289
Special Value Tax Exemption	\$	136
Future Nonprofit Low-Income Housing	\$	1,252

Note 11 - COVID-19 PANDEMIC

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not

Notes to the Financial Statements For the Year Ended December 31, 2021

limited to, the following: reduction of 2020 revenue projections, eliminated discretionary spending, cancelled planned projects, established purchasing and contract freezes, established a hiring freeze, put certain staff on temporary furloughs and did targeted lay-offs. During the 2021-2022 budget development process the City took quick action to reduce the expenses through program eliminations, reduced hiring, and temporary furloughs to address the projected revenue losses. In 2021, the City's tax revenues performed better than projections and the City was able to return funding for a limited number of one-time programs and investments. The City will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

Note 12 – SUBSEQUENT EVENTS

In Mid-May of 2022, the City expects to receive approximately \$30.4 million, the second tranche of funds from the total of \$60.9 million from the American Rescue Plan Act ("ARPA"). ARPA provides \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. Based on allocation projections, the City expects to receive approximately \$60.9 million in ARPA assistance, of which approximately \$30.5 million was received in May of 2021. Funds received under the ARPA may be used for authorized purposes relating to mitigating the fiscal effects of the COVID-19 pandemic, including responding to the public health emergency, providing governmental services, and making certain infrastructure investments, among other purposes. The City will monitor and apply for additional Federal and State support for expenses related to responding to the COVID-19 pandemic if and as such relief becomes available.

Note 13 – DISSOLUTION OF FOSS WATERWAY DEVELOPMENT AUTHORITY

In 1996 the Tacoma City Council established the Foss Waterway Development Authority (Authority) to assist in redeveloping certain real property in and along the Foss Waterway, by acquiring, managing and disposing of real property, securing financing, undertaking or providing for redevelopment and entering into agreements with developers proposing to develop projects along the Waterway. In 1997, the City and the Authority executed a series of Operating Agreements to guide the Authority's work. The final extension of the Operating Agreements expired on December 31, 2020, having successfully completed the majority of development work. In 2021, the Authority was dissolved in accordance with the agreement and commenced a transition process, concluding in the orderly dissolution of the Authority consistent with requirements of TMC 1.60.430. All assets, obligations, property and liabilities were assumed/transferred to the City.

The acquired balances of the Authority's assets, liabilities, and net position as of the beginning of the period were determined on the basis of the carrying values reported in their financial statements as of December 31, 2020. The City acquired \$85,706 in current assets, \$25,805,510 in capital assets, and \$760,555 in current liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR DECEMBER 31, 2021

NOTE 14
CHANGES IN LONG TERM DEBT
(all dollar values in thousands)

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-21	ISSUED 2021	REDEEMED 2021	AMOUNT O/S 12/31/2021
GENERAL OBLIGATION BONDS, LOANS, & NOTES									
Unlimited General Obligation Bonds									
Genl Obl Bonds 2010	Refunding 2002 Bonds	11/10/10	2011 - 2022	21,870	2.6323	5,150		5,150	0
Genl Obl Bonds 2021	Refunding 2010A Bonds	04/13/21	2021 - 2022	3,675		0	3,675	1,190	2,485
Subtotal Unlimited (Voted)						5,150	3,675	6,340	2,485
Limited General Obligation Bonds									
Ltd. Genl Obl Bonds 2009A Cheney	Capital Improvements	12/17/09	2011 - 2035	15,380	5.8600	13,260		410	12,850
Ltd. Genl Obl Bonds 2009B Dock & Salishan	Capital Improvements	12/17/09	2035	3,320	3.5400	3,320		3,320	0
Ltd. Genl Obl Bonds 2009C Cheney	Capital Improvements	12/17/09	2034	4,975	4.8800	4,975		4,975	0
Ltd. Genl Obl Bonds 2009E Multiple Projects	Capital Improvements	12/17/09	2026 - 2035	13,526	5.7500	13,526			13,526
Ltd. Genl Obl Bonds 2009E Acreted Interest		12/18/09	2026 - 2036	13,526	5.7500	11,503	1,447		12,950
Ltd. Genl Obl Bonds 2009F Cheney & Env Remed	Capital Improvements	12/17/09	2023 - 2026	6,681	7.2020	6,681			6,681
Ltd. Genl Obl Bonds 2009F Acreted Interest		12/18/09	2023 - 2027	6,681	7.2020	7,758	1,053		8,811
Ltd. Genl Obl Bonds 2010B Refunding Bonds	Refund 1997B, 2001, 2004, 2006A	11/10/10	2015 - 2022	7,355	2.7966	1,445		1,445	0
Ltd. Genl Obl Bonds 2010C Refunding Bonds	Refund 2001, 2007, 2009	11/10/10	2015 - 2022	7,355	3.8076	2,040		1,000	1,040
Ltd. Genl Obl Bonds 2010D Bonds	Capital Improvements	11/10/10	2015 - 2033	30,225	5.0399	22,415		1,410	21,005
Ltd. Genl Obl Bonds 2010E Bonds	Capital Improvements	11/10/10	2015 - 2040	9,130	5.7155	7,570		4,640	2,930
Ltd. Genl Obl Bonds 2013 Refunding Bonds	Refund 2001 & 2004	03/05/13	2015 - 2034	44,170	3.1768	34,775		1,825	32,950
Ltd. Genl Obl Bonds 2015A Refunding Bonds	Ref 2006A, 2006B, & 2007	12/29/15	2016 - 2036	12,735	3.2066	11,010		475	10,535
Ltd. Genl Obl Bonds 2015B Refunding Bonds	Ref 2006A, 2006B, & 2007	12/29/15	2016 - 2027	20,215	2.8933	11,450		3,930	7,520
Ltd. Genl Obl Bonds 2017 - Tacoma Dome	Capital Improvements	12/12/17	2019 - 2037	25,295	3.2114	22,320		1,040	21,280
Ltd. Genl Obl Bonds 2021A Refunding Bonds	Refund 2009B/2010B	04/13/21	2021 - 2035	4,555		0	4,555	725	3,830
Ltd. Genl Obl Bonds 2021B Refunding Bonds	Refund 2009C	04/13/21	2034	4,475		0	4,475		4,475
Ltd. Genl Obl Bonds 2021C Refunding Bonds	Refund 2010E	04/13/21	2021 - 2040	4,555		0	4,555	110	4,445
Subtotal Limited (Councilmanic)						174,048	16,085	25,305	164,828
Washington State Public Works Trust Fund Loan									
CTED PWTF No. 04-691-068	Capital Improvements	06/02/04	2004 - 2024	4,500	0.5000	2,282		571	1,711
Subtotal Washington State Loan (Councilmanic)						2,282	0	571	1,711
Total General Obligation Bonds, Loans, & Notes						\$ 181,480	\$ 19,760	\$ 32,216	\$ 169,024
ENTERPRISE REVENUE BONDS, LOANS, & NOTES									
Greater Tacoma Convention Center									
Tac CC & Parking Rev/Ref Bonds, Series 2010	Refunding 2004 Bonds	11/10/10	2015 - 2024	5,015	3.7656	2,300		535	1,765
Tac CC & Parking Rev/Ref Bonds, Series 2015	Refunding 2004 Bonds	08/14/15	2015 - 2024	20,453	2.3304	8,648		2,096	6,552
Subtotal Convention Center						10,948	0	2,631	8,317
Wastewater Utility									
State Revolving Fund (SRF) Loan #40006A	Treatment Plant Upgrade	09/19/03	2008 - 2028	53,491	1.5000	22,583		2,866	19,717
State Revolving Fund (SRF) Loan #40006B	Treatment Plant Upgrade	09/20/03	2009 - 2028	21,687	2.6000	9,766		1,195	8,571
Sewer Rev & Ref Bonds 2015	Refunding	03/18/15	2016 - 2045	109,300	3.5358	100,835		2,015	98,820
Sewer Rev & Ref Bonds 2016A	Refunding	06/15/16	2016 - 2038	31,855	2.8277	27,205		1,145	26,060
Sewer Rev & Ref Bonds 2016B	Refunding	06/15/16	2017 - 2020	11,865	1.3269	2,605		2,605	0
Sewer Revenue Bonds 2018 Waste I	Improvements	11/28/19	2019 - 2048	43,460	3.9387	41,760		905	40,855

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-21	ISSUED 2021	REDEEMED 2021	AMOUNT O/S 12/31/2021
Sewer Revenue Bonds 2018 Waste II	Improvements	11/28/19	2019 - 2031	6,115	3.0387	6,100		10	6,090
State Revolving Fund (SRF) Loan #0166	Treatment Plant Upgrade	11/08/21	2021 - 2041	2,627		0	2,627	72	2,555
WIFIA Loan	Treatment Plant Upgrade	12/01/21	2026 - 2054	15,049		0	15,049		15,049
Subtotal Sewer						210,854	17,676	10,813	217,717
Surface Water Utility									
DOE SFR Loan L-1000007	Sewer Plant Upgrade	02/07/06	2011 - 2030	474	2.9000	276		24	252
Sewer Revenue Bonds 2018 Surface I	Improvements	11/28/19	2019 - 2048	26,930	3.9387	25,875		560	25,315
Sewer Revenue Bonds 2018 Surface II	Improvements	11/28/19	2019 - 2031	24,440	3.0387	24,380		35	24,345
Subtotal Surface Water						50,531	0	619	49,912
Solid Waste Utility									
Solid Waste Revenue Bonds, 2015	Capital Improvements	03/18/15	2017 - 2025	21,095	2.1375	12,645		2,315	10,330
Solid Waste Rev/Ref Bonds, 2016A	Refunding	06/15/16	2031 - 2036	23,200	3.4260	23,200			23,200
Solid Waste Rev/Ref Bonds, 2016B	Refunding	06/15/16	2026 - 2031	15,025	2.9985	15,025			15,025
Subtotal Refuse						50,870	0	2,315	48,555
Electric System									
Electric System 2010B Rev Bonds (BABS)	Capital Improvements	07/27/10	2031 - 2035	147,070	3.9071	147,070			147,070
Electric System 2010C Rev Bonds (CREBS)	Capital Improvements	07/27/10	2027	24,185	1.9235	24,185			24,185
Electric System 2013A Rev Ref Bonds	Refund & Capital Imp	06/13/13	2014 - 2042	181,610	3.3869	96,125		7,470	88,655
Electric System 2013B Rev Ref Bonds	Refunding	06/13/13	2014 - 2030	35,620	3.3427	35,620			35,620
Electric System 2017 Revenue Bonds	Capital Improvements	09/01/17	2022 - 2046	70,575		70,575			70,575
Electric System 2021 Revenue Bonds	Refunding of Bank Note	09/14/21	2036 - 2051	121,855		0	121,855		121,855
Subtotal Electric System						373,575	121,855	7,470	487,960
Water System									
PW-DWSRF-00-65120-031	Construction	10/07/02	2003 - 2021	3,060	2.5000	161		161	0
PW -00-691-PRE-115	Construction	04/11/01	2003 - 2021	1,000	0.5000	53		53	0
PW-01-691-061	Construction	08/27/01	2003 - 2021	10,000	0.5000	533		533	0
PW -01-691-PRE-127	Construction	02/15/02	2003 - 2021	1,000	0.5000	54		54	0
PW-02-691-056	Construction	04/15/02	2004 - 2022	10,000	0.5000	1,063		531	532
PW-04-691-PRE-101	Construction	03/19/04	2006 - 2024	1,000	0.5000	214		53	161
Water Sys Ref & Rev Bonds 2005	Construction & Refinance	10/11/05	2006 - 2025	46,550	4.6390	5			5
PW-06-962-043	Construction	07/18/06	2008 - 2026	7,000	0.5000	2,224		371	1,853
Water Sys Rev Bonds 2009 (Taxable BABS)	Capital Improvements	11/04/09	2033 - 2039	76,775	3.7780	76,775			76,775
PC08-951-047	Construction	11/25/09	2010 - 2028	10,000	0.5000	4,367		546	3,821
DM07-952-015	Construction	03/31/10	2010 - 2028	4,040	1.5000	1,721		215	1,506
PW-DWSRF 09-952-074	Construction	04/09/10	2013 - 2032	6,579	1.0000	4,405		367	4,038
Water Sys Rev Bonds 2010B (BABS)	Construction	08/24/10	2024 - 2040	74,985	5.5636	74,985			74,985
Water RWSS Revenue Bonds 2010A	Construction	08/24/10	2013 - 2024	3,595	3.2460	1,345		315	1,030
Water RWSS Revenue Bonds 2010B (BABS)	Construction	08/24/10	2025 - 2040	44,245	5.5636	44,245			44,245
PW-DWSRF 10-952-026	Construction	06/17/11	2015 - 2034	6,060	1.5000	3,636		303	3,333
PW-DWSRF 11-952-035	Construction	06/30/11	2016 - 2035	6,060	1.5000	1,580		122	1,458
PW-DWSRF 11-952-036	Construction	06/30/11	2016 - 2035	6,060	1.5000	4,545		303	4,242
PC 12-951-017	Construction	07/01/11	2011 - 2031	10,000	0.5000	6,111		556	5,555
PW-DWSRF 12-952-088	Construction	01/22/13	2017 - 2036	12,120	1.5000	9,090		606	8,484
Water Sys Rev Ref Bonds 2013 (RWSS)	Refinance	04/16/13	2013 - 2032	64,795	3.1477	55,920		1890	54,030
Water Sys Rev Ref Bonds 2013	Refinance	05/07/13	2013 - 2043	78,305	3.8523	74,355			74,355
PW-DWSRF-13-952-133	Construction	10/07/13	2019 - 2037	12,120	1.5000	9,090		606	8,484
PW-DWSRF-10-952-031	Construction	03/26/14	2015 - 2034	6,060	1.5000	4,264		305	3,959
PW-DWSRF-13-952-167	Construction	11/06/14	2015 - 2037	12,120	1.5000	9,090		606	8,484

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S 01-01-21	ISSUED 2021	REDEEMED 2021	AMOUNT O/S 12/31/201
Water Sys Ref Bonds 2015A DM15-952-033	Refinance Construction	05/12/15 06/01/14	2017 - 2025 2016 - 2034	16,645 12,120	1.9926 1.5000	9,230 9,568		1670 638	7,560 8,930
2020 Water Refunding Bonds	Refunding	05/14/20	2020-2023	14,467	1.7107	13,158		4490	8,668
Subtotal Water System									
						421,787	0	15,294	406,493
Tacoma Rail									
WA State Rail Loan RR00407 2009	Capital Improvements	08/04/09	2010 - 2024	26	0.0000	7		2	5
WA State Rail Loan RR00408 2009	Capital Improvements	08/04/09	2011 - 2025	249	0.0000	83		17	66
WA State Rail Loan RRB-1007	Capital Improvements	12/06/11	2013 - 2022	450	0.0000	90		45	45
WA State Rail Loan RRB-1010	Capital Improvements	03/28/12	2013 - 2022	612	0.0000	122		61	61
WA State Rail Loan RRB-1011	Capital Improvements	03/28/12	2013 - 2022	349	0.0000	70		35	35
WA State Rail Loan RRB-1026	Capital Improvements	09/06/12	2014 - 2023	347	0.0000	104		35	69
WA State Rail Loan RRB-1030	Capital Improvements	09/06/12	2014 - 2023	364	0.0000	109		36	73
WA State Rail Loan RRB-1045	Capital Improvements	08/01/13	2015 - 2024	823	0.0000	247		62	185
WA State Rail Loan RRB-1046	Capital Improvements	08/01/13	2015 - 2024	250	0.0000	100		25	75
WA State Rail Loan RRB-1052	Capital Improvements	10/24/13	2016 - 2025	366	0.0000	183		37	146
WA State Rail Loan RRB-1053	Capital Improvements	10/24/13	2016 - 2025	773	0.0000	387		77	310
WA State Rail Loan RRB-1054	Capital Improvements	10/24/13	2016 - 2025	1,015	0.0000	553		111	442
WA State Rail Loan RRB-1055	Capital Improvements	10/08/13	2016 - 2025	516	0.0000	258		52	206
WA State Rail Loan RRB-1086	Capital Improvements	10/27/15	2016 - 2025	1,037	0.0000	455		91	364
WA State Rail Loan RRB-1108	Capital Improvements	07/03/17	2017 - 2026	311	0.0000	187		31	156
WA State Rail Loan RRB-1109	Capital Improvements	09/29/16	2017 - 2026	121	0.0000	73		12	61
WA State Rail Loan RRB-1110	Capital Improvements	09/08/16	2017 - 2026	406	0.0000	243		41	202
WA State Rail Loan RRB-1111	Capital Improvements	01/06/17	2017 - 2026	370	0.0000	222		37	185
WA State Rail Loan RRB-1112	Capital Improvements	12/06/16	2017 - 2026	150	0.0000	90		15	75
WA State Rail Loan RRB-1225	Capital Improvements	06/30/20	2021 - 2029	233	0.0000	233		23	210
WA State Rail Loan RRB-1226	Capital Improvements	12/30/20	2021 - 2029	125	0.0000	125	275	40	360
Subtotal Tacoma Rail									
						3,941	275	885	3,331
Lease Revenue									
Lease Revenue Bonds 1990	Construction	03/15/90	1992-2022	36,250	9.3476	4,960		3,230	1,730
Lease Revenue Bonds 1992	Construction	12/15/92	1993-2022	4,695	7.4769	590		385	205
Subtotal Lease Revenue									
						5,550	0	3,615	1,935
Total Revenue Bonds									
						\$ 1,128,056	\$ 139,806	\$ 43,642	\$ 1,224,220
Total General Obligation & Revenue Bonds									
						\$ 1,309,536	\$ 159,566	\$ 75,858	\$ 1,393,244

SPECIAL ASSESSMENT BONDS

Local Improvement District Bonds

District #64 Bonds	Construction	04/05/16		2,341	3.2500	1,530		150	1,380
District #65 Bonds	Construction	04/29/13	2043	30,999	5.7500	15,075			15,075
District #66 Bonds	Construction	12/19/19	2047	4,011	3.1250	3,430		290	3,140

NAME OF BOND ISSUE	PURPOSE OF ISSUE	DATE OF ISSUE	MATURITY DATES	ORIGINAL AMOUNT	EFFECTIVE INTEREST RATE	AMOUNT O/S	ISSUED	REDEEMED	AMOUNT O/S
						01-01-21	2021	2021	12/31/201
	Subtotal LID Bonds/Notes					20,035	0	440	19,595
Bond Anticipation Notes Revolving Line of Credit	LID Construction	07/01/16	At CLID Issue	\$15mm	Floating	841			841
	Subtotal Bond Anticipation Notes					841	0	0	841
Total Special Assessment Bonds						\$20,876	\$0	\$440	\$20,436
Wells Fargo Revolving Line of Credit	Capital Improvements	05/15/15	5/11/2019	\$100mm Max	0.5000	131,250	23,750	145,000	10,000
	Subtotal Wells Fargo Revolving Line of Credit					131,250	23,750	145,000	10,000
Local Agent Site Lease, Series 2020C	Capital Improvements	07/21/20	2021 - 2040	12,795	2.1197	12,795		525	12,270
	Subtotal Local Agent Site Lease					12,795	0	525	12,270
Total All Bonds						\$1,474,457	\$183,316	\$221,823	\$1,435,950
Notes related to debt increases:									\$1,435,950

1. Ltd. Genl Obl Bonds 2009E Multiple Projects - Additions represent accrued interest capitalized to bond principal.
2. Ltd. Genl Obl Bonds 2009F Cheney & Env Remed - Additions represent accrued interest capitalized to bond principal.
3. PW-DWSRF & DM - Additions for each of these represent an additional draw from available funds.

Required Supplementary Information

LEOFF 1

Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

	Fiscal Years Ended June 30				
	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability(asset) as a percentage	1.03%	1.03%	1.03%	1.05%	1.07%
Employer's proportionate share of net pension liability(asset)	(35,295,141)	(19,497,420)	(20,428,571)	(19,103,856)	(16,163,187)
State's proportionate share of the net pension liability(asset) associated with the employer	(238,735,457)	(131,880,066)	(138,178,348)	(129,218,006)	(109,327,398)
Total	(274,030,598)	(151,377,486)	(158,606,919)	(148,321,862)	(125,490,585)
Covered payroll	-	-	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	187.45%	146.88%	148.78%	144.42%	135.96%
	2016	2015	2014	2013	2012
Employer's proportion of the net pension liability(asset) as a percentage	1.08%	1.09%	N/A	N/A	N/A
Employer's proportionate share of net pension liability(asset)	(11,098,437)	(13,178,851)	N/A	N/A	N/A
State's proportionate share of the net pension liability(asset) associated with the employer	(75,069,549)	(89,141,418)	N/A	N/A	N/A
Total	(86,167,986)	(102,320,269)	N/A	N/A	N/A
Covered payroll	-	-	-	-	-
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	123.74%	127.36%	N/A	N/A	N/A

*Until a full 10-year trend is compiled, only information for those years available is presented.

LEOFF 2

Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

	Fiscal Years Ended June 30				
	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability(asset) as a percentage	2.44%	2.50%	2.38%	2.47%	2.59%
Employer's proportionate share of net pension liability(asset)	(141,804,064)	(51,021,624)	(55,232,023)	(50,235,694)	(35,974,279)
State's proportionate share of the net pension liability (asset) associated with the employer	(91,479,101)	(32,634,464)	(36,169,575)	(32,526,664)	(23,335,843)
Total	(233,283,165)	(83,656,088)	(91,401,598)	(82,762,358)	(59,310,122)
Covered payroll	82,311,046	75,426,288	71,393,403	79,762,242	77,370,718
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-172.28%	-67.64%	-77.36%	-62.98%	-46.50%
Plan fiduciary net position as a percentage the total pension liability	142.00%	115.83%	119.43%	118.50%	113.36%
	2016	2015	2014	2013	2012
Employer's proportion of the net pension liability(asset) as a percentage	2.48%	2.47%	N/A	N/A	N/A
Employer's proportionate share of net pension liability(asset)	(14,416,299)	(25,352,743)	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the employer	(9,398,378)	(16,763,253)	N/A	N/A	N/A
Total	(23,814,677)	(42,115,996)	N/A	N/A	N/A
Covered payroll	77,913,215	72,486,494	N/A	N/A	N/A
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-18.50%	-34.98%	N/A	N/A	N/A
Plan fiduciary net position as a percentage the total pension liability	106.04%	111.67%	N/A	N/A	N/A

*Until a full 10-year trend is compiled, only information for those years available is presented.

LEOFF 2

Schedule of the City of Tacoma's Contributions
Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2021	2020	2019	2018	2017
Contractually required employer contribution	\$4,982,250	\$4,892,925	\$4,687,724	\$4,448,565	\$4,025,059
Contributions in relation to the contractually required employer contribution	<u>(4,982,250)</u>	<u>(4,892,925)</u>	<u>(4,687,724)</u>	<u>(4,448,565)</u>	<u>(4,025,059)</u>
Employer contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$97,146,418	\$93,760,283	\$90,117,849	\$84,770,897	\$78,198,160
Employer contribution as a percentage of covered payroll	5.13%	5.22%	5.20%	5.25%	5.15%
	2016	2015	2014	2013	2012
Contractually required employer contribution	\$4,026,349	\$3,716,978	N/A	N/A	N/A
Contributions in relation to the contractually required employer contribution	<u>(4,026,349)</u>	<u>(3,716,978)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Employer contribution deficiency (excess)	0	0	N/A	N/A	N/A
Covered payroll	\$79,849,106	\$73,603,497	N/A	N/A	N/A
Employer contribution as a percentage of covered payroll	5.04%	5.05%	N/A	N/A	N/A

*Until a full 10-year trend is compiled, only information for those years available is presented.

Tacoma Employee's Retirement System Fund (TERS)

Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*

	Fiscal Year Ended December 31				
	2021	2020	2019	2018	2017
Employer's proportion of the net pension liability(asset) as a percentage	91.73%	92.23%	92.40%	92.39%	92.46%
Employer's proportion share of net pension liability(asset)	(146,649,370)	69,360,120	(18,606,284)	117,009,191	(39,323,299)
Covered payroll (1)	261,569,330	252,515,159	246,403,836	233,555,537	223,371,667
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	-56.07%	27.47%	-7.55%	50.10%	-17.60%
Plan fiduciary net position as a percentage the total pension liability	107.74%	96.22%	101.08%	92.81%	102.53%
2016 2015 2014 2013 2012					
Employer's proportion of the net pension liability(asset) as a percentage	92.48%	92.63%	92.67%	N/A	N/A
Employer's proportion share of net pension liability(asset)	92,880,524	86,584,348	(9,606,514)	N/A	N/A
Covered payroll (1)	218,669,028	210,616,602	205,085,611	N/A	N/A
Employer's proportionate share of net pension liability (asset) as a percentage of its covered payroll	42.48%	41.11%	-4.68%	N/A	N/A
Plan fiduciary net position as a percentage the total pension liability	93.91%	93.94%	100.71%	N/A	N/A

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This table is intended to show ten years of data. As more information becomes available, this table will be updated.

Tacoma Employee's Retirement System Fund (TERS)

Schedule of the City of Tacoma's Contributions
Last 10 Fiscal Years*

Fiscal Year Ended December 31

	2021	2020	2019	2018	2017
Contractually required employer contribution	\$29,661,962	\$28,635,219	\$27,942,195	\$26,414,402	\$24,124,140
Contributions in relation to the contractually required employer contribution	(29,661,962)	(28,635,219)	(27,942,195)	(26,414,402)	(24,124,140)
Employer contribution deficiency (excess)	0	0	0	0	0
Covered payroll	\$261,569,330	\$252,515,159	\$246,403,836	\$233,555,537	\$223,371,667
Employer contribution as a percentage of covered payroll	11.34%	11.34%	11.34%	11.31%	10.80%

	2016	2015	2014	2013	2012
Contractually required employer contribution	\$23,616,255	\$22,746,593	\$22,149,246	N/A	N/A
Contributions in relation to the contractually required employer contribution	(23,616,255)	(22,746,593)	(22,149,246)	N/A	N/A
Employer contribution deficiency (excess)	0	0	0	N/A	N/A
Covered payroll	\$218,669,028	\$210,616,602	\$205,085,611	N/A	N/A
Employer contribution as a percentage of covered payroll	10.80%	10.80%	10.80%	N/A	N/A

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. This table is intended to show ten years of data. As more information becomes available, this table will be updated.

Firefighters and Police Relief Pension Fund

Schedule of Changes in Total Pension Liability and Related Ratios
Last 10 Years*
(dollars expressed in thousands)

Firefighters' Pension Fund

Fiscal Year Ended December 31

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	592	701	957	975	1,058
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	3,587	-	(1,871)	-
Effect of assumption changes or inputs	-	1,972	2,624	(1,076)	622
Benefit payments	(2,117)	(2,101)	(1,968)	(1,952)	(2,100)
Net change in total pension liability	(1,525)	4,159	1,613	(3,924)	(420)
Total pension liability, beginning	30,676	26,517	24,904	28,828	29,248
Total pension liability, ending	29,151	30,676	26,517	24,904	28,828
Covered payroll	-	-	-	-	-
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A

	2016	2015	2014	2013	2012
Total Pension Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending	N/A	N/A	N/A	N/A	N/A
Covered payroll	N/A	N/A	N/A	N/A	N/A

Firefighters and Police Relief Pension Fund

Schedule of Changes in Total Pension Liability and Related Ratios Last 10 Years*

(dollars expressed in thousands)

Police Relief and Pension Fund

Fiscal Year Ended December 31

	2021	2020	2019	2018	2017
Total Pension Liability					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	253	371	512	514	573
Effect of plan changes	-	-	-	-	-
Effect of economic/demographic gains or (losses)	-	(1,005)	-	(667)	-
Effect of assumption changes or inputs	-	785	1,303	(540)	311
Benefit payments	(1,016)	(1,028)	(1,195)	(1,406)	(1,341)
Net change in total pension liability	(763)	(877)	620	(2,098)	(456)
Total pension liability, beginning	13,132	14,010	13,391	15,490	15,946
Total pension liability, ending	12,368	13,132	14,010	13,391	15,490
Covered payroll	-	-	-	-	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A
	2016	2015	2014	2013	2012
Total Pension Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending	N/A	N/A	N/A	N/A	N/A
Covered payroll	N/A	N/A	N/A	N/A	N/A
Total pension liability as a % of covered payroll	N/A	N/A	N/A	N/A	N/A

*This table is intended to represent 10 years of comparative data. Prior years are not available. As future years become available the table will be updated.

Other Post Employment Benefit Plan (OPEB)
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Total City
 Last 10 Years*
 (dollars expressed in thousands)

	Measurement Period Ended December 31				
	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost	\$ 2,576	\$ 2,338	\$ 3,302	\$ 3,010	N/A
Interest on total OPEB liability	5,662	8,272	7,562	7,866	N/A
Changes in benefit terms	-	-	-	-	N/A
Effect of economic/demographic gains or (losses)	374	(3,650)	54	-	N/A
Effect of assumption changes or inputs	21,022	6,839	(18,945)	9,060	N/A
Expected benefit payments	(8,793)	(9,490)	(8,671)	(8,352)	N/A
Net change in total OPEB liability	20,841	4,309	(16,698)	11,584	N/A
Total OPEB liability, beginning	208,422	204,113	220,811	209,227	N/A
Total OPEB liability, ending	229,263	208,422	204,113	220,811	N/A
Covered-employee payroll	\$ 380,095	\$ 369,912	\$ 350,507	\$ 330,788	N/A
Total OPEB liability as a % of covered-employee payroll	60.32%	56.34%	58.23%	66.75%	N/A

	Measurement Period Ended December 31				
	2015	2014	2013	2012	2011
Total OPEB Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Other Post Employment Benefit Plan (OPEB)
 Schedule of Changes in Total OPEB Liability and Related Ratios
 TERS
 Last 10 Years*
 (dollars expressed in thousands)

	Measurement Period Ended December 31				
	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost	\$ 1,503	\$ 1,367	N/A	N/A	N/A
Interest on total OPEB liability	535	800	N/A	N/A	N/A
Changes in benefit terms	-	-	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	(615)	-	N/A	N/A	N/A
Effect of assumption changes or inputs	5,133	(1,009)	N/A	N/A	N/A
Expected benefit payments	(1,211)	(1,353)	N/A	N/A	N/A
Net change in total OPEB liability	5,345	(195)	N/A	N/A	N/A
Total OPEB liability, beginning	18,631	18,826	N/A	N/A	N/A
Total OPEB liability, ending	23,976	18,631	18,826	N/A	N/A
Covered-employee payroll	\$ 273,789	\$ 266,662	252,789	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	8.76%	6.99%	7.45	N/A	N/A

	Measurement Period Ended December 31				
	2015	2014	2013	2012	2011
Total OPEB Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Other Post Employment Benefit Plan (OPEB)
 Schedule of Changes in Total OPEB Liability and Related Ratios
 LEOFF 1
 Last 10 Years*
 (dollars expressed in thousands)

	Measurement Period Ended December 31				
	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost	\$ -	\$ -	N/A	N/A	N/A
Interest on total OPEB liability	4,678	6,799	N/A	N/A	N/A
Changes in benefit terms	-	-	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	-	(3,650)	N/A	N/A	N/A
Effect of assumption changes or inputs	14,429	8,681	N/A	N/A	N/A
Expected benefit payments	(6,610)	(7,237)	N/A	N/A	N/A
Net change in total OPEB liability	12,497	4,593	N/A	N/A	N/A
Total OPEB liability, beginning	173,996	169,403	N/A	N/A	N/A
Total OPEB liability, ending	186,493	173,996	169,403	N/A	N/A
Covered-employee payroll	\$ -	\$ -	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

	Measurement Period Ended December 31				
	2015	2014	2013	2012	2011
Total OPEB Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Other Post Employment Benefit Plan (OPEB)
 Schedule of Changes in Total OPEB Liability and Related Ratios
 LEOFF 2
 Last 10 Years*
 (dollars expressed in thousands)

	Measurement Period Ended December 31				
	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost	\$ 637	\$ 571	N/A	N/A	N/A
Interest on total OPEB liability	301	463	N/A	N/A	N/A
Changes in benefit terms	-	-	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	1,506	-	N/A	N/A	N/A
Effect of assumption changes or inputs	1,253	(577)	N/A	N/A	N/A
Expected benefit payments	(881)	(790)	N/A	N/A	N/A
Net change in total OPEB liability	2,816	(333)	N/A	N/A	N/A
Total OPEB liability, beginning	10,780	11,113	N/A	N/A	N/A
Total OPEB liability, ending	13,596	10,780	11,113	N/A	N/A
Covered-employee payroll	\$ 94,586	\$ 91,575	\$ 86,516	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	14.37%	11.77%	12.85%	N/A	N/A

	Measurement Period Ended December 31				
	2015	2014	2013	2012	2011
Total OPEB Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Other Post Employment Benefit Plan (OPEB)
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Rail
 Last 10 Years*
 (dollars expressed in thousands)

	Measurement Period Ended December 31				
	2020	2019	2018	2017	2016
Total OPEB Liability					
Service cost	\$ 437	\$ 400	N/A	N/A	N/A
Interest on total OPEB liability	148	210	N/A	N/A	N/A
Changes in benefit terms	-	-	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	(518)	-	N/A	N/A	N/A
Effect of assumption changes or inputs	206	(256)	N/A	N/A	N/A
Expected benefit payments	(90)	(109)	N/A	N/A	N/A
Net change in total OPEB liability	183	245	N/A	N/A	N/A
Total OPEB liability, beginning	5,015	4,770	N/A	N/A	N/A
Total OPEB liability, ending	5,198	5,015	4,770	N/A	N/A
Covered-employee payroll	\$ 11,720	\$ 11,675	\$ 11,202	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	44.36%	42.96%	42.58%	N/A	N/A

	Measurement Period Ended December 31				
	2015	2014	2013	2012	2011
Total OPEB Liability					
Service cost	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	N/A	N/A	N/A	N/A	N/A
Changes in benefit terms	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or (losses)	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	N/A	N/A	N/A	N/A	N/A
Expected benefit payments	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Notes to Required Supplementary Information (RSI)

Note 1—Budgetary data

A. General budget policies

The biennial budget is adopted by appropriation ordinance of the Tacoma City Council and may be amended by subsequent ordinances. Biennial budgets are legally adopted for all governmental fund types. Any comparisons between budget and actual revenues and expenditures are reported under the GAAP basis. The budget is adopted with budgetary control at the fund level, so expenditures may not legally exceed appropriations at that level of detail. Transfers or revisions within funds are administratively allowed, but only City Council has the legal authority to increase or decrease a given funds biennial budget. While not required by law, the City adopts budgets for proprietary funds and some selected trust funds. These budgets are "management budgets" and as such, are not reported in the ACFR.

Although the City is not legally responsible for the Tacoma Community Redevelopment Authority (TCRA), the City has included certain financial information pertaining to TCRA. The City is not required to report the TCRA or the Greater Tacoma Regional Convention Center Public Facilities District (GTRCCPFD)'s budgets and therefore it is excluded from the budget and actual comparisons.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded, is employed as an extension of formal budgetary control for governmental fund types. Encumbrances outstanding at December 31 are reported as restricted, committed, or assigned fund balances as defined by GASB 54. Encumbrances outstanding at the end of the biennium are re-appropriated at the beginning of the next biennium with budget's approval.

B. Budget basis of accounting

All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP).

C. The budget process

The budget process begins with the City Council making appropriate revisions to the City's long-term strategic plan, identifying goals, and setting priorities. In early June, the initial revenue forecast is completed by the Office of Management, Budget and Analysis (OMBA) and City departments and agencies begin budget preparation. Budget requests are due to OMBA in late July. OMBA reviews and revises budget requests in August. The revenue forecast is refined in early September and a preliminary budget is presented to the Executive Forum in early October. The preliminary budget is further refined during the month of October.

By Washington State law, the City Council must receive a balanced preliminary budget by November 1st. Public budget hearings are conducted by the City Council in mid-November. Any changes the Council decides to make to the preliminary budget are made after the public hearings and before the reading of the budget ordinance in December. Washington State law requires that the City Council adopt a balanced budget on or before December 31.

Washington State law requires that a mid-biennial review and modification be conducted between September 1 and December 31 of the first year of the biennium. Supplemental budget requests are accepted from departments during the month of August. Revenue estimates for the biennium are reviewed and adjusted in early September. The new revenue estimates and the supplemental requests are submitted to the Budget Committee and the Executive Forum in late September. Preliminary modifications are presented to the City Manager for review and changes in October. Modifications are submitted to the City Council in early November. Public hearings are conducted in November. The City Council adopts the amended biennial budget on or before December 31.

D. Funds presented

Budgetary information is displayed for all funds that are subject to the City's biennial budget process. The General Fund's budgetary information is located in the Required Supplementary Information section on page 4-15. Non-major special revenue funds budgetary information are located in the Combining Statements Non-Major Funds section on pages 5-12 to 5-39.

Note 2 Pensions

Schedule of Changes in the Employer Net Pension Liability or Asset: The total pension liability contained in the schedule was provided by the System's actuary, Milliman. The net pension liability or asset is measured at the total pension liability, less the amount of System's fiduciary net position.

Schedule of Employer Contributions: The required employee contributions and percent of those contributions actually made are presented in the schedule.

Actuarial Assumptions: The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rate. The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board.

The police and firefighters pension funds are not within the scope of GASB 68 and are not administered through an irrevocable trust. They are required to be reported under the requirements of GASB 73. The assets accumulated for this purpose are recorded in the General Fund.

Note 3 Other Post-Employment Benefits (OPEB)

Schedule of Changes in the Total OPEB Liability and Related Ratios are presented above. The schedule was provided by the actuary. It includes a 10-year schedule of changes in the total OPEB liability as well as the total OPEB liability, covered-employee payroll and the total OPEB liability as a percentage of covered-employee payroll.

There are no assets accumulated in a trust that meets the criteria set forth in paragraph 4 of GASB 75 to pay related benefits. There have been no significant changes between the valuation date and the fiscal year end. If there were significant changes, an additional analysis or valuation might be required. GASB 75 requires the discount rate used to measure the Total OPEB Liability to be a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Compared to the prior measurement date, the discount rate changed from 2.74% to 2.12% at the December 31, 2020 measurement date.

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended December 31, 2021

(amounts expressed in thousands)

	Budget Amounts				
	Original (GAAP Basis) 2021-2022 Biennium	Final Adopted (GAAP Basis) 2021-2022 Biennium	Actual Results 2021-2022 Biennium		
			Variance		
REVENUES:					
Taxes:					
Property	\$ 127,725	\$ 130,033	\$ 64,678	\$ (65,355)	
Retail Sales & Use	104,582	122,244	76,621	(45,623)	
Business	107,673	107,192	43,962	(63,230)	
Excise	3,365	9,983	1,961	(8,022)	
Other	906	737	719	(18)	
Licenses and Permits	13,068	12,750	1,858	(10,892)	
Intergovernmental	22,623	1,077	8,974	7,897	
Charges for Services	6,962	5,562	9,768	4,206	
Fines and Forfeitures	1,088	1,089	797	(292)	
Investment Earnings	2,949	4,659	(93)	(4,752)	
Miscellaneous	-	2,378	610	(1,768)	
Total Revenues	<u>390,941</u>	<u>397,704</u>	<u>209,855</u>	<u>(187,849)</u>	
EXPENDITURES:					
Current:					
General Government	79,569	84,438	35,814	(48,624)	
Public Safety	318,200	324,437	153,424	(171,013)	
Transportation	-	-	-	-	
Natural and Economic Environment	11,463	15,904	5,306	(10,598)	
Social Service	17,497	15,754	8,499	(7,255)	
Culture and Recreation	31,230	33,010	14,014	(18,996)	
Debt Service	-	-	3	3	
Capital Outlay	-	-	1,053	1,053	
Total Expenditures	<u>457,959</u>	<u>473,543</u>	<u>218,113</u>	<u>(255,430)</u>	
Excess (Deficiency) of Revenues OVER EXPENDITURES	<u>(67,018)</u>	<u>(75,839)</u>	<u>(8,258)</u>	<u>67,581</u>	
OTHER FINANCING SOURCES (USES):					
Sales of Capital Assets	-	4	14	10	
Insurance Recoveries	-	27	26	(1)	
Transfers In	98,960	119,899	51,872	(68,027)	
Transfers Out	(50,966)	(71,128)	(31,695)	39,433	
Total Other Financing Sources and Uses	<u>47,994</u>	<u>48,802</u>	<u>20,217</u>	<u>(28,585)</u>	
Net Change in Fund Balances	<u>(19,024)</u>	<u>(27,037)</u>	<u>11,959</u>	<u>38,996</u>	
Fund Balances - January 1	19,024	23,336	91,492	68,156	
Prior Period Adjustment	-	-	560	560	
Fund Balance - January 1, Restated	19,024	23,336	92,052	68,716	
Fund Balances - December 31	<u>\$ -</u>	<u>\$ (3,701)</u>	<u>\$ 104,011</u>	<u>\$ 107,712</u>	
Perspective Difference Reconciliation					
ACTUAL FUND BALANCE - GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE				104,011	
The following fund were budgeted as general fund or trust fund but do not meet the definition of special revenue fund, or trust and therefore are accounted for within the general fund					
Contingency Fund			916		
Deferred Compensation Fund			16		
Police Pension Fund			118		
Firefighter Pension Fund			218		
Payroll Clearing Fund			-		
TOTAL FUND BALANCE - GENERAL FUND BALANCE SHEET FOR GOVERNMENTAL FUNDS			<u>\$ 105,279</u>		

City of Tacoma
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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOREST SERVICE, AGRICULTURE, DEPARTMENT OF (via Conservation Northwest)	Partnership Agreements	10.699	21-PA- 11060500-013	3,400	-	3,400	-	-
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	MB16OBD8050 037	-	162,845	162,845	-	-
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	MB16OBD8050 037	-	47,530	47,530	-	-
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	COVID 19 - MBDA Business Center	11.805	MB20OBD8050 135	-	213,642	213,642	-	-
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	MB21OBD8050 186	-	105,881	105,881	-	-
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	MBDA Business Center	11.805	MB21OBD8050 186	-	163,837	163,837	-	-
MINORITY BUSINESS DEVELOPMENT AGENCY, COMMERCE, DEPARTMENT OF	COVID 19 - MBDA Business Center	11.805	MB21OBD8050 169	-	241,352	241,352	-	-
Total CFDA 11.805:				-	935,087	935,087	-	-
CDBG - Entitlement Grants Cluster								
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-14-MC-53- 0007	-	75,962	75,962	75,962	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-15-MC-53-0007	-	11,825	11,825	11,825	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-18-MC-53-0007	-	87,786	87,786	87,786	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-19-MC-53-0007	-	5,799	5,799	5,799	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-20-MC-53-0007	-	935,795	935,795	632,185	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Community Development Block Grants/Entitlement Grants	14.218	B-20-MW-53-0007	-	570,000	570,000	-	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants/Entitlement Grants	14.218	B-21-MC-53-0007	-	681,976	681,976	489,098	
Total CDBG - Entitlement Grants Cluster:				-	2,369,143	2,369,143	1,302,654	

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				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	E-19-MC-53-0007	-	9,405	9,405	9,405	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	COVID 19 - Emergency Solutions Grant Program	14.231	E-20-MW-53-0007	-	2,547,480	2,547,480	1,755,653	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	E-20-MC-53-0007	-	129,846	129,846	120,724	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Emergency Solutions Grant Program	14.231	E-21-MC-53-0007	-	106,821	106,821	95,442	
Total CFDA 14.231:				-	2,793,552	2,793,552	1,981,224	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-15-DC-53-0206	-	47,093	47,093	47,093	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-16-DC-53-0206	-	18,634	18,634	18,634	

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				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-17-DC-53-0206	-	111	111	111	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-18-DC-53-0206	-	101,542	101,542	101,542	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-19-DC-53-0206	-	359,275	359,275	359,275	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-20-DC-53-0206	-	488,289	488,289	412,515	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Home Investment Partnerships Program	14.239	M-21-DC-53-0206	-	497,195	497,195	452,836	
Total CFDA 14.239:				-	1,512,139	1,512,139	1,392,005	
ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Community Development Block Grants Section 108 Loan Guarantees	14.248	N/A	-	2,392,000	2,392,000	-	3B

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				From Pass- Through Awards	From Direct Awards	Total		
ASSISTANT SECRETARY FOR FAIR HOUSING AND EQUAL OPPORTUNITY, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Fair Housing Assistance Program State and Local	14.401	FF-210K-21-1007	-	(37,583)	(37,583)	-	-
BUREAU OF RECLAMATION, INTERIOR, DEPARTMENT OF THE	WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	R21AP10413-00	-	478,656	478,656	-	-
NATIONAL PARK SERVICE, INTERIOR, DEPARTMENT OF THE (via Washington State Department of Archaeology and Historic Preservation)	Historic Preservation Fund Grants-In-Aid	15.904	N/A	7,500	-	7,500	-	-
OJP BUREAU OF JUSTICE ASSISTANCE, JUSTICE, DEPARTMENT OF	COVID 19 - Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-0813	-	362,594	362,594	243,228	
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2018-DJ-BX-0191	-	110,379	110,379	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-DJ-BX-0914	-	145,369	145,369	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0419	-	134,340	134,340	-	-
OFFICE OF JUSTICE PROGRAMS, JUSTICE, DEPARTMENT OF	Edward Byrne Memorial Justice Assistance Grant Program	16.738	15PBJA-21-GG-01970	-	151,895	151,895	151,895	
Total CFDA 16.738:				-	541,983	541,983	151,895	

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
CRIMINAL DIVISION, JUSTICE, DEPARTMENT OF	Equitable Sharing Program	16.922	N/A	-	45,877	45,877	-	-
Department of Justice - Federal Bureau of Investigation	South Side Gang Task Force	16.U02	N/A	-	1,781	1,781	-	-
Department of Justice - Drug Enforcement Administration	Tacoma Regional Task Force	16.U03	N/A	-	14,192	14,192	-	-
Department of Justice - Drug Enforcement Administration	Tacoma Regional Task Force	16.U03	N/A	-	3,926	3,926	-	-
Total CFDA 16.U03:				-	18,118	18,118	-	-
Highway Planning and Construction Cluster								
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BRM-3246(012)	32,005	-	32,005	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-1280(039)	392,843	-	392,843	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3200 (008)	2,632,033	-	2,632,033	-	-

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				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3246 (014)	7,508	-	7,508	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3149 (005)	9,104,831	-	9,104,831	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3133(007)	1,877,305	-	1,877,305	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (467)	30,482	-	30,482	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	BHM-3011(004)	52,907	-	52,907	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-1280(040)	2,261	-	2,261	-	-

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				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	TAP-9927(063)	95,692	-	95,692	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-000S (526)	131,771	-	131,771	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3133 (009)	68,657	-	68,657	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3278(003)	46,093	-	46,093	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3011(005)	40,924	-	40,924	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3244(007)	566,250	-	566,250	-	-

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Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-3101(006)	339,428	-	339,428	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	STPUL-3011 (006)	31,431	-	31,431	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	HSIP-2946(001)	17,755	-	17,755	-	-
FEDERAL HIGHWAY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Department of Transportation)	Highway Planning and Construction	20.205	RAIL-000S(595)	3,176	-	3,176	-	-
Total Highway Planning and Construction Cluster:				15,473,352	-	15,473,352	-	-
Highway Safety Cluster								
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	22,680	-	22,680	-	-

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				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	566	-	566	-	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	State and Community Highway Safety	20.600	N/A	639	-	639	-	-
Total CFDA 20.600:				23,885	-	23,885	-	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2020-Sub-grants-4008	14,585	-	14,585	-	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2021-AG-4016	44,113	-	44,113	-	-
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2022-AG-4463	15,441	-	15,441	-	-

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				From Pass- Through Awards	From Direct Awards	Total		
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, TRANSPORTATION, DEPARTMENT OF (via Washington State Traffic Safety Commission)	National Priority Safety Programs	20.616	2020-Sub-grants-3633	12,322	-	12,322	-	-
				Total CFDA 20.616:	86,461	86,461		
				Total Highway Safety Cluster:	110,346	110,346		
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Administrative Office of the Courts)	COVID 19 - Coronavirus Relief Fund	21.019	N/A	2,237	-	2,237	-	-
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023	ERA-2101070571	-	6,567,277	6,567,277	5,301,094	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - Emergency Rental Assistance Program	21.023	ERA2-8681	-	701,997	701,997		-
				Total CFDA 21.023:	-	7,269,274	7,269,274	5,301,094
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	1,499,369	1,499,369		-
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	11,124	11,124	11,124	

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DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	1,143	1,143	1,143	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	90,639	90,639	90,639	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	2,326	2,326	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	214,619	214,619	214,619	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	167,653	167,653	167,653	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	19,712	19,712	19,712	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	120,969	120,969	120,969	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	66,790	66,790	65,073	

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DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	101,711	101,711	101,711	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	40,647	40,647	40,647	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	3,380,854	3,380,854	3,380,854	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	20,532	20,532	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	142,381	142,381	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	104,240	104,240	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	207	207	-	
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	-	4,800	4,800	4,800	

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DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Pierce County Human Services)	COVID 19 - CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	N/A	224,116	-	224,116	222,829	
			Total CFDA 21.027:	224,116	5,989,716	6,213,832	4,441,773	
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, EQUAL EMPLOYMENT OPPORTUNITY COMMISSION	Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	EEC45310021C 0037	-	(7,400)	(7,400)	-	
FEDERAL COMMUNICATIONS COMMISSION, FEDERAL COMMUNICATIONS COMMISSION	UNIVERSAL SERVICE FUND - SCHOOLS and LIBRARIES	32.004	N/A	-	57,790	57,790	-	
SMALL BUSINESS ADMINISTRATION, SMALL BUSINESS ADMINISTRATION	COVID 19 - Shuttered Venue Operators Grant Program	59.075	N/A	-	5,851,007	5,851,007	-	7
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Brownfields Job Training Cooperative Agreements	66.815	JT-01J52501	-	53,365	53,365	-	
ENVIRONMENTAL PROTECTION AGENCY, ENVIRONMENTAL PROTECTION AGENCY	Water Infrastructure Finance and Innovation (WIFIA)	66.958	N19117WA	-	15,026,875	15,026,875	-	3A

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	1H79TI083286-01	261,713	-	261,713	-	-
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Health Care Authority)	Opioid STR	93.788	1H79TI083286-01	50,000	-	50,000	-	-
			Total CFDA 93.788:	311,713		311,713		-
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Pass-through Beacon Health Options)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	7,874	-	7,874	-	-
U.S. COAST GUARD, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Parks and Recreation Commission)	Boating Safety Financial Assistance	97.012	N/A	9,425	-	9,425	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	National Urban Search and Rescue (US&R) Response System	97.025	N/A	12,709	-	12,709	-	-

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	N/A	82,725	-	82,725	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Washington State Military Department)	Emergency Management Performance Grants	97.042	N/A	164,686	-	164,686	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Fire District 3)	Assistance to Firefighters Grant	97.044	EMW-2019-FG-02399	6,110	-	6,110	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2017-PU-00161	-	27,734	27,734	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2017-PU-00161	-	3,859	3,859	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2017-PU-00161	-	54,161	54,161	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Port Security Grant Program	97.056	EMW-2017-PU-00161	-	13,709	13,709	-	-

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
			Total CFDA 97.056:	-	99,463	99,463	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	N/A	1,003	-	1,003	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Pierce County Department of Emergency Management)	Homeland Security Grant Program	97.067	N/A	9,411	-	9,411	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	N/A	7,259	-	7,259	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	N/A	36,351	-	36,351	-	4
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via Seattle Police Department)	Homeland Security Grant Program	97.067	N/A	13,353	-	13,353	-	-
			Total CFDA 97.067:	67,377	-	67,377	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF	Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	-	27,822	27,822	-	-

The accompanying notes are an integral part of this schedule.

City of Tacoma
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Preparing for Emerging Threats and Hazards	97.133	EMW-2016-GR-00145-S01	1,050	-	1,050	-	-
FEDERAL EMERGENCY MANAGEMENT AGENCY, HOMELAND SECURITY, DEPARTMENT OF (via King County Office of Emergency Management)	Preparing for Emerging Threats and Hazards	97.133	EMW-02016-GR-00145-S01	2,033	-	2,033	-	-
Total CFDA 97.133:				3,083	-	3,083	-	
Total Federal Awards Expended:				16,486,653	45,781,259	62,267,912	14,813,873	

CITY OF TACOMA, WASHINGTON

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Tacoma's financial statements. Governmental fund financial statements use the modified accrual basis of accounting, and proprietary funds use the accrual basis of accounting.

NOTE 2 – INDIRECT COST RATE

The City of Tacoma has elected not to use the 10% de minimus indirect cost rate allowed under uniform guidance.

NOTE 3A – FEDERAL LOAN GUARANTEES

The Wastewater division was approved by the EPA to receive a loan totaling \$20,000,000 (excluding capitalized interest) to improve the central treatment plant electrical distribution system. The amount listed for this loan includes the beginning of the period loan balance plus proceeds used during the year. The balance owing at the end of the period is \$15,000,000.

NOTE 3B – FEDERAL LOAN GUARANTEES

- (1) Section 108 Loan issued by the U.S. Department of Housing and Urban Development (CFDA 14.248) in the amount of \$3,146,000 to the LeMay Museum. The loan term was amended in 2017 to be extended through August 2029. The outstanding balance as of 12/31/2021 is \$2,392,000.
- (2) The Bank of New York Mellon serves as the City's Custodian under a custodial agreement, disbursing the section 108 funds to borrowers, receiving loan repayments from the borrowers, and remitting the City's loan repayments to HUD.

NOTE 4 – NON-CASH AWARDS- EQUIPMENT

The City received equipment and supplies that were purchased with Homeland Security funds by the Pierce County Department of Emergency Management, and the Seattle Police Department. The amounts reported on the schedule are the value of the property on the date it was received by the City and priced by the Pierce County Department of Emergency Management and the Seattle Police Department.

NOTE 5 – PROGRAM COSTS

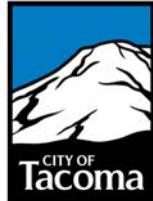
The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the City of Tacoma's portion, may be more than shown.

NOTE 6 – DONATED PPE

Donated PPE provided without any compliance or reporting requirements was received by the City. The fair market value of the PPE at the time of receipt was \$85,347.

NOTE 7 – 2020 Expenditures

2020 expenditures in the amount of \$128,850.08 were approved for reimbursement in 2021 and are reported on the 2021 SEFA.



City of Tacoma
Finance

CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER UNIFORM GUIDANCE

Finding ref number: 2021-001	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of City contact person: Kristy Magyar, Senior Financial Manager, 747 Market Street, Tacoma, WA 98402	
Corrective action the auditee plans to take in response to the finding on the CFDA/ALN 21.023 COVID-19 Emergency Rental Assistance Program: <i>The City of Tacoma takes its responsibility of financial stewardship seriously and Finance will work on the following to ensure that adequate internal controls are in place to identify subrecipients and contractors:</i> <ol style="list-style-type: none">1. Will review the subrecipient and contractor criteria outlined in 2 CFR 200.331.2. The City will inform vendors/providers that they will be subject to Title 2 CFR Part 200, Uniform Guidance section 332, requirements for pass-through entities.3. Develop a checklist based on criteria4. Educate & train department staff	
Anticipated date to complete the corrective action: Anticipated date to complete corrective action plan is by end of 2022 or by June of 2023.	

Finding ref number: 2021-002	Finding caption: The City's internal controls were inadequate for ensuring compliance with federal subrecipient monitoring requirements.
Name, address, and telephone of City contact person: Kristy Magyar, Senior Financial Manager, 747 Market Street, Tacoma, WA 98402	
Corrective action the auditee plans to take in response to the finding on the CFDA/ALN 21.027 COVID-19 Coronavirus State and Local Fiscal Recovery Funds:	

The City of Tacoma takes its responsibility of financial stewardship seriously and Finance will work on the following to ensure that adequate internal controls are in place to identify subrecipients and contractors:

1. Will review the subrecipient and contractor criteria outlined in 2 CFR 200.331
2. The City will inform vendors/providers that they will be subject to Title 2 CFR Part 200, Uniform Guidance section 332, requirements for pass-through entities.
3. Develop a checklist based on criteria
4. Educate & train department staff

Anticipated date to complete the corrective action: Anticipated date to complete corrective action plan is by end of 2022 or by June of 2023.

Finding ref number:	Finding caption:
2021-003	The City's internal controls were inadequate for ensuring compliance with federal suspension and debarment requirements.

Name, address, and telephone of City contact person:

Kristy Magyar, Senior Financial Manager, 747 Market Street, Tacoma, WA 98402

Corrective action the auditee plans to take in response to the finding:

City of Tacoma holds their responsibility for enabling internal controls to ensure compliance with federal requirements at the highest regard. Management is committed to ensuring the City has internal controls and procedures in place designed to ensure that it complies with all requirements governing the administration of federal grant programs. To achieve this, the City will take the following action in each of the areas listed below:

The City will:

1. Work with Legal and Procurement to update contract templates to add a clause, or condition into the contract that states the contractor is not suspended or debarred, or have contractor self-certify they not suspended or debarred or
2. Check System for Award Management for exclusion records and keep a record of that with the contract files.

Anticipated date to complete the corrective action: Anticipated date to complete corrective action plan is by end of 2022 or by June 2023.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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- Toll-free Citizen Hotline:
(866) 902-3900
- Email:
webmaster@sao.wa.gov

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

Tacoma, the county seat of Pierce County (the “County”), is located in the west central part of Washington State near the southern tip of Puget Sound. It is the third largest city in the State with a 2022 estimated population of 220,800. The City is located 32 miles south of the City of Seattle and 31 miles northeast of the City of Olympia, the State capital.

The historical population of the City and Pierce County is shown in the following table.

TABLE C-1: POPULATION⁽¹⁾

Year	Tacoma	Pierce County
2022	220,800	937,400
2021	218,700	928,200
2020	219,346	921,130
2019	211,400	888,300
2018	209,100	872,220

⁽¹⁾ Estimated; as of April 1.

Source: *Washington State Office of Financial Management, and the United States Census for 2020.*

The following are economic indicators for the City and Pierce County.

**TABLE C-2: PIERCE COUNTY
2020 MAJOR EMPLOYERS⁽¹⁾**

Employer	Sector	Number of Full Time Employees
Joint Base Lewis-McChord	Military	54,000
MultiCare Health System	Health Care	8,264
The State	Government	7,859
CHI Franciscan Health	Health Care	5,682
Tacoma School District	Education	3,649
The City and Tacoma Public Utilities	Government	3,623
Pierce County Government	Government	3,304
Puyallup School District	Education	2,711
Bethel School District	Education	2,689
Safeway and Albertsons	Retail	2,153

⁽¹⁾ Most recent data available.

Source: *Economic Development Board of Tacoma-Pierce County.*

TABLE C-3: RESIDENTIAL BUILDING PERMITS

New Single Family Units		New Multi-Family Units		
Year	Number	Value of Permits	Number	Value of Permits
2023 ⁽¹⁾	15	\$ 4,285,870	330	\$ 52,350,736
2022	149	42,296,423	1,391	200,409,861
2021	250	69,159,564	2,220	278,672,092
2020	241	66,921,678	691	103,200,698
2019	162	44,650,935	914	114,839,154

⁽¹⁾ Through February 2023.

Source: U.S. Bureau of the Census.

TABLE C-4: PIERCE COUNTY AND CITY OF TACOMA TAXABLE RETAIL SALES

Year	Pierce County	City of Tacoma
2022 ⁽¹⁾	\$ 17,846,554,351	\$ 5,285,940,129
2021	22,863,160,384	6,699,732,445
2020	19,407,955,285	5,700,693,214
2019	18,746,939,008	5,887,578,667
2018	17,592,771,533	5,821,935,082

⁽¹⁾ Through the third quarter. Through the third quarter in 2021, taxable retail sales for the County and City, respectively, were \$16,976,579,116 and \$4,917,368,370.

Source: Washington State Department of Revenue.

TABLE C-5: PIERCE COUNTY AND WASHINGTON STATE MEDIAN HOUSEHOLD INCOME

Year	Pierce County	Washington State
2021 ⁽¹⁾	\$ 81,720	\$ 81,998
2020 ⁽²⁾	80,236	80,319
2019	78,779	78,674
2018	71,208	72,297
2017	65,517	69,288

⁽¹⁾ Projection.

⁽²⁾ Preliminary estimates.

Source: Washington State Office of Financial Management.

**TABLE C-6: PIERCE COUNTY AND STATE OF WASHINGTON
TOTAL PERSONAL AND PER CAPITA INCOME**

Year	Pierce County		State of Washington	
	Total Personal Income (in thousands)	Per Capita Income	Total Personal Income (in thousands)	Per Capita Income
2021 ⁽¹⁾	\$ 57,004,972	\$ 61,580	\$ 570,920,801	\$ 73,775
2020	52,109,702	56,467	527,851,834	68,350
2019	47,881,885	52,389	490,322,144	64,189
2018	44,649,445	49,488	454,583,523	60,221
2017	42,207,931	47,583	426,442,657	57,265

⁽¹⁾ Latest available data.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Employment within the County is described in the following table:

**TABLE C-7: TACOMA METROPOLITAN AREA (PIERCE COUNTY)
RESIDENT CIVILIAN LABOR FORCE AND EMPLOYMENT AND AVERAGE CIVILIAN
NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT**

NAICS Industry Title	Annual Average					
	2023 ⁽¹⁾	2022	2021	2020	2019	2018
Residential Labor Force						
Civilian Labor Force	466,059	455,225	446,328	453,450	446,672	427,891
Total Employment	436,768	431,871	419,135	410,077	410,077	405,803
Total Unemployment	29,291	23,354	27,193	43,373	23,181	22,088
Unemployment Percent of Labor Force	6.3%	5.1%	6.1%	9.6%	5.2%	5.2%
	2023 ⁽¹⁾	2022	2021	2020	2019	2018
Total Nonfarm	335,200	334,350	320,992	311,775	326,450	320,583
Total Private	277,850	27,050	264,525	254,992	266,933	261,508
Goods Producing	43,750	43,883	42,467	41,717	43,200	42,167
Mining and Logging	400	367	375	325	300	300
Construction	26,800	26,617	25,425	24,775	25,167	24,475
Specialty Trade Contractors	17,800	17,500	16,775	16,475	16,725	16,025
Manufacturing	16,550	16,900	16,667	16,617	17,733	17,392
Services Providing	291,450	290,467	278,525	270,058	283,250	278,417
Trade, Transportation and Utilities	71,300	71,850	59,650	66,917	67,250	67,200
Wholesale Trade	13,450	13,258	12,683	12,558	13,375	13,158
Retail Trade	36,400	37,158	37,208	35,475	36,075	36,083
Food and Beverage Stores	6,700	6,667	6,742	6,475	5,992	5,942
General Merchandise Stores	9,400	9,433	9,292	8,817	8,875	8,842
Transportation and Utilities	21,450	21,433	19,758	18,883	17,800	17,958
Information	1,800	1,850	1,650	1,967	2,208	2,350
Financial Activities	14,350	14,483	14,483	14,83	14,708	14,733
Professional and Business Services	39,250	38,867	35,892	32,942	33,983	32,925
Admin, Support, Waste Mgmt & Remed.	25,050	25,217	23,167	20,875	22,350	21,808
Administrative and Support Services	22,800	23,033	21,017	19,000	20,625	20,150
Education and Health Services	61,050	59,333	58,242	57,142	56,942	54,742
Ambulatory Health Care Services	18,800	18,467	18,308	17,958	18,075	17,142
Hospitals	13,350	12,933	13,092	13,300	13,125	12,300
Leisure and Hospitality	33,200	33,767	29,900	27,208	33,975	33,050
Food Services and Drinking Places	27,350	27,542	24,550	22,633	27,400	26,758
Other Services	13,150	13,017	12,242	12,617	14,667	14,342
Government	57,350	57,300	56,467	56,783	59,517	59,075
Federal Government	11,250	11,217	11,350	11,700	11,892	11,817
State Government	9,800	9,875	10,467	10,833	11,167	11,442
State Government Educational Services	2,850	2,792	2,942	3,167	3,608	3,717
Local Government	36,300	36,208	34,650	34,250	36,458	35,817
Local Government Educational Services	19,850	20,075	19,008	18,992	20,367	20,067

⁽¹⁾ Preliminary average through February.
Source: Washington State Employment Security Department.

APPENDIX D

BOOK-ENTRY SYSTEM

The following information has been provided by DTC. The City makes no representation regarding the accuracy or completeness thereof. Beneficial Owners should therefore confirm the following with DTC or the Direct Participants (as hereinafter defined). Language in [brackets] with ~~strike through~~ has been deleted as permitted by DTC as it does not pertain to the Bonds.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for ~~[each issue of]~~ the Securities, ~~[each]~~ in the aggregate principal amount of such issue, and will be deposited with DTC. ~~[If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]~~

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

9. 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.

10. 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.

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

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”) is executed and delivered by the City of Tacoma, Washington (the “City”), in connection with the issuance by the City of its Limited Tax General Obligation Refunding Bonds, 2023 (the “Bonds”), pursuant to Ordinance No. 28890 of the City Council of the City (the “Council”), passed on June 20, 2023 (the “Bond Ordinance”). Pursuant to the Bond Ordinance, the City hereby covenants and agrees as follows:

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

Section 2. **Definitions.** In addition to the definitions set forth herein, in the Bond Ordinance 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.

Financial obligation means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of clause (A) or (B) of this definition. The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Official Statement related to the Bonds.

Participating Underwriter means the original underwriter of the Bonds required to comply with the Rule in connection with offering 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) ***Financial Statements/Operating Data.*** The City agrees to provide or cause to be provided to the MSRB, the following annual financial information and operating data for the prior fiscal year (commencing in 2023 for the fiscal year ended December 31, 2022):

(1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the City’s general fund prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) and generally of the type included in the Official Statement;

- (2) The assessed valuation of taxable property in the City;
- (3) Ad valorem taxes due and percentage of taxes collected;
- (4) Property tax levy rate per \$1,000 of assessed valuation; and
- (5) Outstanding general obligation debt of the City.

Items (2)-(5) shall be required only to the extent that such information is not included in the annual financial statements.

The information and data described above shall be provided on or before the last day of the ninth month after the end of the City's fiscal year. The City's fiscal year currently ends on December 31. The City 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 and operating data, the City may cross refer to other documents available to the public on the MSRB's internet website or filed with the Commission.

If not provided as part of the annual financial information discussed above, the City shall provide the City's audited annual financial statement prepared in accordance with the Budgeting Accounting and Reporting System prescribed by the Washington State Auditor pursuant to RCW 43.09.200 (or any successor statute) when and if available to the MSRB.

(b) *Listed Events.* The City further agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- Principal and interest payment delinquencies;
- Non-payment related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers, or their failure to perform;
- 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;
- Modifications to the rights of Bondholders, if material;
- Optional, contingent or unscheduled Bond calls other than scheduled sinking fund redemptions for which notice is given pursuant to Exchange Act Release 34-23856, if material, and tender offers;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership or similar event of the City;
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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;
- Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- Incurrence of a financial obligation of the City, if material, or agreements to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

Section 4. Notification Upon Failure to Provide Financial Data. The City agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of its failure to provide the annual financial information described in above on or prior to the date set forth in above.

Section 5. EMMA; Format for Filings with the MSRB. Until otherwise designated by the MSRB or the Commission, 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 ("EMMA"), currently located at www.emma.msrb.org. All notices, financial information and operating data required by this 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 this undertaking must be accompanied by identifying information as prescribed by the MSRB.

Section 6. Termination/Modification. The City's obligations to provide annual financial information and notices of listed events with respect to the Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of such Bonds. Any provision of this undertaking shall be null and void if the City (1) obtains an opinion of nationally recognized bond counsel to the effect that the portion of the Rule that requires that provision is invalid, has been repealed retroactively or otherwise does not apply to the Bonds and (2) notifies the MSRB of such opinion and the cancellation of all or any portion of this undertaking.

Notwithstanding any other provision of this certificate, the City may amend this certificate, and any provision of the undertaking contained herein may be waived, in accordance with Rule, which, as currently interpreted by the 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 City, or type of business conducted; (ii) the undertaking, as amended or waived, would have complied with the requirements of Rule at the time of the primary offering, after taking into account any amendments or interpretations of 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 City (such as bond counsel) or by the approving vote of holders of the Bonds.

In the event of any amendment or waiver of the undertaking provided for in this certificate, the City shall describe such amendment or waiver in the next annual report, and shall include 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 City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a listed event above, and (ii) the annual report for the year in which the change is made shall 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 7. Bond Owner's Remedies. The right of any bond owner or beneficial owner of Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the City's obligations under this undertaking, and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds. For purposes of this Certificate, "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 8. Responsible Officer; Dissemination Agent. The Finance Director (or his or her designee) is designated to carry out this undertaking in accordance with Rule 15c2-12. The City 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 July 6, 2023.

CITY OF TACOMA, WASHINGTON

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CITY OF TACOMA, WASHINGTON • LIMITED TAX GENERAL OBLIGATION REFUNDING BONDS, 2023



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