

Errata Sheet
to Official Statement Dated March 23, 2022
relating to



CITY OF TACOMA, WASHINGTON

\$86,425,000

SEWER REVENUE BONDS, 2022

The purpose of this Errata Sheet is to correct an error in the 6-digit base CUSIP numbers listed on the inside front cover page of the Official Statement dated March 23, 2022 (the “Official Statement”) relating to the above-referenced bonds. The CUSIP number information contained on the inside front cover page of the Official Statement is amended as follows. Except for such correction, the Official Statement is unchanged.

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP* Nos.
2022	\$ 485,000	5.00%	1.40%	102.319	873545LA3
2023	660,000	5.00	1.50	105.681	873545LB1
2024	700,000	5.00	1.74	108.404	873545LC9
2025	735,000	5.00	1.83	111.140	873545LD7
2026	770,000	5.00	1.90	113.731	873545LE5
2027	1,880,000	5.00	2.00	115.949	873545LF2
2028	1,975,000	5.00	2.05	118.249	873545LG0
2029	2,075,000	5.00	2.11	120.315	873545LH8
2030	2,175,000	5.00	2.16	122.295	873545LJ4
2031	2,280,000	5.00	2.23	123.927	873545LK1
2032	2,395,000	5.00	2.29*	123.341	873545LL9
2033	2,520,000	5.00	2.40*	122.274	873545LM7
2034	2,640,000	4.00	2.67*	111.245	873545LN5
2035	2,745,000	4.00	2.76*	110.439	873545LP0
2036	2,860,000	4.00	2.78*	110.261	873545LQ8
2037	2,975,000	4.00	2.80*	110.083	873545LR6
2038	3,090,000	4.00	2.82*	109.905	873545LS4
2039	3,215,000	4.00	2.84*	109.728	873545LT2
2040	3,340,000	4.00	2.86*	109.551	873545LU9
2041	3,475,000	4.00	2.88*	109.374	873545LV7
2042	3,620,000	4.00	2.91*	109.110	873545LW5
2043	3,760,000	4.00	2.94*	108.846	873545LX3

\$16,615,000, 4.00% Term Bond due December 1, 2047, yield 3.05%*, price 107.886, CUSIP** No. 873545MB0

\$19,440,000, 4.00% Term Bond due December 1, 2051, yield 3.15%*, price 107.022, CUSIP** No. 873545MF1

* Calculated to the par call date of December 1, 2031.

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

**Moody's Rating: "Aa2"
S&P's Rating: "AA+"
Fitch's Rating: "AA+"
See "RATINGS"**

In the opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel, under existing law and subject to certain qualifications described herein, the interest on the Bonds is excludable from gross income for federal income tax purposes. In addition, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX MATTERS" herein.



CITY OF TACOMA, WASHINGTON

\$86,425,000

SEWER REVENUE BONDS, 2022

DATED: Date of Initial Delivery

DUE: December 1, as shown on inside cover

The City of Tacoma, Washington (the "City"), Sewer Revenue Bonds, 2022 (the "Bonds"), will be issued as fully registered bonds in the name of Cede & Co., as Registered Owner and as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases and sales of the Bonds may be made in book-entry form only in denominations of \$5,000 or any integral multiple thereof within a maturity. Purchasers will not receive certificates representing their interest in the Bonds. See "THE BONDS."

The Bonds bear interest payable semiannually on each June 1 and December 1 to maturity or prior redemption, beginning December 1, 2022. The principal of and interest on the Bonds are payable by the fiscal agent of the state of Washington (the "Bond Registrar"), currently U.S. Bank Trust Company, National Association. For so long as the Bonds remain in a "book-entry only" transfer system, the Bond Registrar will make such payments only to DTC, which, in turn, is obligated to remit such principal and interest to DTC participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein under Appendix E—"BOOK-ENTRY SYSTEM." The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS—Redemption."

The Bonds are being issued to provide the funds necessary to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the City's municipal sewer system, which is comprised of two separate utilities, Wastewater Management and Stormwater Management (together, the "System"), and to pay costs of issuance of the Bonds. See "USE OF PROCEEDS."

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

The Bonds are secured by a pledge of the Gross Revenues of the System after payment of the Costs of Maintenance and Operation (as further defined herein, the "Net Revenues") and ULID Assessments, if any. The lien of the Bonds on Net Revenues and ULID Assessments is equal to the lien securing the Outstanding Parity Bonds (as defined herein) and superior to any other liens and charges of any kind. The City has reserved the right to issue additional bonds and other obligations on a parity of lien with the Bonds and the Outstanding Parity Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CITY PAYABLE ONLY FROM THE BOND FUND. THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE CITY OR THE STATE OF WASHINGTON (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE, OR A CHARGE UPON ANY GENERAL FUND OR UPON ANY MONEY OR OTHER PROPERTY OF THE CITY OR OF THE STATE, OR OF ANY POLITICAL SUBDIVISION OF THE STATE, NOT SPECIFICALLY PLEDGED BY THE BOND ORDINANCE. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

The City has not designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

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. A form of the proposed opinion of Bond Counsel is attached hereto as Appendix B. 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 ("FAST") on or about April 7, 2022.

CITY OF TACOMA, WASHINGTON
\$86,425,000
SEWER REVENUE BONDS, 2022

Maturity Year December 1	Principal Amounts	Interest Rates	Yields	Prices	CUSIP** Nos.
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* Calculated to the par call date of December 1, 2031.

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CITY OF TACOMA, WASHINGTON
747 MARKET STREET
TACOMA, WASHINGTON 98402
(253) 591-5000
www.cityoftacoma.org*

Elected Officials

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

City Officials

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

City Environmental Services Department

Michael P. Slevin III, P.E.	Environmental Services Director
Geoffrey M. Smyth, P.E.	Environmental Services Assistant Director
Christina Curran	Environmental Services Assistant Division Manager

Bond 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)

* 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.

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 those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The outbreak of the 2019 novel coronavirus (“COVID-19”) pandemic is a significant event that has had and could have ongoing effects on the finances and operations of the City. Certain historic information in this Official Statement about the finances and operations of the City and the System predate the outbreak of COVID-19, and should be considered in light of the possible negative effects the COVID-19 pandemic may have on the current and future finances and operations of the City and economy of the State of Washington. See “COVID-19 PANDEMIC” for a discussion of the effects, and potential future effects, of COVID-19 on the City.

No quotations from or summaries or explanations of the provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds. The cover page hereof and appendices attached hereto are part of this Official Statement.

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

The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof.

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 their expectations or events, conditions or circumstances on which such statements are based occur and specifically disclaims any such obligation.

The Bonds have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, in reliance upon a specific exemption contained in such act. The Bonds may, however, be subject to registration or qualification under the securities laws of various states, and may not be transferred in violation of such state laws. The registration or qualification of the Bonds in accordance with applicable provisions of the securities laws of the states in which the Bonds have been registered or qualified, if any, and exemption from registration or qualification in other states, shall not be regarded as a recommendation thereof. No state nor any state or federal agency 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

\$86,425,000

SEWER REVENUE BONDS, 2022

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 Sewer Revenue Bonds, 2022 (the “Bonds”).

The Bonds are to be issued pursuant to Ordinance No. 28804, passed by the City Council (the “Council”) on February 22, 2022 (the “Bond Ordinance”), and under and in accordance with the City Charter and the Constitution and laws of the State, including chapters 39.46 and 35.92 of the Revised Code of Washington (“RCW”). Capitalized terms not otherwise defined herein shall have the meanings set forth in Appendix A—“FORM OF THE BOND ORDINANCE.”

This Official Statement provides information concerning the City, the Bonds and the City’s municipal sewer system, which is comprised of two separate utilities: Wastewater Management and Stormwater Management (formerly referred to as Surface Water Management). Wastewater Management and Stormwater Management are referred to collectively herein as the “System.” Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Security and Sources of Payment for the Bonds

The Bonds are special limited obligations of the City payable from and secured solely by the funds and accounts specifically pledged for such purpose under the Bond Ordinance. The Bonds are secured by a pledge of the Gross Revenues of the System after payment of Costs of Maintenance and Operation (as further defined herein, the “Net Revenues”) and utility local improvement district (“ULID”) assessments (“ULID Assessments”), if any, levied in a ULID for the acquisition or construction of improvements to and extensions of the System if those assessments are pledged to be paid into the Bond Fund. The Bonds are issued with a lien on Net Revenues on a parity with the following System obligations (the “Outstanding Parity Bonds”):

- Sewer Revenue and Refunding Bonds, 2015 (the “2015 Bonds”), currently outstanding in the aggregate principal amount of \$98,820,000;
- Sewer Revenue Refunding Bonds, 2016A (the “2016A Bonds”), currently outstanding in the aggregate principal amount of \$26,060,000;
- Sewer Revenue Bonds, Series 2018 (the “2018 Bonds”), currently outstanding in the aggregate principal amount of \$96,605,000; and
- Sewer Revenue Bond, Series 2020 (Central Treatment Plant Electrical Distribution System Replacement Project (WIFIA –N19117WA) (the “2020 WIFIA Bond”), currently outstanding in the aggregate principal amount of \$15,787,140.⁽¹⁾

See “DEBT INFORMATION” herein. The City has reserved the right in the Bond Ordinance to issue additional bonds (“Future Parity Bonds”) and other obligations on a parity of lien on Net Revenues with the Outstanding Parity Bonds and the Bonds upon satisfaction of certain conditions. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Future Parity Bonds.” The Outstanding Parity Bonds, the Bonds and any Future Parity Bonds are collectively referred to herein as the “Parity Bonds.”

The Bonds are special fund revenue obligations of the City. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Bonds. The Bonds are not obligations of the State or any political subdivision thereof other than the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

COVID-19 Pandemic; Other Considerations

The outbreak of the 2019 novel coronavirus (“COVID-19”) is a significant event that continues to affect many parts of the world, including the State, the City and the local economy served by the City. Certain historic information in this Official Statement about the finances and operations of the City predate the outbreak of COVID-19 and should be considered in light of the negative effects the COVID-19 pandemic has had and is expected to continue to have on the current and future finances and operations of the City.

The summaries of and references to all documents, statutes, reports and other instruments referred to 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. All references herein to the Bonds and the Bond Ordinance are qualified in their entirety to the actual documents, copies of all of which will be available for inspection at the offices of the City.

In the preparation of 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 City has not committed itself to provide investors with updated forecasts or projections.

The Bonds may not be suitable for all investors. Prospective purchasers of the Bonds should give careful consideration to the information set forth in this Official Statement and confer with their own tax and financial advisors before deciding whether to purchase the Bonds.

This introduction is qualified in its entirety by reference to the entire Official Statement, and a full review of the Official Statement should be made by potential investors. This Official Statement speaks only as of its date, and the information contained in it is subject to change.

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 and will bear interest from their date, payable on December 1, 2022 and semiannually thereafter on June 1 and December 1 of each year until maturity or prior redemption, 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.

The Bonds will be issued in registered form, initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Bonds will be made initially in book-entry form only and purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Registered Owners or bond owners will mean Cede & Co. and will not mean the “Beneficial Owners” of the Bonds. In this Official Statement, the term “Beneficial Owner” will mean the person for whom a DTC participant acquires an interest in the Bonds. See Appendix E—“BOOK-ENTRY SYSTEM.”

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 a fiscal agent for bonds issued within the State. The State’s fiscal agent, currently U.S. Bank Trust Company, National Association (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 respective 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.

To pay the principal of and interest on the Bonds when due, the City will remit money from the City's Sewer Revenue Bond Fund (the "Bond Fund") to the Bond Registrar. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Bond Fund" herein. The Bond Registrar is obligated to remit such payments only to DTC, which, in turn, is obligated to remit such payments to DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds as described in Appendix E—"BOOK-ENTRY SYSTEM." 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 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.

The transfer of any Bond may be registered and Bonds may be exchanged as provided in the Bond Ordinance. Upon such surrender, 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 during the period between the preceding Record Date and the principal payment or redemption date.

Redemption

Optional Redemption. The Bonds maturing in years 2022 through 2031, inclusive, are not subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 2032 are subject to redemption at the option of the City, in whole or in part (and if in part, with maturities to be selected by the City) on any date on or after December 1, 2031 at a price equal to 100 percent of the principal amount to be redeemed, without premium, plus accrued interest, if any, to the date fixed for redemption.

Mandatory Redemption. The Bonds stated to mature on December 1, 2047 and 2051 are term bonds (together, "Term Bonds") and, if not previously redeemed under the optional redemption provisions or purchased by the City and surrendered for cancellation, are to be called for mandatory redemption at a price equal to 100% of the principal amount thereof, without premium, plus accrued interest to the date fixed for redemption, on the dates and in the principal amounts set forth below.

2047 TERM BONDS

Years (December 1)	Amounts
2044	\$ 3,915,000
2045	4,070,000
2046	4,230,000
2047 ⁽¹⁾	4,400,000

⁽¹⁾ Final maturity.

2051 TERM BONDS

Years (December 1)	Amounts
2048	\$ 4,580,000
2049	4,760,000
2050	4,950,000
2051 ⁽¹⁾	5,150,000

⁽¹⁾ Final maturity.

To the extent that the City redeems (other than in satisfaction of the mandatory sinking fund requirements) or purchases for cancellation any Term Bonds that are subject to mandatory redemption, the City may reduce the mandatory sinking fund requirement of such Term Bonds of the same maturity, in like aggregate principal amount for the year specified by the City.

Selection of Bonds for Redemption. For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a maturity to be redeemed shall be made by DTC in accordance with its operational procedures then in effect. If the Bonds are no longer held by a depository, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the Bond Ordinance. 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 Bond 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 or Bonds 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 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 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 any condition to such redemption has not been satisfied or waived or the notice has been rescinded or revoked, 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 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.

If notice of redemption has been given and not rescinded or revoked, 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 if the Bond Registrar then holds sufficient funds to pay such Bonds at the redemption price, then 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 herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

Open Market Purchase

The City has reserved the right at any time and at any price to purchase any of the Bonds offered to it from amounts in the Sewer Utility Fund available for such purchase.

Defeasance

In the event that the City, to effect the payment, retirement or redemption of any Bond, sets aside in the Bond Fund or in another special account, cash or noncallable "Government Obligations," as defined below, 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 the Bond 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 lien, benefit or security of the Bond Ordinance except the right to receive payment of principal, premium, if any, and interest from the Bond Fund or such special account, and such Bond shall be deemed to be not outstanding under the Bond Ordinance.

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 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

Purpose

The Bonds are being issued to provide the funds necessary to finance and/or reimburse the City for costs associated with the construction, improvement and equipping of the System and to pay costs of issuing the Bonds.

Proceeds from the sale of the Bonds 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.

Proceeds from the sale of the Bonds are expected to be used to finance the following capital improvements to the wastewater utility: pipe replacement, large trunk replacement and improvements, bio-tower replacement and improvements, digester rehabilitation, sediment tank upgrades, upgrades to pump station facilities, and additional projects identified through the asset management process.

Sources and Uses of Funds

The table below sets forth the sources and uses of funds in connection with the issuance of the Bonds (amounts in table have been rounded).

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

Sources of Funds	
Principal Amount of the Bonds	\$ 86,425,000
Original Issue Premium	9,305,896
Total Sources:	\$ 95,730,896
Uses of Funds	
Project Fund Deposit	\$ 95,000,000
Costs of Issuance ⁽¹⁾	730,896
Total Uses:	\$ 95,730,896

⁽¹⁾ Includes legal fees, rating agency fees, printing costs, Municipal Advisor fees, underwriter's discount, and other costs associated with the issuance of the Bonds.

Source: City of Tacoma

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of Net Revenues

The City has pledged as security for the payment of the principal of and interest and premium, if any, on all Parity Bonds, including the Bonds, subject to the provisions of the Bond Ordinance restricting or permitting the application thereof:

- (a) the proceeds of the sale of Parity Bonds to the extent held in funds established or continued by the Bond Ordinance,
- (b) Net Revenues and ULID Assessments, if any, and
- (c) the money and assets credited to the Sewer Utility Fund and the Bond Fund and the income therefrom.

The City does not currently have any utility local improvement districts outstanding. See "Utility Local Improvement Districts" herein. The pledge of Net Revenues, money and assets credited to the Sewer Utility Fund and Bond Fund and ULID Assessments constitutes a statutory lien and charge on the Net Revenues, the funds and ULID Assessments superior to all other charges of any kind or nature.

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

"Net Revenues" are defined in the Bond Ordinance to mean, for any period, the excess of Gross Revenues over Costs of Maintenance and Operation for such period, excluding from the computation of Gross Revenues (a) ULID Assessments, (b) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of properties, rights or facilities of the System, or (c) gains or losses resulting from the early extinguishment of debt.

"Gross Revenues" are defined in the Bond Ordinance to mean (a) all revenues received for the use of the System, (b) revenues received from the sale of by-products from a treatment facility of the System or from any other source for rental, use or services rendered by the System, (c) ULID Assessments, (d) the proceeds received by the City

from the sale or other disposition of any of the properties of the System, (e) investment income earned on money held in any fund or account of the City in connection with the ownership and operation of the System, including any bond redemption funds, and (f) federal or state reimbursement of operating expenses to the extent that such expenses are included as Costs of Maintenance and Operation, but excluding (i) insurance proceeds, (ii) investment income irrevocably pledged to the payment of any specific sewer revenue bonds of the City refunded or defeased pursuant to a plan of refunding adopted by the City, (iii) investment income earned on money in any rebate fund, and (iv) grants, gifts or donations. Amounts withdrawn from the Rate Stabilization Fund and deposited into the Sewer Utility Fund shall increase Gross Revenues for the period in which they are withdrawn, and amounts deposited in the Rate Stabilization Fund shall reduce Gross Revenues for the period during which they are deposited. See “Rate Stabilization Fund.”

“Costs of Maintenance and Operation” means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, insurance premiums and administrative expenses and reasonable pro-rata budget charges for services provided to the System by City departments, but excludes (a) payments for debt service or into debt service reserve accounts or funds, (b) costs of capital additions to or replacements of the System, (c) money necessary to pay extraordinary legal claims and judgments against the System or amortized payments to the City’s self-insurance fund with respect to extraordinary claims and judgments, (d) depreciation, (e) City taxes (or payments to the City in lieu of taxes) upon the properties and earnings of the System, and (f) any Rebate Amount.

The Bonds are special fund revenue obligations of the City. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Bonds. The Bonds are not obligations of the State or any political subdivision thereof other than the City.

Flow of Funds

A special fund of the City has been created and designated the “Sewer Utility Fund.” The City has covenanted and agreed that so long as any of the Parity Bonds are outstanding it will pay into the Sewer Utility Fund all Gross Revenues exclusive of ULID Assessments and earnings on money and investments in any construction fund, the Rate Stabilization Fund, the Bond Fund, and any rebate fund, which may be retained in such funds or accounts or transferred to other funds or accounts as permitted or required by the Bond Ordinance.

The amounts on deposit in the Sewer Utility Fund will be used only for the following purposes and in the following order of priority:

- (a) to pay or provide for Costs of Maintenance and Operation;
- (b) to make all payments required to be made into the Interest Account in the Bond Fund or to make any Payments under a Parity Payment Agreement;
- (c) to make all payments required to be made into the Principal Account and the Term Bond Retirement Account in the Bond Fund;
- (d) to make all payments pursuant to a reimbursement agreement ranking on a parity of lien with the Parity Bonds and entered into in connection with a Qualified Letter of Credit, Qualified Insurance or other equivalent credit facility with respect to the Reserve Fund, and into any other reserve fund created in the future for the payment of debt service on Parity Bonds; and to make all payments pursuant to a reimbursement agreement ranking on a parity of lien with the Parity Bonds and entered into in connection with a letter of credit, insurance or other equivalent credit enhancement with respect to Variable Interest Rate Bonds; provided that, if there is not sufficient money to make all payments under reimbursement agreements, the payments will be made on a pro-rata basis;
- (e) to make all payments required to be made into the Reserve Fund to secure the payment of any Covered Bonds, and into any other reserve fund created in the future for the payment of debt service on Parity Bonds;

- (f) to make all payments required to be made into any special fund or account created to pay or secure the payment of obligations issued having a lien upon amounts in the Sewer Utility Fund junior and inferior to the lien thereon for the principal of and interest on the Parity Bonds;
- (g) to pay any taxes (or payments in lieu of taxes) upon the System payable to the City; and
- (h) to make payments into the Rate Stabilization Fund or for any lawful purpose of the City related to the System.

Bond Fund

The Bond Fund will be used solely for the purposes of paying the principal of, premium, if any, and interest on Parity Bonds and retiring Parity Bonds prior to maturity in the manner provided in the Bond Ordinance or in any ordinance authorizing the issuance of a series of Parity Bonds. The City has irrevocably obligated itself to set aside and to pay into the Bond Fund all ULID Assessments and out of the Sewer Utility Fund certain fixed amounts sufficient (together with other available funds on hand and paid into the Bond Fund) to pay the principal of, premium, if any, and interest on the Bonds and all other Parity Bonds outstanding when due.

The Bond Fund contains four funds and accounts: the Interest Account, the Principal Account, the Term Bond Retirement Account, and the Reserve Fund. At the option of the City, separate funds and accounts may be created in the Bond Fund for the purpose of paying or securing the payment of principal, premium, if any, and interest on any series of Parity Bonds. The fixed amounts to be paid into the Bond Fund, to the extent that such payments are not made from ULID Assessments, bond proceeds or from other legally available money, shall be made out of the Sewer Utility Fund in the following order of priority: first, into the Interest Account; second, into the Principal Account and Term Bond Retirement Account; and third, into the Reserve Fund. The City may create subaccounts within such funds and accounts for the purpose of paying the Bonds.

Interest Account. In the case of all Parity Bonds, no later than the day prior to the date on which an installment of interest is due on any Parity Bonds, the City will transfer from the Sewer Utility Fund to the Interest Account an amount (together with other money as is on hand and available in such Account) equal to the installment of interest then due on all outstanding Parity Bonds.

Principal Account and Term Bond Retirement Account. No later than the day prior to the date upon which an installment of principal on Parity Bonds that are Serial Bonds is due, the City will transfer from the Sewer Utility Fund to the Principal Account an amount (together with such other money as is on hand and available in such Account) equal to the installment of principal then due on all outstanding Parity Bonds that are Serial Bonds.

No later than the day prior to the date upon which the principal amount of Term Bonds required to be purchased or redeemed in that year (the "Sinking Fund Requirement") is due, the City will transfer from the Sewer Utility Fund to the Term Bond Retirement Account an amount (together with such other money as is available and on hand in such account) equal to the Sinking Fund Requirement for such date.

Reserve Fund for Covered Bonds. The City has established a Reserve Fund that serves as a common reserve, securing the repayment of those Parity Bonds that are designated as "Covered Bonds" in the ordinance authorizing their issuance. "Covered Bonds" are defined as the 2015 Bonds, and those Future Parity Bonds designated in the Parity Bond Ordinance authorizing their issuance as Covered Bonds secured by the Reserve Fund. ***The Bonds are not issued as Covered Bonds and are not secured by funds on deposit in the Reserve Fund or any other reserve fund. The Reserve Fund Requirement for the Bonds is zero (\$0).***

Amounts on deposit in the Reserve Fund secure the repayment of the 2015 Bonds and any Future Parity Bonds designated in the Parity Bond Ordinance authorizing their issuance as Covered Bonds secured by the Reserve Fund. The Reserve Fund Requirement for any Covered Bonds secured by the common Reserve Fund as of any date an amount equal to the lesser of (1) the Maximum Annual Debt Service for Covered Bonds then outstanding, (2) 125% of average Annual Debt Service for Covered Bonds then outstanding, or (3) 10% of the initial face amount of the Covered Bonds then outstanding; provided, however, that the dollar amount required to be contributed, if any, as a result of the issuance of a series of Future Parity Bonds shall not be greater than the maximum dollar amount

permitted by the Code to be allocated to a reserve fund from tax-exempt bond proceeds without requiring a balance to be invested at a restricted yield (the “Maximum Reserve Requirement”). If the dollar amount required to be contributed at the time of issuance of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement, then the amount required to be contributed shall be equal to the Maximum Reserve Requirement. “Annual Debt Service” means the amount required to be paid in a calendar year for (a) interest due in such calendar year on all Parity Bonds, (b) principal of all Serial Bonds due in such calendar year, and (c) any Sinking Fund Requirement for such calendar year, calculated as provided in the Bond Ordinance. The City has satisfied the Reserve Fund Requirement for the 2015 Bonds through the acquisition of a Municipal Bond Debt Service Reserve Insurance Policy (the “Policy”) from Build America Mutual Assurance Company. The Policy has a maximum limit of \$8,234,107 and expires on the earlier of the final maturity date of the 2015 Bonds (December 1, 2045) and the date the 2015 Bonds are no longer outstanding under the authorizing ordinance.

The 2016 Bonds were initially issued as Covered Bonds. As permitted in the Parity Bond Ordinance authorizing the issuance of the 2016 Bonds, on October 30, 2018, the City elected to establish a new Reserve Fund Requirement for the 2016 Bonds (the new Reserve Fund Requirement for the 2016 Bonds as of such date is zero (\$0)). As a result, from such date the 2016 Bonds are no longer considered Covered Bonds and the payment of the principal of and interest on the 2016 Bonds is no longer secured by amounts on deposit in the Reserve Fund or any other reserve fund of the City. The 2018 Bonds and the 2020 WIFIA Bond are not Covered Bonds. The Reserve Fund Requirement for the 2018 Bonds and the 2020 WIFIA Bond is zero.

In connection with the issuance of each series of Future Parity Bonds, the City may elect to designate such bonds as Covered Bonds secured by the Reserve Fund or may establish a separate reserve fund and a separate Reserve Fund Requirement for such bonds, if any. The Reserve Fund Requirement for such Future Parity Bonds, which may be zero, will be set forth in the Parity Bond Ordinance authorizing the issuance of such bonds.

See Appendix A for additional terms and definitions related to the Reserve Fund and the Reserve Fund Requirement.

Rate Stabilization Fund

A special fund of the City designated the “Rate Stabilization Fund” (the “Rate Stabilization Fund”) has been established in the Sewer Utility Fund. In accordance with the priorities set forth above under “Flow of Funds,” the City may from time to time deposit Net Revenues into the Rate Stabilization Fund and may from time to time withdraw amounts therefrom to enhance rate stability or for other lawful purposes of the City related to the System. As of December 1, 2021, the balance in the Rate Stabilization Fund was \$25,000,000. See “Rate Covenant.”

Future Parity Bonds

The City reserves the right to issue Future Parity Bonds from time to time as may be required for any lawful purpose of the City relating to the System, including but not limited to acquiring, constructing and installing additions and improvements to and extensions of the System, acquiring necessary equipment for the System, or making necessary renewals, replacements or repairs and capital improvements to the System and refunding any outstanding indebtedness.

The City has covenanted that Future Parity Bonds will be issued only upon compliance with the following conditions:

- (a) At the times of the issuance of the Future Parity Bonds there may not be any deficiency in the Bond Fund or in any of the funds or accounts therein.
- (b) With respect to Covered Bonds, the ordinances authorizing the issuance of the Future Parity Bonds must require that the following amounts will be paid into the Reserve Fund in the Bond Fund:
 - (i) from the proceeds of such Future Parity Bonds, an amount such that the amount on deposit in the Reserve Fund, allowing for any amount covenanted in an ordinance

authorizing the issuance of outstanding Parity Bonds to be paid into the Reserve Fund over five years, is equal to the Reserve Fund Requirement, or

- (ii) from the Sewer Utility Fund in approximately equal monthly payments, such amounts and at such times so that by no later than five years from the date of issuance of such Future Parity Bonds or by the final maturity established for such series of Future Parity Bonds, whichever occurs first, there will be credited to the Reserve Fund an amount equal to the Reserve Fund Requirement.

Upon the issuance of any series of Future Parity Bonds, the City will recalculate the Reserve Fund Requirement, which will become effective as of the date of recalculation.

- (c) If the Future Parity Bonds are being issued to pay costs incurred or to be incurred for purposes other than refunding purposes, there must be on file with the City Clerk either:

- (i) a certificate of the Finance Director of the City stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the delivery of the proposed Future Parity Bonds, as determined from the financial statements of the System, was not less than 1.25 times Maximum Annual Debt Service minus the amount of ULID Assessments due in that year and not delinquent (“Maximum Adjusted Annual Debt Service”) on all outstanding Parity Bonds and the proposed Future Parity Bonds.

In issuing such certificate the Finance Director shall reflect in the certificate the Net Revenues he or she estimates would have been collected in such 12 month period if the Council at any time on or prior to the date of delivery of the bonds proposed to be issued had adopted any adjustment in the rates, fees and charges collected by the City for the services to the System if such new rates, fees and charges had been in effect for the entire 12 month period, or

- (ii) a certificate of an Engineer or a Certified Public Accountant (the “Accountant”) showing that the “Adjusted Net Revenues” (as described below) for each calendar year during the life of the bonds proposed to be issued will equal at least 1.25 times Maximum Adjusted Annual Debt Service on all outstanding Parity Bonds and the proposed Future Parity Bonds.

“Adjusted Net Revenues” will be the Net Revenues for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of the proposed Future Parity Bonds (the “Base Period”) as adjusted by such Engineer or Accountant to take into consideration changes in Net Revenues estimated to occur under the following conditions for each year after such delivery for so long as any Parity Bonds, including the proposed Future Parity Bonds, will be outstanding:

- (1) the additional Net Revenues that would have been received if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of the Base Period and effective within 12 months had been in force during the full Base Period;
- (2) the additional Net Revenues that would have been received if any facility of the System that became fully operational after the beginning of the Base Period had been so operating for the entire Base Period;
- (3) the additional Net Revenues estimated by the Engineer or Accountant to be received as a result of any additions and improvements to and extensions of any facilities of the System which (a) are under construction at the time of such certificate or (b) will be constructed or acquired from the proceeds of the Future Parity Bonds to be issued;

- (4) the additional Net Revenues that would have been received if any customers added to the System during the Base Period or subsequent thereto were customers for the entire Base Period; and
- (5) ninety percent of the additional Net Revenues estimated by such Engineer or Accountant to be derived from the new customers that will be added to the System in the first 12 months after the completion of the construction of the improvements to be made thereto or from acquisitions out of the proceeds of the sale of such Future Parity Bonds.

The Engineer or Accountant may rely upon financial statements of the System, certified by the Finance Director, showing income and expenses for the period upon which the same is based.

For purposes of satisfying the requirements for the issuance of Future Parity Bonds, Annual Debt Service for any Fiscal Year or calendar year shall exclude receipts of the City that are not included in Gross Revenues and that are legally available to pay debt service on Parity Bonds, including without limitation federal interest subsidy payments, designated as such by the City (“Debt Service Offsets”) that have been received or are expected to be received in such Fiscal Year or calendar year.

Future Parity Bonds shall not be subject to acceleration under any circumstances, including, without limitation, upon the occurrence and continuance of an Event of Default. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

In connection with the issuance of the Bonds as Parity Bonds, the City will deliver a certificate of the Finance Director under subsection (c)(i) above.

Refunding Bonds. If any Future Parity Bonds are issued for refunding purposes, and the refunding results in a present value monetary saving to the City and does not require an increase of more than \$5,000 in debt service payments to be paid in any fiscal or calendar year thereafter than would have been paid in the same period for Annual Debt Service on the Parity Bonds being refunded, then certification of sufficient Net Revenues will not be required.

Junior Lien Obligations. Nothing in the Bond Ordinance prevents the City from issuing bonds, notes, warrants, or other obligations payable from and secured by a lien and charge junior to the lien and charge of the Parity Bonds. The City has covenanted in the Bond Ordinance that a default on any such junior lien bonds will not constitute a default on the Parity Bonds and that the City will not permit, an acceleration of such junior lien bonds in the event of a default on such bonds.

Rate Covenant

The City has covenanted in the Bond Ordinance that so long as the Bonds are outstanding it will establish, maintain and collect rates or charges in connection with the ownership and operation of the System that will be fair and nondiscriminatory and adequate to provide Gross Revenues sufficient for:

- (a) the payment of the principal of and interest on all Parity Bonds (for which payment has not otherwise been provided) and all amounts that the City is obligated to set aside in the Bond Fund,
- (b) the proper operation and maintenance of the System, and
- (c) the payment of all amounts that the City may now or hereafter become obligated to pay from Gross Revenues.

The City has further covenanted to establish, maintain and collect rates or charges in connection with the ownership and operation of the System sufficient to provide Net Revenues in any calendar year after the date of issuance of the

Bonds in an amount equal to at least 1.25 times* the Adjusted Annual Debt Service (the “Rate Covenant”). “Adjusted Annual Debt Service” is defined as Annual Debt Service minus an amount equal to ULID Assessments due in that year and not delinquent and any Capitalized Interest to be paid with respect to Parity Bonds.

Solely for purposes of calculating the Rate Covenant, any amount that has been withdrawn from the Rate Stabilization Fund in a Fiscal Year and deposited into the Sewer Utility Fund in such Fiscal Year will be added to Gross Revenues of that Fiscal Year, and any amount withdrawn from the Sewer Utility Fund and deposited into the Rate Stabilization Fund will be subtracted from Gross Revenues. Credits to or from the Rate Stabilization Fund that occur within 90 days after the end of a Fiscal Year may be treated as occurring within such Fiscal Year.

For purposes satisfying the Rate Covenant, Annual Debt Service for any Fiscal Year or calendar year shall exclude Debt Service Offsets that have been received or are expected to be received in such Fiscal Year or calendar year.

Additional Covenants

The City has covenanted in the Bond Ordinance to maintain the properties of the System in good repair, working order, and condition; to sell or otherwise dispose of the System in its entirety only if provision is made for the payment, redemption or retirement of all Parity Bonds then outstanding, and in part only upon satisfaction of certain conditions; to insure (or self-insure) the properties of the System; to not provide sanitary and storm sewage collection and disposal service to any customer free of charge unless otherwise permitted by law or City legislation; to keep proper books of account of the System; and to satisfy certain other covenants for the benefit of the owners of the Bonds. See Appendix A—“FORM OF THE BOND ORDINANCE” for a complete description of these and other covenants agreed to by the City for the benefit of the owners of the Bonds.

Utility Local Improvement Districts

The City has no ULIDs with assessments currently outstanding. However, the City has reserved the right to create ULIDs in the future and to issue Future Parity Bonds to finance improvements within a ULID, consistent with the certain conditions set forth in the Bond Ordinance. In such event, ULID Assessments will be paid directly into the Bond Fund.

General Description. Under State law (chapter 35.43 RCW), a city may establish ULIDs to pay in whole or in part the costs of certain improvements and may levy special assessments on all property specially benefited by any such improvement, with the amount of the assessment based on the special benefit to each parcel within the district. A city must permit each property owner to pay its assessment in full within a 30 day prepayment period and to pay the remaining outstanding balance in annual installments of principal and interest.

Lien of Assessments. State law (chapter 35.50 RCW) provides that assessments will be a lien on the property assessed from the time the assessment roll is placed in the hands of the county treasurer for collection, and that interest and penalty shall be included in and become part of the assessment lien, which lien is paramount to all other liens theretofore or thereafter created except the lien for general property taxes. The manner in which delinquent assessments may be foreclosed is set forth in chapter 35.50 RCW. Foreclosure proceedings may be initiated if on the first day of January two installments of any assessment are delinquent, or if the final installment has been delinquent for more than one year. Property foreclosed upon is sold by the city, and the laws governing appeals from general tax foreclosure judgments apply similarly to appeals from judgments obtained in a local improvement assessment lien foreclosure action. Proceeds of the sale of any property foreclosed upon in the manner required by law up to the amount of the unpaid assessment and interest and penalties thereon, are deposited into and become a part of the Bond Fund.

Impact of State Homestead Exception Upon Local Improvement District Financing. Chapter 6.13 RCW permits the owner of a residence to protect a certain portion of the homestead (residence) from forced sale. The Washington Legislature recently adopted ESSB 5408 increasing the homestead exemption amount from \$125,000 to the greater

* Previously, the debt service coverage ratio for the System was 1.30 times the Adjusted Annual Debt Service. This higher ratio is referenced in the financial statements attached hereto as Appendix C.

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).

Parity Payment Agreements

The City has reserved the right in the Bond Ordinance to enter into written agreements from time to time with a qualified counterparty for the purpose of managing or reducing the City's exposure to fluctuations or levels of interest rates, currencies or commodities or for other interest rate, investment, asset or liability management purposes (a "Payment Agreement"). A payment ("Payment") under a Payment Agreement may be made on parity with the Parity Bonds if the Payment Agreement satisfies the requirements for Future Parity Bonds described in the Bond Ordinance, taking into consideration regularly scheduled Payments and receipts (if any) under the Payment Agreement. The City does not currently have any Payment Agreements outstanding. See Appendix A—"FORM OF THE BOND ORDINANCE" for a description of the conditions that must be satisfied prior to the execution of a Parity Payment Agreement and other related provisions.

Nothing described above will preclude the City from entering into Payment Agreements with a claim on Net Revenues junior to that of the Bonds. Furthermore, nothing described above will preclude the City from entering into obligations on a parity with the Bonds in connection with the use of Payment Agreements or similar instruments if the City obtains an opinion of Bond Counsel that the obligations of the City under the Payment Agreements or similar instruments are consistent with the Bond Ordinance.

Reimbursement Obligations

If the City elects to meet the requirements of the Bond Ordinance with respect to the Reserve Fund as to any issue of Parity Bonds through the use of a Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement, the City may contract with the entity providing the Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds.

If the City additionally elects to secure any issue of Variable Interest Rate Bonds through the use of a letter of credit, insurance or other equivalent credit enhancement, the City may contract with the entity providing such letter of credit, insurance or other equivalent credit enhancement that the City's reimbursement obligation, if any, to such entity ranks on a parity of lien with the Parity Bonds; provided, that the payments due under the reimbursement agreement are such that if the reimbursement obligation were a series of Future Parity Bonds, such Future Parity Bonds could be issued in compliance with the provisions concerning the same.

Additional Terms of the Bond Ordinance

The Bond Ordinance sets forth provisions related to amending the Bond Ordinance, with and without the consent of owners of Parity Bonds. See Appendix A—"FORM OF THE BOND ORDINANCE" for provisions related to amendments and other terms of the Bonds.

DEBT INFORMATION

Description of Outstanding Parity Bonds

Parity Bonds. As of the date of issuance of the Bonds, the following Parity Bonds are expected to be outstanding (amounts in table have been rounded to the nearest dollar):

**TABLE 2:
OUTSTANDING PARITY BONDS**

Series	Dated Date	Maturity Date (December 1)	Authorizing Ordinance	Original Principal Amount	Outstanding Principal Amount
2015 Bonds	03/18/2015	2045	28278	\$ 109,300,000	\$ 98,820,000
2016A Bonds	06/15/2016	2038	28355	31,855,000	26,060,000
2018 Bonds	11/28/2018	2048	28534	100,945,000	96,605,000
2020 WIFIA Bond	09/28/2020	2054	28960	20,926,210 ⁽¹⁾	15,787,140 ⁽¹⁾
The Bonds	04/07/2022	2051	28804	86,425,000	86,425,000
Total				\$ 349,451,210	\$ 323,697,140

⁽¹⁾ The 2020 WIFIA Bond was issued as a draw down bond. The outstanding principal amount shown reflects the sum of draws on the 2020 WIFIA Bond plus capitalized interest. The City expects to make an additional draw on the 2020 WIFIA Bond on or around October 1, 2022 in the approximate amount of \$5,000,000 for reimbursement of qualified project costs. See “2020 WIFIA Bond” below.

Source: City of Tacoma

2020 WIFIA Bond. On September 28, 2020, the City entered into a WIFIA Loan Agreement for up to \$20,926,209.78 (including capitalized interest) (the “WIFIA Loan”) with the United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency, as administrator (the “WIFIA Lender”) to provide financing for the Central Wastewater Treatment Plant electrical distribution replacement project (the “Central Treatment Plant Electrical Distribution Replacement Project”). The WIFIA Loan is evidenced by the 2020 WIFIA Bond.

The 2020 WIFIA Bond was issued as a draw down bond in an aggregate principal amount of not to exceed \$20,000,000.00 for project costs (excluding capitalized interest) solely to pay costs of the Central Treatment Plant Electrical Distribution Replacement Project. The City drew on the 2020 WIFIA Bond in 2021 for project costs in the amount of \$15,026,874.91, plus capitalized interest in the aggregate amount of \$760,265.51, for an outstanding loan balance of \$15,787,140.42. The City expects to make an additional draw on the 2020 WIFIA Bond on or around October 1, 2022 in the approximate amount of \$5,000,000 for reimbursement of qualified project costs. The 2020 WIFIA Bond has a final maturity date of January 1, 2054, unless earlier paid, with annual principal payment dates beginning on December 1, 2026. The 2020 WIFIA Bond bears interest at a rate of 1.20% per annum, payable semiannually on each June 1 and December 1. The 2020 WIFIA Bond is subject to prepayment at the option of the City at any time at par plus accrued interest to the date of prepayment.

The 2020 WIFIA Bond is a Parity Bond, entitled to all of the benefits of a Parity Bond, and payable solely from Net Revenues and amounts in the Bond Fund. The City has covenanted in the WIFIA Loan Agreement for the benefit of the WIFIA Lender to engage a technical and rate consultant to review and analyze the operations of the System and make recommendations in certain circumstances. The City has further agreed to apply project insurance in the event of a loss to repair or replace the project and, in some circumstances, to prepay the Parity Bonds, including the 2020 WIFIA Bond. If an event of default has occurred and is continuing under the WIFIA Loan Agreement, WIFIA Lender consent is required for the issuance of additional debt payable from System revenues. The City has agreed not to provide holders of Parity Bond or subordinate lien obligations with the right to accelerate such obligations. The City also has agreed not to adopt any supplemental ordinances that amend the pledge of revenues, the rate covenant, or any other amendment or waiver that could result in a material adverse effect without WIFIA Lender consent. Events of default under the 2020 WIFIA Bond include payment defaults, covenant and misrepresentation defaults, the acceleration of any Parity Bond obligations, cross default of any System obligation, materially adverse

judgments, failure to maintain existence, the occurrence of a bankruptcy-related event, project defaults, invalidity and cessation of System operations. Remedies include suspension or termination of rights to draw on the 2020 WIFIA Bond (including permitting capitalized interest), mandamus and suspension and disbarment from federal programs in addition to the rights and remedies of Parity Bond owners. In the event of a payment default or project abandonment, the default interest rate applies (equal to the interest rate on the 2020 WIFIA Bond plus 500 basis points).

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Schedule of Parity Bond Debt Service

The following table shows the scheduled debt service for the Outstanding Parity Bonds and the Bonds as of the date of issuance of the Bonds. Amounts in the following table have been rounded to the nearest dollar.

**TABLE 3:
SCHEDULE OF PARITY BOND DEBT SERVICE**

Year ⁽²⁾	Outstanding Parity Bonds ⁽¹⁾		The Bonds		Total ⁽³⁾
	Principal	Interest	Principal	Interest	
2022	\$ 7,195,000	\$ 9,493,272	\$ 485,000	\$ 2,368,275	\$ 19,541,547
2023	7,450,000	9,250,152	660,000	3,619,250	20,979,402
2024	7,755,000	8,934,909	700,000	3,586,250	20,976,159
2025	8,100,000	8,591,017	735,000	3,551,250	20,977,267
2026	8,888,371	8,269,496	770,000	3,514,500	21,442,367
2027	9,238,872	7,910,383	1,880,000	3,476,000	22,505,255
2028	9,674,438	7,489,866	1,975,000	3,382,000	22,521,304
2029	10,095,072	7,048,571	2,075,000	3,283,250	22,501,893
2030	10,515,773	6,638,395	2,175,000	3,179,500	22,508,668
2031	10,941,542	6,210,525	2,280,000	3,070,750	22,502,817
2032	11,447,380	5,705,262	2,395,000	2,956,750	22,504,392
2033	11,968,289	5,184,766	2,520,000	2,837,000	22,510,055
2034	12,429,268	4,724,149	2,640,000	2,711,000	22,504,417
2035	12,905,320	4,245,423	2,745,000	2,605,400	22,501,143
2036	13,396,443	3,747,974	2,860,000	2,495,600	22,500,017
2037	7,972,641	3,226,576	2,975,000	2,381,200	16,555,417
2038	8,278,912	2,922,305	3,090,000	2,262,200	16,553,417
2039	6,500,259	2,605,958	3,215,000	2,138,600	14,459,817
2040	6,751,682	2,360,935	3,340,000	2,010,000	14,462,617
2041	7,018,183	2,096,235	3,475,000	1,876,400	14,465,818
2042	7,314,761	1,799,756	3,620,000	1,737,400	14,471,917
2043	7,621,418	1,490,049	3,760,000	1,592,600	14,464,067
2044	7,943,155	1,166,662	3,915,000	1,442,200	14,467,017
2045	8,244,973	864,844	4,070,000	1,285,600	14,465,417
2046	4,471,873	551,145	4,230,000	1,122,800	10,375,818
2047	4,628,855	388,562	4,400,000	953,600	10,371,017
2048	4,795,921	219,896	4,580,000	777,600	10,373,417
2049	603,072	44,745	4,760,000	594,400	6,002,217
2050	610,309	37,508	4,950,000	404,000	6,001,817
2051	617,633	30,184	5,150,000	206,000	6,003,817
2052	625,044	22,773	-	-	647,817
2053	632,545	15,272	-	-	647,817
2054	640,135	7,682	-	-	647,817
Total⁽³⁾	\$ 237,272,140	\$ 123,295,245	\$ 86,425,000	\$ 67,421,375	\$ 514,413,761

(1) See Table 2. Years 2022 through 2025 include capitalized interest on the 2020 WIFIA Bond.

(2) Based on Fiscal Years ending December 31.

(3) Totals may not foot due to rounding.

Source: The City of Tacoma and the Municipal Advisor

Subordinate Lien Obligations

The City has issued, and retains the right to issue, revenue obligations with a subordinate lien on Net Revenues. The City has the following subordinate lien loans outstanding as of the date hereof. These loans are secured by a pledge of and lien on Net Revenue subordinate to the pledge and lien thereon of the Parity Bonds. The following loans were provided by the Washington State Department of Ecology through its revolving fund loan programs. These loans are low-interest loans from the State for repair, replacement, rehabilitation, reconstruction and improvements to water, sewer, and stormwater systems. The related loan agreements provide that, upon an event of default, the State may declare the loan immediately due and payable. This remedy is, however, made expressly subject to the prior lien and charge of then outstanding Parity Bonds.

**TABLE 4:
OUTSTANDING SUBORDINATE LIEN OBLIGATIONS
AS OF DECEMBER 1, 2021⁽¹⁾**

Loan Number	Loan Amount Received	Date Issued	Outstanding Principal⁽²⁾	Interest Rate	Final Loan Payment Due
L1000007	\$ 473,806	06/2011	\$ 251,954	2.90%	12/2030
L040006A	53,491,420	08/2007	19,716,770	1.50	04/2028
L040006B	21,686,847	04/2008	8,570,451	2.60	04/2028
EL190413	3,247,000	07/2018	73,376	0.70	07/2027
EL200385	2,797,752	07/2019	44,929	2.00	07/2044
EL210166	2,626,625	09/2021	2,554,668	1.20	03/2041
Total Outstanding			\$ 31,212,148		

⁽¹⁾ Table includes subordinate lien obligations only. Table does not include a loan from the State under its local agency financing program. This loan is a limited tax general obligation of the City. The City expects to use Net Revenues for the repayment of the loan, but such Net Revenues have not been pledged for such purpose. See “LOCAL Program Loan” below.

⁽²⁾ Reflects outstanding principal amount for loans fully funded and amount drawn for loans still in the draw period.

Source: City of Tacoma

LOCAL Program Loan. On July 21, 2020, the City entered into a Local Agency Site Lease, by and between the Washington Finance Officers Association and the City, and a Local Agency Financing Lease (together, the “Leases”), by and between the State and the City. Under the terms of the Leases, the State loaned \$12,795,000 in aggregate principal amount (the “Loan”) from the proceeds of the State’s Certificates of Participation, Series 2020C (Taxable) (Local Agency Real Property) dated July 21, 2020 to the City for the purpose of financing the acquisition of real property, equipment, improvements, and fixtures at the City’s Central Wastewater Treatment Plant. The City is obligated to repay principal of and interest on the Loan at the times and in the amounts provide for in the Leases. The fixed rate of interest is 2.12% per annum and payments are due semiannually over the 20 year term. The City’s obligation to repay the Loan is a limited tax general obligation of the City, secured by a pledge of the full faith and credit of the City. The City has budgeted for and expects to use available Net Revenues to repay the Loan (after the payments provided for in subsections (a) through (g) under “SECURITY AND SOURCES REPAYMENT FOR THE BONDS—Flow of Funds”), but such revenues have not been pledged for such purpose. The use of Net Revenues for such purpose is subordinate to the payment of the Parity Bonds and any subordinate lien obligations.

Debt Payment Record

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

Future Financing

Other than the Bonds, the City has no authorized but unissued bonds secured by Net Revenues. The City does not expect to issue Future Parity Bonds secured by Net Revenues in the next 12 months.

The City expects to issue a subordinate lien obligation in March 2022 in the approximate amount of \$14.6 million (preliminary, subject to change) under the State’s revolving fund loan program for the construction of the Central Wastewater Treatment Plant. This loan is scheduled for consideration by City Council on March 22, 2022.

THE SYSTEM

General Information

Community sewers were first constructed in Tacoma in 1880. Construction of main sewers and a wastewater treatment plant (now known as the Central Wastewater Treatment Plant) to serve central, southern and eastern parts of Tacoma began in 1949. The current System serves the majority of the area within the City limits. In addition to providing wastewater service within the City, the System provides sewage treatment and disposal services to customers located in the city of Fife, the town of Ruston, the city of Fircrest and in certain unincorporated areas of Pierce County (the “County”) pursuant to interlocal agreements between the City and those jurisdictions. The interlocal agreements with the County, Ruston, Fircrest, and Fife expire in 2026, 2071, 2049 and 2046, respectively. For the year ended December 31, 2021, the City had 77,871 wastewater customers and 71,318 stormwater customers, including residential, commercial/industrial, and contract customers. See “Historical Number of Customers” below and Table 11.

The System comprises two separate utilities: Wastewater Management and Stormwater Management. The System is administered within the City’s Environmental Services Department (the “Department”). Wastewater Management and Stormwater Management are presented together as an enterprise fund within the Department under the provisions of the City Charter and are included in the City’s Annual Comprehensive Financial Report. The Department is responsible for the planning, design, construction, operation, and maintenance of the facilities comprising the System and the City’s solid waste utility. The Department manages stormwater generated within the City as well as stormwater that flows into the System from areas outside the City. For management and employee information for the City and the Department, see “THE CITY OF TACOMA.”

City Gross Earnings Tax

The Tacoma City Charter allows the City to impose a gross earnings tax not exceeding eight percent on the System revenue. The gross earnings tax currently imposed on the System is eight percent on revenues from operations. Payment of the gross earnings tax is subordinate to the payments required to be made into any fund or funds previously or subsequently created for the payment of the principal of and interest on the Parity Bonds. The System also pays business and occupation taxes and other excise taxes imposed by the State. See Footnote 6 to Table 18 and “HISTORICAL FINANCIAL RESULTS—Management Discussion of Results.”

Facilities

Wastewater facilities consist of approximately 700 miles of sewer pipes, 14,800 access points, two treatment plants, 50 pump stations, and associated equipment and facilities.

Stormwater facilities serve the area within the corporate limits of the City and consist of approximately 480 miles of pipe, 10,800 access points, 13,600 catch basins, three major regional detention basins, four pump stations, 500 acres of “open space” land, and an extensive network of ditches, culverts, and other natural drainage courses.

The City has undertaken an asset management program to maintain and replace facilities comprising the System. See “Capital Improvement Program” below.

Wastewater Treatment Plant Capacity and Permitting

The City’s two wastewater treatment plants are permitted under the National Pollutant Discharge Elimination System (“NPDES”) (discharge) system administered pursuant to the Federal Clean Water Act. The NPDES permits are administered in the State by the State Department of Ecology (“Ecology”) pursuant to delegation rules set forth in the federal regulations.

Central Treatment Plant. The Central Treatment Plant was constructed in 1954 with major upgrades in the late 1980's and most recently upgraded in 2011 to increase hydraulic and treatment capacity for peak wet weather flows. The Central Treatment Plant's most recent NPDES permit was scheduled to expire on October 30, 2015. The City timely applied for a renewal of its permit. The current permit was administratively amended to continue until formally renewed or withdrawn.

The Central Treatment Plant has a permitted maximum monthly treatment capacity of 60 million gallons per day ("mgd") and a peak wet season daily flow of 150 mgd. In 2020 and 2021, the average daily flow to this treatment plant was 19.6 mgd and 21.2 mgd, respectively, and the peak daily flow was 72.8 mgd and 91.2 mgd, respectively. The City believes that the treatment capacity at the Central Treatment Plant should be sufficient for the foreseeable future.

North End Treatment Plant. The North End Treatment Plant ("NETP") was constructed in 1969 and received a comprehensive upgrade in the 1990's which was completed in 1997. The NETP's most recent NPDES permit was scheduled to expire on June 30, 2014. The City timely applied for a renewal of its permit. The current permit was administratively amended to continue until formally renewed or withdrawn.

The current permit specifies a maximum monthly permitted treatment capacity of 7.2 mgd and no instantaneous peak flow. The City submitted a Facility Plan Re-Rate Report to Ecology in July 2012, to increase the allowable maximum monthly treatment to reflect its increased capacity. The request includes increasing the maximum monthly flow to 9.2 mgd. The City incorporated the results of the rerating study into the most recent NPDES permit application. In 2020 and 2021, the average flow to this treatment plant was 4.2 mgd and 4.3 mgd, respectively, and the peak daily flow was 19.8 mgd and 27.2 mgd, respectively. The City believes that the treatment capacity at the NETP is sufficient for the foreseeable future.

Puget Sound Nutrient Source Reduction Project. On December 1, 2021, Ecology issued the first Puget Sound Nutrient General Permit ("PSNGP") addressing discharges of excess nutrients, particularly nitrogen, into Puget Sound from wastewater treatment plants currently operating under NPDES permits, such as the City. The PSNGP became effective on January 1, 2022, and expires on December 31, 2026 and requires all covered operators, including the City, to obtain coverage under the PSNGP by March 1, 2022. The PSNGP applies only to the discharge of nutrients and is intended to work in conjunction with wastewater treatment plants' existing individual NPDES permits.

The City and 10 other petitioners have appealed the PSNGP. A hearing date has tentatively been scheduled for April 2023. The City identified in its notice of appeal 47 separate and independent bases for challenging the PSNGP asserting that Ecology has acted unreasonably and outside its authority in issuing the Permit and challenging the conditions set forth in the permit. For more information on Ecology's nutrient reduction project and subsequent challenges, see "CERTAIN ENVIRONMENTAL MATTERS AND FACTORS AFFECTING THE SYSTEM."

Stormwater Permitting

The stormwater utility's management of its municipal stormwater system has been regulated under a Phase I Municipal Stormwater NPDES permit since 1995. The City is currently operating under its Stormwater NPDES permit, which has an effective date of August 2019 and expires in July 2024. Additionally, the United States Environmental Protection Agency has issued a draft Tribal NPDES permit. It is anticipated the permit will cover the portion of the City's stormwater system that discharges stormwater to receiving waters on land held in trust for the Puyallup Tribe of Indians by the United States through the Bureau of Indian Affairs and that a final permit will be issued in year 2022.

The City's Stormwater NPDES permit regulates discharges from the municipal storm sewer system to receiving waters. It requires the City to implement a stormwater management program aimed at reducing pollutants in municipal stormwater to the "maximum extent practicable." The City meets this requirement through inspections and enforcement to prevent and control stormwater impacts, public education regarding good stormwater management practices, operation and maintenance of the municipal stormwater system, and other activities as outlined in the City's Stormwater Management Program Plans. Unlike NPDES permits based on point sources such as industrial permits, the City's Stormwater NPDES permit does not impose end-of-pipe pollutant limits.

Compliance with this permit is based on activities and measures outlined within the permit and the required annual report.

See “CERTAIN ENVIRONMENTAL MATTERS AND FACTORS AFFECTING THE SYSTEM.”

System Overflows

The System’s stormwater and wastewater collection and transmission systems are separate. Occasionally, the System has overflows at engineered points when capacity is exceeded. The System has experienced a few sanitary sewer overflows, or “SSOs”, from time to time, such as when there is an issue with conveyance (e.g. a grease blockage). There were 16 SSO events in 2020 and 18 in 2021, and some were to receiving waters. In 2020 and 2021, there was one SSO due to wet weather in each of those years.

Rates and Fees and Billing

Rates charged by the System are not subject to control by any federal or State agency. The establishment of rates for wastewater and stormwater services is within the exclusive jurisdiction of the Council, subject to a requirement of State law that fair and nondiscriminatory rates must be fixed to produce revenue adequate to pay for operation and maintenance and to meet all debt service requirements payable from such revenue. Rate ordinances must be approved by a minimum of five affirmative votes of the nine-member Council. The City has never failed to adopt rates sufficient to allow the System to meet its payment obligations. EPA user charge regulations also require the establishment of rates sufficient to meet operation and maintenance expenses and the allocation of rates according to usage.

Since 1994, the Department has increased public participation in the rate setting process through the group known as the Environmental Services Commission (“ESC”). The ESC provides the City Manager and Council with a full description of issues, concerns and perspectives associated with proposed rate increases from the customers’ viewpoint. The ESC consists of 13 voting representatives of industry groups, large industrial customers, other local government customers, and residential customers. In addition to the 13 voting members, the ESC includes two non-voting members representing the State Department of Ecology and Tacoma Pierce County Health Department. Meetings are typically scheduled once per month during the rate development process and at other times as needed.

With the exception of certain large commercial customers, who receive a separate monthly bill, System customers receive a single bimonthly City bill that includes fees for the City’s sewer, water, electric, stormwater, and solid waste services and make a single payment for these services. Payments are received by the City Treasurer, who distributes them to the appropriate fund for each utility. If a customer payment is insufficient to cover the total amount due and payable under the combined utility bill, the payment is distributed on a pro-rata basis to each utility fund unless an objection to a specific utility is raised. If the payment is pro-rated to all utilities, lack of payment can result in termination of electric and water service. If an objection is raised concerning a specific utility and payment to that utility is excluded, the full payments will be distributed to the other utilities. If payment is excluded from the solid waste, wastewater, or stormwater fees where they are combined with water, then nonpayment can result in termination of water service or a lien being placed on the property. Liens for delinquent and unpaid rates and fees for sewer service, related penalties, and connection fees, including interest thereon, are superior to all other liens and encumbrances except general property taxes and special assessments (RCW 35.67.200 et seq). Such lien may be foreclosed upon in the manner provided by chapter 35.67 RCW.

Notwithstanding the foregoing, the City has been operating under a utility shut-off moratorium since March 2020 due to the COVID-19 pandemic. In March 2020, the City Mayor issued an emergency rule that prohibits utility shutoff due to nonpayment of fees and charges for residential and commercial customers during the City Mayor’s emergency proclamation. The State issued a similar moratorium on disconnecting electric, water and other utility services due to nonpayment, and charging fees for late payment or reconnection for certain utilities, including System. The State-wide moratorium on disconnections for nonpayment terminated on September 30, 2021, and prohibition on late fees was in effect until October 27, 2021. The City moratorium is scheduled to end March 31, 2022.

The System, similar to other City utilities, have seen an increase in delinquencies and outstanding accounts because of the COVID-19 pandemic and the utility shut-off moratorium. Prior to 2020, the rate of delinquency was under 0.5% for the last five years for combined bills. The current delinquency rate is approximately 2%. When the moratorium concludes, every City utility customer with an outstanding balance from the months of the COVID-19 pandemic is expected to be placed on an automatic installment plan. The City has been encouraging customers to take advantage of current relief assistance dollars and is developing long-term payment programs. The City anticipates that it will be able to address delinquencies using those tools and does not expect that accounts receivable will be a primary driver for future rate increases. See “THE CITY OF TACOMA—Response to COVID-19.”

Rates and Fees

System Rates and Fees. The City’s strategic goals for the System include maintaining rate revenue increases in line with inflation. The City adopts rates for the System every two years. Rates for 2021 and 2022 were adopted by the City Council in November 2020. To further address the continuing economic impact of the COVID-19 pandemic on ratepayers, the City Council increased rates in 2021 and 2022 by approximately 1.5% and 2.0% respectively, reduced from 2.0% rate increases from earlier revenue forecasts. The City’s current rate ordinance can be found at chapter 12.08 TMC. The next financial forecast and rate model is expected to be completed in April 2022. New rates for 2023 and 2024 are expected to be approved in November 2022. Future rate increases are subject to consideration and approval by the City Council. For historical and projected average rate increases, see Tables 7 and 8.

The City has adopted a Bill Credit Plan for qualifying low-income households. “Low-income” is considered less than 60% of area median income. For low-income elderly or disabled persons, the City offers a 35% discount for services. The City also provides wholesale wastewater services at a rate adjusted annually pursuant to interlocal agreements.

Wastewater Rates. The 2022 monthly rates for wastewater service inside the City are shown in the following table.

**TABLE 5:
MONTHLY WASTEWATER RATES**

	<u>2022⁽¹⁾</u>
Residential	
Monthly fixed fee	\$ 27.73
Flow fee ⁽²⁾	5.23
Commercial	
Monthly fixed fee	\$ 13.80
Flow fee ⁽³⁾	7.46-15.61

⁽¹⁾ Rates became effective January 1, 2022.

⁽²⁾ Per 100 cubic feet of water consumed based on the average monthly use during the most recent months of December, January, February and March.

⁽³⁾ The flow fees for commercial customers per 100 cubic feet of water consumption vary depending on the user group. The present rates contain eight different user groups as established pursuant to Tacoma Municipal Code Chapter 12.08.

Source: City of Tacoma Environmental Services Department

There is no fee for connection to the wastewater component of the System, except for the “in lieu of” assessment fee to properties that were not previously assessed for the cost of the transmission system under a local improvement district or a prior sanitary sewer improvement.

Stormwater Rates. Stormwater rates include a fixed fee, plus an area fee per 500 square feet, depending on development type and whether the property is on the waterfront. The 2022 monthly rates for stormwater service are shown in the following table.

**TABLE 6:
MONTHLY STORMWATER RATES**

Category of Development	2022⁽¹⁾	
	Monthly Fixed Fee	Rate per 500 Square Feet of Premises Area
<i>Waterfront/Direct Discharge Parcels</i>		
Undeveloped-first acre or less	\$ 9.00	\$ 0.1524
Undeveloped-area in excess of one acre	9.00	0.0628
Light development	9.00	0.4876
Moderate development	9.00	0.6828
Heavy development	9.00	0.9765
Very Heavy development	9.00	1.3078
<i>All Other Parcels</i>		
Undeveloped area – one acre or less	\$ 9.00	\$ 0.2981
Undeveloped area in excess of one acre	9.00	0.0628
Light development	9.00	0.9513
Moderate development	9.00	1.3146
Heavy development	9.00	1.9204
Very Heavy development	9.00	2.5724

⁽¹⁾ Rates became effective January 1, 2022.

Source: City of Tacoma Environmental Services Department

Single family residences are placed in the moderate classification of development. Rates for single family residential parcels in excess of 15,000 square feet are based on the moderate development rate for the first 15,000 square feet and at the undeveloped rate (one acre or less) for the remainder. All other customers are charged based on the customer’s level of development and measured area of the premises.

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Historical and Projected Rate Adjustments. The following tables show the revenue rate increases from average rate adjustments across all customer classes as adopted by the Council for the years 2016 through 2022 and as projected but not yet adopted for the years 2023 through 2028. As noted above, to further address the continuing economic impact of the COVID-19 pandemic on ratepayers, the City Council increased rates in 2021 and 2022 by approximately 1.5% and 2.0% respectively, which was a reduction from earlier revenue forecasts.

**TABLE 7:
HISTORICAL AND PROJECTED AVERAGE
WASTEWATER REVENUE RATE ADJUSTMENTS**

Year	Average Rate Increase
2016	6.0%
2017	5.5
2018	4.5
2019	4.0
2020	4.0
2021	1.5
2022	2.0
2023*	7.0
2024*	7.0
2025*	6.0
2026*	6.0
2027*	5.0
2028*	5.0

* Projected range of average rate increases; not approved by the Council.
Source: City of Tacoma Environmental Services Department

**TABLE 8:
HISTORICAL AND PROJECTED AVERAGE
STORMWATER REVENUE RATE ADJUSTMENTS**

Year	Average Rate Increase
2016	5.5%
2017	5.5
2018	5.5
2019	3.5
2020	3.5
2021	1.5
2022	2.0
2023*	5.0
2024*	5.0
2025*	4.0
2026*	4.0
2027*	3.5
2028*	3.5

* Projected range of average rate increases; not approved by the Council.
Source: City of Tacoma Environmental Services Department

Comparative Rates

The following tables show a comparison of typical single family monthly fees of the System in 2022 with the same fees of certain other utilities. Monthly fees may not be directly comparable between agencies. Other agencies may have additional fees to recover capital costs and may partially fund operating costs from other sources.

**TABLE 9:
SINGLE FAMILY MONTHLY FEES—WASTEWATER⁽¹⁾**

	<u>Monthly Fee</u>
Seattle	\$103
Bellevue	92
Olympia	68
Tacoma	59
Puyallup	59

⁽¹⁾ Assumes 600 cubic feet of water consumed, winter quarter water usage.

Source: City of Tacoma Environmental Services Department

**TABLE 10:
SINGLE FAMILY MONTHLY CHARGES—STORMWATER⁽¹⁾**

	<u>Monthly Charge</u>
Seattle	\$67
Bellevue	41
Tacoma	27
Olympia	16
Puyallup	14

⁽¹⁾ Assumes average parcel of 7,000 square feet with moderate classification of development.

Source: City of Tacoma Environmental Services Department

Historical Number of Customers

The System's historical number of customers by type of service is shown in the table below.

**TABLE 11:
HISTORICAL NUMBER OF CUSTOMERS BY TYPE OF SERVICE**

Year	Wastewater				Stormwater		
	Residential	Commercial/ Industrial	Contract ⁽¹⁾	Total	Residential	Commercial/ Industrial	Total
2021	59,771	3,794	14,306 ⁽²⁾	77,871	59,914	11,404	71,318
2020	59,578	3,795	15,924	79,297	59,819	11,416	71,235
2019	59,331	3,785	14,282	77,398	59,778	11,415	71,193
2018	59,094	3,793	13,903	76,790	59,774	11,283	71,057
2017	58,859	3,764	14,236	76,859	59,751	11,083	70,834

⁽¹⁾ Includes customers located in the city of Fife, the town of Ruston, the city of Fircrest and in certain areas of the County served pursuant to interlocal agreements between the City and those jurisdictions.

⁽²⁾ 2021 count estimated for Ruston and Pierce County.

Source: City of Tacoma Environmental Services Department

The System's ten largest customers for 2021 are shown in the following tables.

**TABLE 12:
TOP TEN WASTEWATER CUSTOMERS – 2021**

Customer Name	Amount⁽¹⁾	Percent of 2021 Wastewater Operating Revenues⁽¹⁾
Darling International Inc	\$ 740,632	0.88%
Puyallup Tribe	616,567	0.73
City of Tacoma	589,048	0.70
Tacoma School District	494,580	0.58
Drain-Pro	474,938	0.56
Westridges Apartments	454,884	0.54
Salishan	452,039	0.53
Multicare	408,598	0.48
Aladdin Camelot Apartments	390,044	0.46
St Joseph	373,266	0.44
Total Revenue	\$ 4,994,595	5.91%

⁽¹⁾ Based on 2021 wastewater revenues in the amount of \$84,560,272 (preliminary, unaudited, and subject to change). The top ten wastewater customers for 2020 accounted for approximately 5.98% of 2020 wastewater revenues in the amount of \$80,046,671.

Source: City of Tacoma Environmental Services Department

**TABLE 13:
TOP TEN STORMWATER CUSTOMERS – 2021**

Customer Name	Amount⁽¹⁾	Percent of 2021 Stormwater Operating Revenues⁽¹⁾
Port of Tacoma	\$ 2,154,256	5.57%
Tacoma School District	1,213,047	3.14
City of Tacoma	1,067,270	2.76
BNSF Railway	512,745	1.33
Metro Parks	426,441	1.10
Puyallup Tribe	354,593	0.92
Tacoma Community College	284,821	0.74
US Oil & Refining	255,821	0.66
Tacoma Mall Partnership	201,068	0.52
University of Puget Sound	166,035	0.43
Total Revenue	\$ 6,636,099	17.16%

⁽¹⁾ Based on 2021 stormwater revenues in the amount of \$38,661,120 (preliminary, unaudited, and subject to change). The top ten stormwater customers for 2020 accounted for approximately 18.54% of 2020 stormwater revenues in the amount of \$39,040,744.

Source: City of Tacoma Environmental Services Department

Strategic Plan and Conservation

The Department developed a Strategic Plan for 2018-2025 to guide the Department's decisions through 2025. The Plan outlines more than 40 initiatives of varying scope to help the Department achieve its mission to support healthy neighborhoods and a thriving Puget Sound for a better Tacoma.

The Plan also aligns with the goals of the City's strategic plan – Tacoma 2025 – as well as the City's Equity & Empowerment Framework. The Plan furthermore supports the 2030 Climate Action Plan and Climate Adaptation Strategy, which 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.

The Central Treatment Plant also operates under an ISO 14001 compliant Environmental and Sustainability Management System which recognizes the City’s dedication to minimizing or mitigating risks of operations impacting the environment. The System has been audited by a third party annually and maintained certification since October 2015.

See “CERTAIN ENVIRONMENTAL MATTERS AND FACTORS AFFECTING THE SYSTEM—Other Considerations.”

Capital Improvement Program

The City is actively pursuing a best management practices Asset Management Program (the “Program”) for the System that considers risks and costs of system failures, and has been working over the last several years to implement a program which allows the utilities to maximize life of assets both in the ground and at operational plants. The Program has initially identified annual spend rates estimated at approximately \$22 million for wastewater and \$12 million for stormwater and replacement schedules for assets over a 100 year asset lifecycle.

The combined capital improvement program (“CIP”) for the System and sources of funding are shown below. See also Tables 15 and 16. In the event of a revenue shortfall, lower priority projects may be delayed or cancelled.

**TABLE 14:
SEWER SYSTEM COMBINED
CAPITAL IMPROVEMENT PROGRAM
(\$000s)⁽¹⁾**

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Total</u>
Projects:⁽²⁾						
Wastewater	\$37,897	\$27,741	\$30,450	\$27,868	\$22,409	\$146,365
Stormwater	48,758	33,644	24,867	15,926	4,073	127,268
Total	<u>\$86,655</u>	<u>\$61,385</u>	<u>\$55,317</u>	<u>\$43,794</u>	<u>\$26,482</u>	<u>\$273,633</u>
Funding:						
Parity Bonds ⁽³⁾	\$65,266	\$45,182	\$14,015	-	-	\$124,463
Grants and subordinate lien loans	21,389	15,246	423	-	-	37,058
Operating revenues	-	957	40,879	\$43,794	\$26,482	112,112
Total	<u>\$86,655</u>	<u>\$61,385</u>	<u>\$55,317</u>	<u>\$43,794</u>	<u>\$26,482</u>	<u>\$273,633</u>

(1) Totals may not foot due to rounding.

(2) Capital costs are derived from projected annual needs in current dollars and are inflated by 5% per year for each of the years 2023 through 2026.

(3) Includes the Bonds (including original issue premium). Preliminary, subject to change.

Source: City of Tacoma Environmental Services Department

Wastewater Management’s CIP for 2022 through 2026 is shown below. Total expenditures over this period are projected at \$146.365 million, which will be financed from available Net Revenues, proceeds of Parity Bonds, grants, subordinate lien loans and other available sources. The following table does not include improvements related to the nutrient reduction project. If such improvements are required, associated costs could be significant.

**TABLE 15:
WASTEWATER CAPITAL IMPROVEMENT PROGRAM
(\$000s)⁽¹⁾**

Item:⁽²⁾	2022	2023	2024	2025	2026	Total
Collection systems	\$15,633	\$15,686	\$16,439	\$14,436	\$11,135	\$73,329
Treatment facilities	17,078	8,970	11,404	10,848	9,689	57,989
Pump stations	3,970	1,319	731	590	635	7,245
Equipment	1,216	1,637	1,741	1,852	801	7,247
Special projects	-	129	135	142	149	555
Total	<u>\$37,897</u>	<u>\$27,741</u>	<u>\$30,450</u>	<u>\$27,868</u>	<u>\$22,409</u>	<u>\$146,365</u>
Funding:						
Parity Bonds ⁽³⁾	\$23,297	\$27,741	\$13,962	-	-	\$65,000
Grants/subordinate lien loans	14,600	-	-	-	-	14,600
Operating Revenues	-	-	16,488	\$27,868	\$22,409	66,765
Total	<u>\$37,897</u>	<u>\$27,741</u>	<u>\$30,450</u>	<u>\$27,868</u>	<u>\$22,409</u>	<u>\$146,365</u>

(1) Totals may not foot due to rounding.

(2) Capital costs are derived from projected annual needs in current dollars and are inflated by 5% per year for each of the years 2023 through 2026.

(3) Includes the Bonds (including original issue premium). Preliminary, subject to change.

Source: *City of Tacoma Environmental Services Department*

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Stormwater Management’s CIP for 2022 through 2026 is shown below. Total expenditures over this period are projected at \$127,279 million, which will be financed from available Net Revenues, proceeds of Parity Bonds, grants, subordinate lien loans and other available sources.

**TABLE 16:
STORMWATER CAPITAL IMPROVEMENT PROGRAM
(\$000s)⁽¹⁾**

Item:⁽²⁾	2022	2023	2024	2025	2026	Total
Collection systems	\$35,133	\$11,700	\$22,346	\$15,141	\$3,635	\$87,955
Facilities	416	3,101	-	-	-	3,517
Treatment and low impacts	12,690	18,465	1,774	-	-	32,929
Equipment	519	211	572	601	245	2,148
Special projects	0	167	175	184	193	719
Total	<u>\$48,758</u>	<u>\$33,644</u>	<u>\$24,867</u>	<u>\$15,926</u>	<u>\$4,073</u>	<u>\$127,268</u>
Funding:						
Parity Bonds ⁽³⁾	\$41,969	\$17,441	\$53	-	-	\$59,463
Grants/subordinate lien loans	6,789	15,246	423	-	-	22,458
Operating Revenues	-	957	24,391	\$15,926	\$4,073	45,347
Total	<u>\$48,758</u>	<u>\$33,644</u>	<u>\$24,867</u>	<u>\$15,926</u>	<u>\$4,073</u>	<u>\$127,268</u>

(1) Totals may not foot due to rounding.

(2) Capital costs are derived from projected annual needs in current dollars and are inflated by 5% per year for each of the years 2023 through 2026.

(3) Includes the Bonds (including original issue premium). Preliminary, subject to change.

Source: City of Tacoma Environmental Services Department

HISTORICAL FINANCIAL RESULTS

Historical Operating Statements

The following tables provide a historical balance sheet and operating results for the System.

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TABLE 17: WASTEWATER AND STORMWATER MANAGEMENT BALANCE SHEET (\$000s)⁽¹⁾

	2017 (Restated)	2018	2019	2020	2021 (Unaudited)
Current Assets					
Cash	\$ 113,868	\$ 185,347	\$ 180,390	\$ 170,573	\$ 164,011
Customer accounts receivable	13,992	15,500	15,257	17,080	18,127
Other receivables	139	212	151	124	102
Due from other funds	1	98	-	-	-
Due from other governments	823	815	652	238	178
Loan receivable ⁽²⁾	-	-	-	12,711	-
Other current assets	1,463	1,326	1,677	2,423	2,630
Total Current Assets	130,286	203,298	198,127	203,149	185,048
Utility Plant					
Utility Plant in service	842,842	858,315	885,526	896,941	921,593
Construction work in progress	8,033	19,216	19,461	40,708	72,647
Allowance for depreciation	(268,678)	(282,875)	(299,767)	(314,255)	(332,225)
Total Utility Plant	582,197	594,656	605,220	623,394	662,015
Other Noncurrent Assets					
Other	988	5,197	841	2,510	581
Total Assets	713,471	803,151	804,188	829,053	847,644
Deferred Outflows of Resources					
Unamortized bond refunding costs	2,904	2,287	3,629	3,424	3,219
OPEB	84	317	1,053	992	1,901
Pension	11,071	5,655	15,422	5,481	9,761
Total Deferred Outflows of Resources	14,059	8,259	20,104	9,897	14,881
Total Assets and Deferred Outflows of Resources	\$ 727,530	\$ 811,410	\$ 824,292	\$ 838,950	\$ 862,525
Current Liabilities					
Accounts payable	\$ 3,265	\$ 5,641	\$ 4,015	\$ 11,188	\$ 12,647
Accrued wages compensated absences payable	874	1,134	1,072	1,410	1,490
Accrued taxes payable	862	863	142	190	201
Deposits payable	-	9	-	4	-
Due other funds	732	556	-	-	-
Due other governments	550	599	720	780	780
Unearned revenue	341	403	457	468	512
Bond interest payable	640	853	826	799	776
State revolving loan interest payable	202	185	167	168	156
Current portion of capital COP loan ⁽²⁾	-	-	-	525	565
Current portion of revenue bonds	5,025	6,625	6,955	7,275	7,195
Current portion of pension withdrawal	-	-	-	-	312
Current portion of state revolving loans	3,868	3,939	4,011	4,085	4,278
Current environmental liability	886	1,222	1,766	148	215
Total Current Liabilities	17,245	22,029	20,131	27,040	29,127
Noncurrent Liabilities					
Long-term bonds	175,715	235,715	228,760	221,485	214,290
Unamortized Bond Premium	13,830	17,695	16,537	15,381	14,250
State revolving loans	40,575	36,636	32,625	28,583	26,934
Long-term debt – WIFIA loan	-	-	-	-	15,049
Long-term debt – capital COP loan ⁽²⁾	-	-	-	12,270	11,705
Accrued compensated absences	2,979	2,758	2,566	3,270	3,316
Long-term environmental liability	840	1,013	1,192	1,145	2,321
Net Pension Liability	10,570	-	13,030	-	7,218
Net OPEB liability	3,794	4,101	2,555	2,635	3,856
Pension withdrawal liability ⁽³⁾	-	-	3,280	3,280	3,736
Total Noncurrent Liabilities	248,303	297,918	300,545	288,049	302,675
Total Liabilities	265,548	319,947	320,676	315,089	331,802
Deferred Inflows of Resources					
Rate Stabilization	25,000	25,000	25,000	25,000	25,000
Gain on refunding bonds	73	54	36	17	0
OPEB	-	64	2,106	1,746	1,400
Pension	2,277	7,506	1,712	7,040	1,545
Total Deferred Inflows of Resources	27,350	32,624	28,854	33,803	27,945
Net Position					
Net investment in capital assets, net of related debt	386,409	410,745	412,290	422,356	409,094
Restricted for bond reserves	14,335	14,664	4,672	6,523	4,672
Unrestricted	33,888	33,430	57,800	61,179	89,012
Total Net Position	434,632	458,839	474,762	490,058	502,778
Total Liabilities, Net Position and Deferred Inflow of Resources	\$ 727,530	\$ 811,410	\$ 824,292	\$ 838,950	\$ 862,525

Notes to Table 17 are on the following page.

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- (1) Information for years 2017 through 2020, inclusive, is based on audited financial statements. Figures in table have been rounded. Information for 2021 is unaudited, preliminary and subject to change.
 - (2) Reflects the City's obligation with respect to the State of Washington Certificates of Participation, Series 2020C (Taxable) (Local Agency Real Property). This debt is a general obligation of the City. The City, however, expects to use Net Revenue of the System to pay debt service as it becomes due and payable. See "DEBT INFORMATION—Subordinate Lien Obligations-*LOCAL Program Loan*."
 - (3) On December 3, 2019 the Tacoma City Council approved the collective bargaining agreement for the International Association of Machinist and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma General Unit. Contained in this agreement was a call for cessation of the participation in the Western Metal Industry Pension Fund ("WMIPF"). The contributions submitted for December 31, 2019, payroll was the final contributions made on behalf of the employees in this unit. As of December 31, 2021, no employees were participating in the plan.

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**TABLE 18:
WASTEWATER AND STORMWATER MANAGEMENT
HISTORICAL OPERATING RESULTS (\$000s)⁽¹⁾**

	2017 (Restated)	2018	2019	2020	2021 (Unaudited)
Revenues available for Debt Service					
Wastewater:					
Residential	\$ 47,392	\$ 49,439	\$ 50,739	\$ 52,823	\$ 55,681
Commercial and Industrial	17,164	18,311	18,188	15,415	16,979
Interlocal agreements ⁽²⁾	7,780	8,070	8,380	7,952	8,085
Other service revenues	2,474	1,944	1,771	2,866	2,952
TAGRO sales ⁽³⁾	602	682	667	825	863
Stormwater:					
Residential	16,267	17,503	17,894	18,835	18,788
Commercial	17,571	18,794	19,146	20,261	19,759
Other service revenues	791	1,074	134	49	114
Total Operating Revenues	<u>110,041</u>	<u>115,817</u>	<u>116,919</u>	<u>119,026</u>	<u>123,221</u>
Operating Expenses⁽⁴⁾					
Business operations	25,587	24,179	28,572	25,763	28,455
Operations and maintenance	27,777	25,577	28,884	30,323	30,321
Science and engineering	17,280	15,889	16,713	20,875	17,255
Total Operating Expenses	<u>70,644</u>	<u>65,645</u>	<u>74,169</u>	<u>76,961</u>	<u>76,031</u>
Net Operating Income	39,397	50,172	42,750	42,065	47,190
Non-Operating Revenues ⁽⁵⁾	2,534	3,601	8,308	8,307	490
Non-Operating Expenses ⁽⁶⁾	(4)	(8)	-	(181)	-
Revenue Available for Debt Service	<u>\$ 41,927</u>	<u>\$ 53,765</u>	<u>\$ 51,058</u>	<u>\$ 50,191</u>	<u>\$ 47,680</u>
Parity Bond Debt Service					
Sewer Revenue Bonds	\$12,689	\$12,563	\$16,858	\$16,866	\$16,863
Lease Obligation	-	-	-	-	-
Total Parity Bond Service	<u>12,689</u>	<u>12,563</u>	<u>16,858</u>	<u>16,866</u>	<u>16,863</u>
Subordinate Lien Debt Service ⁽⁷⁾	<u>4,670</u>	<u>4,670</u>	<u>4,670</u>	<u>4,772</u>	<u>5,495</u>
Total Parity Bond and Subordinate Lien Debt Service	<u>\$17,359</u>	<u>\$17,233</u>	<u>\$21,528</u>	<u>\$21,638</u>	<u>\$22,358</u>
Parity Bond Debt Service Coverage Ratio⁽⁸⁾	3.30	4.28	3.03	2.98	2.83
Parity Bond and Subordinate Lien Debt Service Coverage Ratio	2.42	3.13	2.37	2.32	2.13

(1) Information for years 2017 through 2020, inclusive, is based on audited financial statements. Information for 2021 is unaudited, preliminary and subject to change. Figures in table have been rounded.

(2) Reflects revenue received from public agencies pursuant to interlocal agreements.

(3) Organic soil materials produced from treated wastewater.

(4) Operating expenses for purposes of the City's Parity Bond covenants exclude depreciation, expensed capital projects and environmental clean-up costs. The increase in operating expenses in 2019 are due to pension accounting.

(5) Non-operating revenues exclude capital related grant income, gain or loss on sale of property, insurance recoveries and contributions. Non-operating revenues for 2017 also include rental payments received by the City for use of its Center for Urban Waters building. Fluctuations can occur due to investment income resulting from changes in cash balance, among other variables.

(6) Non-operating expenses exclude interest expense and transfers (including gross earnings taxes).

(7) See "DEBT INFORMATION—Subordinate Lien Obligations."

(8) The City did not transfer funds from the Rate Stabilization Fund during the time period shown in the table.

2021 Management Discussion of Results

The System continues to recover from the impacts of the COVID-19 pandemic. While 2021 preliminary commercial revenues have not yet returned to 2019 pre-COVID levels, there was strong growth from 2020 to 2021 and increased revenues in most categories.

Unrestricted cash increased by approximately \$27 million in 2021 to \$128,553,000 (unaudited). This increase is greater than originally anticipated by the City due to timing of reimbursements for capital projects and delays in capital project spending.

Operating revenues for 2021 increased by approximately \$4,195,000 (unaudited), or 3.5% over 2020. This increase is consistent with the rate revenue increase for the System that became effective January 1, 2021. Approved rate revenue increases were 1.5% for wastewater and stormwater. Continued increases in non-rate driven revenues for other services such as septage also contributed to the increase.

Operating expenses for purposes of the City's rate covenant calculation decreased \$930,000 in 2021 to \$76,031,000 (unaudited) due to higher-than-expected project costs in 2020 associated with the Hosmer Holding Basin Project. In 2021, operating expenses returned to historical levels. Depreciation and other excluded items from the rate covenant calculation totaled \$19,894,902 (unaudited). Excluded transfers to the City's General Fund for the City's gross earnings taxes totaled approximately \$10,000,000 (unaudited).

Days cash on hand was 553 days reflecting funds available in the Operating Fund (\$103,553,000) and the Rate Stabilization Fund (\$25,000,000); this was an increase from 482 days cash on hand in 2020 (\$76,520,000) (each unaudited).

CERTAIN ENVIRONMENTAL MATTERS AND FACTORS AFFECTING THE SYSTEM

Prospective purchasers should consult their investment advisors before making any decision as to the purchase of the Bonds. The following discussion, while not setting forth all of the factors affecting the System, contains some of the factors which should be considered, in addition to the other information in this Official Statement, prior to purchasing the Bonds. This section is not meant to be comprehensive or definitive, and there may be other risk factors that will become material in the future. The order in which this information is presented does not necessarily reflect the relative importance of various risks.

General

A number of factors affect the operation of the System. Federal, state and local standards and procedures that regulate the operations and environmental impacts of wastewater and stormwater systems are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the System will remain subject to the regulations currently in effect, will be in compliance with current or future regulations or will always be able to obtain all required operating permits. Compliance with applicable environmental standards could result in additional capital and operating expenditures and reduced operating and efficiency levels, as well as possible fines, penalties or liabilities for noncompliance.

City officials charged with management of the System report that the City now holds all licenses, permits and approvals necessary for the operation of the System and that the City is in compliance in all material respects with current licenses, permits and approvals.

Upon the occurrence of an event of default under the Bond Ordinance, remedies available to the owners of the Bonds may be limited. See "LIMITATIONS ON REMEDIES" herein.

Operating Results

A number of factors could impact the results of operations of the System in the future, including a decrease in the number of customers of the System, changes in regional and local economic conditions, regulatory and permit requirements, changes in population, increase in Costs of Maintenance and Operation, increases in conservation measures, and changes in general market conditions. There can be no assurance that the System will be able to maintain the current number of existing users if there are changes in the residential and/or commercial population of the service area.

Actions by Regulatory Agencies

Puget Sound Nutrient Source Reduction Project. The reduction of nutrient discharges from point and non-point sources has been identified as a major policy initiative by Ecology, EPA, and the Puget Sound Partnership's Action Agenda for Puget Sound (a National Estuary Program). A significant number of water bodies nationwide, including

some Puget Sound locations, experience low dissolved oxygen that at times fails to meet water quality standards. In early 2017, Ecology launched the Puget Sound Nutrient Source Reduction Project (the “Nutrient Reduction Project”) aimed at reducing human sources of nutrient loads, such as wastewater discharged from sewage treatment plants, excessive use of fertilizer, which enters waterways when it rains, poor land management, especially regarding livestock, and on-site septic systems, all of which contribute to decreased dissolved oxygen in Puget Sound. The Nutrient Reduction Project is a multi-year undertaking and will involve collaboration among many stakeholders, including the City, to both understand the impacts of nutrients on Puget Sound and develop strategies to manage the problem.

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

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

Ecology announced in January 2020 that it intended to develop a Puget Sound Nutrient General Permit (the “General Permit”) for the nearly 70 wastewater treatment plants that discharge into Puget Sound, including those owned and operated by the City. Ecology issued the first General Permit on December 1, 2021, became effective on January 1, 2022 and expires on December 31, 2026. The Nutrient General Permit focuses only on controlling nutrients and works in conjunction with the City’s existing individual permits. The General Permit outlines requirements over the permit term for data collection, development of treatment process optimization plans, and implementation of feasible actions to limit nitrogen discharge to a current loading “action level.” The General Permit also includes a second-tier action level that, if action levels are exceeded two years in a row or three times during the permit cycle, or if the operator does not submit a viable strategy for optimization for nutrient reductions, an additional 10% reduction will be required. Finally, the General Permit also requires each discharger to develop planning-level information, either individually or via a collective group effort, of future treatment upgrades that could achieve two significant target nitrogen reduction levels (i.e., 3 milligrams/liter (“mg/L”) and 10 mg/L) and would include an AKART (all known, available, and reasonable methods of prevention, control, and treatment) analysis. Ecology has indicated that following completion of the additional Salish Sea Model analyses, the next five-year cycle General Permit will be amended to include additional nutrient reduction requirements (i.e., in approximately 2026). The City and 10 other parties have filed appeals to the Pollution Control Hearings Board challenge the PSNGP.

Before the General Permit was developed, Ecology issued several draft individual NPDES permits and a 401 certification for an EPA issued NPDES Permit that was overdue for renewal. These permits and the 401 certification include nitrogen load caps and planning requirements. A discharger that received the renewed individual permits from Ecology and the discharger that received the EPA NPDES permit, filed appeals to Ecology challenging the nutrient-related requirements of the individual NPDES Permit and the 401 certification. The appeal of the 401 certification has been resolved between Ecology and the Operator and the second appeal was stayed pending appeal of the PSNGP and is close to being resolved with Ecology. The City and other petitioners also filed

actions in local superior courts challenging Ecology's actions under the Administrative Procedure Act ("APA") prior to issuance of the General Permit and the authority of Ecology to issue a general permit that would operate in conjunction with individual NPDES permits. The City is awaiting a ruling on the APA challenge and recently the court ruled in the general permit challenge that the issues raised in that challenge should be heard by the Pollution Control Hearings Board as part of the City's appeal of the PSNGP.

The operating and capital costs associated with any nutrient control requirements will not be known until treatment upgrade plans are completed. These costs, which are not included in the capital improvement plans and forecasts in this Official Statement, could be considerable. It is anticipated that if the System becomes subject to nutrient reduction, time will be allowed to design and construct facilities that would be needed to achieve the nutrient reduction levels specified in any adopted permit.

Consent Decree Related to Puget Soundkeeper Alliance. On January 14, 2016, the City received a notice of Intent to Sue from the Puget Soundkeeper Alliance pursuant to 33 U.S.C. Section 1365 of the Clean Water Act. This act allows third parties to bring claims against municipalities for violation of NPDES permits and orders issued pursuant to the Clean Water Act. A suit was filed against the City on March 15, 2016. A consent decree was filed February 9, 2017 settling all claims. The consent decree includes on-going obligations of the City to update its pretreatment program. The Consent Decree terminated on May 11, 2019 and the City continues the work to update its pretreatment program which is currently subject to a public comment period prior to Ecology's decision regarding approval of the updated program. The City anticipates that the updated program will be approved by Ecology.

Puget Sound Clean Air Agency. In 2016, the City received a general notice of violation of regulations of the Puget Sound Clean Air Agency alleging a failure to operate and maintain equipment in good working order, among other failures. The Puget Sound Clean Air Agency and the City entered into a consent order and discontinuance agreement in April 2017 resulting in a civil penalty of \$75,060 (\$20,310 payment and \$54,750 contributed toward a supplemental environmental project, both of which have been satisfied).

Commencement Bay Natural Resource Damage Assessment ("NRDA"). The City has resolved federal, state, and tribal natural resource damage claims associated with municipal stormwater discharges in Commencement Bay through a consent decree that became effective on December 30, 1997. The stated value of the City's settlement is approximately \$7,700,000. Under the consent decree (the "NRDA Consent Decree"), the City agreed to undertake five restoration projects within the Commencement Bay watershed and make certain cash payments. Construction has been completed on four projects and the City made a payment to the Port of Tacoma of \$134,692 to construct the fifth project, Place of Circling Waters, built in 2010.

Although the City resolved its NRDA liability, 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 will be de minimis given the historical uses of the indemnified properties and the limited potential for releases from these properties to damage natural resources.

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 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.

Foss Consent Decree. The City is a party to a 1994 consent decree (the "Foss Consent Decree") with the EPA and the Thea Foss Development Authority (successor to the Metropolitan Park District of Tacoma) relating to the cleanup and redevelopment of the Thea Foss Waterway, a federal superfund site. The City completed the first ten years of post-construction monitoring under the Foss Consent Decree in 2016 and is currently working with the EPA to finalize the monitoring plan for the next ten years. Under this Long Term Monitoring Plan developed in

accordance with the Foss Consent Decree, the City will have an obligation for continued monitoring until at least 2028.

Coal-Gas Site Agreed Order. In 1993 the City became a party to an agreed order with 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.

Other Considerations

Flood Risk. The City’s Central Treatment Plant is located on the west bank of the Puyallup River in the Tacoma floodplain area. In 2015, the construction of a floodwall around the City’s Central Treatment Plant was completed. This floodwall is expected to provide protection against flooding of the plant from the Puyallup River and is in addition to levees constructed by the U.S. Army Corps of Engineers.

Water Quality Standards. Ecology submitted water quality standards for human health protection to the EPA for approval on August 1, 2016. On November 15, 2016, EPA partially approved Ecology’s proposal, but disapproved most of the standards and published lower (more stringent) standards. The rule sets applicable human health standards for State water bodies to adequately protect residents from exposure to toxic pollutants. The adopted water quality standards include substantial revisions to previous assumptions, including the fish consumption rate used in the criteria derivation process used to calculate the criterion for each regulated contaminant. The majority of both Ecology and EPA adopted criteria were substantially more stringent than the previous version of the State’s applicable human health water quality standards. The EPA subsequently approved Ecology’s originally proposed criteria in May 2019 and announced that the EPA-adopted criteria would be rescinded (a process that was completed on March 25, 2020). The State’s Attorney General filed suit challenging EPA’s reversal in position, claiming that it would create confusion and disrupt the work the State had already completed to implement the standards. Until the lawsuit is resolved, a question remains over which standards will be enforced and applied within the State. The City cannot predict what the impact these standards will have on its operations, which may include increased costs to the City.

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, have 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 and/or System facilities or that City and/or System 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. The City is actively pursuing a best management practices Asset Management Program for the System to protect and maintain critical System infrastructure. See “THE SYSTEM—Capital Improvement Program.” 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 reach its target of net-zero emissions by 2050 and prepare for increasing risks due to climate change. The City releases a report annually detailing progress made on each target and action. See “THE SYSTEM—Strategic Plan and Conservation.”

The City has taken steps to address these challenges. For instance, the City constructed a flood wall around the Central Waste Water Treatment Plant to protect it from anticipated increases in flood levels from the Puyallup River. See “Flood Risk” above. The City is building an interceptor for the stormwater utility in the downtown area of the City to address high flows from brief high intensity storm events, which historically have not been problematic for the City. The interceptor will be completed in 2022. The City is also working with the University of Washington, the U.S. Geological Survey, Ecology and others to better quantify sea level rise in Tacoma so that risks to City utilities are understood and addressed. The City expects to continue to monitor and address risks associated with climate change as needed. 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.

Cybersecurity; System Resiliency

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, credential compromise, etc. 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, to name a few. 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.

See “THE CITY OF TACOMA—Insurance” and “CERTAIN INVESTMENT CONSIDERATIONS—Cybersecurity.”

THE CITY OF TACOMA

The City was incorporated in 1884 and utilizes 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 Council Members, 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 Council Member positions are four year terms with overlapping terms to allow for the election of four Council Members every two years. The Mayor is elected City-wide for a four year term and is the presiding officer of the City Council. Council Members, including the Mayor, can serve no more than ten consecutive years as a member of the City Council, Mayor or combination thereof.

In addition to the Department, various departments within the City provide a full range of services to the citizens of the City including police and fire protection, water distribution, electric utility services, wastewater and stormwater 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 19:
ELECTED OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Victoria Woodards	Mayor	December 31, 2025
Catherine Ushka	Deputy Mayor and Councilmember	December 31, 2025
Keith Blocker	Councilmember	December 31, 2023
Joe Bushnell	Councilmember	December 31, 2025
Kiara Daniels	Councilmember	December 31, 2025
John Hines	Councilmember	December 31, 2023
Conor McCarthy	Councilmember	December 31, 2023
Sarah Rumbaugh	Councilmember	December 31, 2025
Kristina Walker	Councilmember	December 31, 2023

Source: 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. 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 is responsible for managing the payment of principal and interest on all bonds issued by the City, including the Parity Bonds.

The City Manager appoints the City Treasurer who is responsible for the receipt, custody and disbursement of City funds, including funds of the System. 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 council members, 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/Acting City Treasurer. Andrew Cherullo joined the City in February 2013, serves as the Finance Director and on August 9, 2021 was appointed by the City Manager to also serve as the Acting City Treasurer for all necessary purposes related to debt issuances. 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. 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, Treasury Manager. Mr. San Soucie joined the City in 2013. He has 25 years of governmental experience at both the state and local levels.

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.

Management

The City Manager appoints the Director of the Department who is responsible for the System and the solid waste utility system.

Michael P. Slevin III, P.E., Environmental Services Director, was appointed to his position in January 2009. In that position, Mr. Slevin is responsible for management of the Office of Environmental Policy and Sustainability as well as the four divisions that make up the Environmental Services utilities: Operations and Maintenance, Science and Engineering, Business Operations, and Solid Waste Management. Prior to his current position, Mr. Slevin held various positions within the Public Works Department, including interim Public Works Director and Facilities division manager. Mr. Slevin joined the Department of Public Works in 1995. He holds a Bachelor’s of Science Degree Summa cum Laude in Civil Engineering from Washington State University and a Master’s of Business Administration from the University of Washington. He is a Licensed Professional Civil Engineer in the State.

Geoffrey M. Smyth, P.E., Environmental Services Assistant Director, has worked in the water, wastewater, stormwater and solid waste fields in a multitude of positions for the past 28 years. Mr. Smyth holds a Bachelor’s Degree in Ocean Engineering from Florida Tech and a Master’s Degree in Civil Engineering from the University of Akron, in Ohio. He is a Licensed Professional Engineer in the State.

Christina Watts Curran, Environmental Services Assistant Division Manager, has worked in municipal finance and budget for the past eight years. Ms. Curran holds a Bachelor's Degree in Political Science from Washington State University and a Master's Degree in Public Administration from the University of Kansas.

Response to COVID-19

The COVID-19 pandemic continues to affect the State and the City. As discussed under “THE SYSTEM—Rates and Fees and Billing,” in March 2020, the City Mayor issued an emergency rule that prohibits utility shutoff due to nonpayment of fees and charges for residential and commercial customers during the City Mayor’s emergency proclamation. The State issued a similar moratorium on disconnecting electric, water and other utility services due to nonpayment, and charging fees for late payment or reconnection for certain utilities, including for the System. The State-wide moratorium on disconnections for nonpayment has ended. The City’s moratorium is scheduled to end March 31, 2022.

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 were not limited to, the following: reducing 2020 revenue projections, eliminating discretionary spending, cancelling certain planned projects, establishing purchasing and contract freezes, establishing a hiring freeze, putting certain staff on temporary furloughs and conducting targeted lay-offs. Other actions taken by the City included, but were not limited to, the following: closing many City facilities/buildings to the general public, instituting telework for all non-frontline service staff (approximately 1,800 staff converted to telework), providing health screening for employees reporting to City facilities, implementing an Emergency Leave Program for employees impacted by COVID-19, increasing the number of homeless shelter beds, providing additional funding for Rental Assistance programs, and providing additional funding for utility bill assistance. Some of these measures as they relate to the Department are discussed in more detail below. Many of these measures will remain in place until further notice.

As noted above, since March 2020, the System’s customers have not been charged a late fee on outstanding bills. All customers are included: residential, commercial, and industrial. Outstanding balances as of December 31, 2021 for the System for all customers total more than \$14 million. Residential utility customer balances more than 30 days past due were \$7.4 million and are approximately 110% higher than average past due balance from 2018 to 2020. The majority of overdue customers owe less than \$2,000.

When the moratorium concludes (see “THE SYSTEM—Rates and Fees and Billing”), every City utility customer with an outstanding balance from the months of the COVID-19 pandemic is expected to be placed on an automatic installment plan. The City has been encouraging customers to take advantage of current relief assistance dollars and is developing long-term payment programs. The City anticipates that it will be able to address delinquencies using those tools and does not expect that accounts receivable will be a primary driver for future rate increases.

While the aggregate amount of deferred payments is greater than in prior years, the amount is not expected to have a material impact on the System or its operations. The City will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

In 2020, the City received from the State and the County approximately \$9.6 million in Federal Coronavirus Aid, Relief, and Economic Security Act assistance (“CARES Act”). In 2020, the Department received \$231,000 from the CARES Act, of which \$195,000 was used to support small business for business interruptions, and \$36,000 was used for COVID-19 related expenses.

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 anticipates receiving approximately \$60.0 million in ARPA assistance. 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.

While the full impact of the COVID-19 pandemic on the City, the Department and the regional economy is currently uncertain, the City and the Department currently believe that the measures they have taken will help mitigate their anticipated revenue shortfall. The City and the Department, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the City and the Department. Management will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the full financial impact.

Financial Policies

The Council approved the System's Financial Management Policy Statement in Resolution No. 35288, passed on September 25, 2001. These policies may be amended by the City Council at any time. The policies set bond covenants, minimum levels of debt service coverage and describe in general terms requirements for rate setting to fund maintenance and operating expenses and capital expenditures.

Over the past five years, the System has informally adopted certain goals as a guide to financial management and rate setting. These goals include rate setting for two-year periods, rates based on cost of service within a customer class (except for the residential class), restrictions on the term of debt, a minimum of 20 percent of capital financed with current revenues, Parity Bond coverage of at least 170 percent, and a minimum of 90 days of operating cash. Rates for the residential class are volume based to create an incentive to recycle.

Budgetary Policies

The biennial budget is proposed by the City Manager and adopted by the Council with legal budgetary control at the fund level. The City Manager may authorize transfers within funds; however, the 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. These budgetary policies apply to the System.

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 at least once every two years. As discussed below, 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 accounting and reporting policies of the System conform to generally accepted accounting principles for municipal governments. The System's financial statements are prepared by the City's Finance Office and audited annually by the Office of the State Auditor and by Moss Adams LLP, an independent firm of certified public accountants. The financial statements of the System for the Fiscal Year ended December 31, 2020 included in Appendix C were audited by Moss Adams LLP. Neither the Office of the State Auditor nor Moss Adams LLP has reviewed or participated in the preparation of this Official Statement.

The audited financial statements of the System are public documents. The City has not requested that Moss Adams LLP provide consent for inclusion of its audited financial statements in this Official Statement, and Moss Adams LLP 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. Moss Adams LLP also has not performed any procedures related to this Official Statement.

Investment Practices

The City's Investment Committee is composed of the Mayor, the Finance Director and the City Treasurer. The City

Treasurer invests City funds, including System funds. 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 2% over the term of the agreement, reverse repurchase agreements, the State Local Investment Pool (described below), municipal securities, certificates of deposit, corporate notes and supranational agency bonds.

As of December 31, 2021, the City’s cash and investments on a fair value basis, totaled approximately \$1.2 billion, not including City pension funds. The portfolio was distributed in various types of investment instruments in the following percentages:

**TABLE 20:
CITY INVESTMENTS
(AS OF DECEMBER 31, 2021)⁽¹⁾**

Bank Interest-Bearing Accounts	8.73%
Local Government Investment Pool	7.90
U.S. Treasuries	45.37
Municipal Securities	0.42
Federal Home Loan Mortgage Assn (Freddie Mac)	6.90
Federal Farm Credit Bank (Farm Credit)	8.18
Federal Home Loan Bank (Home Loan)	9.65
Federal National Mortgage Assn (Fannie Mae)	6.21
Corporate	4.57
Supernational	2.07
Total	100.00%

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

Source: *City of Tacoma*

State Local Investment Pool. The State Treasurer’s Office administers the Local Government Investment Pool (the “LGIP”), an optional investment tool that in fiscal year 2021 held an average balance of \$21.8 billion on behalf of 661 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.

Authorized Investments. Chapter 35.39 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.

Insurance

Historically the System's risk exposure includes but is not limited to flooding, recontamination, wind damage, chemical spills, and earthquakes. Mitigating controls and emergency and business resumption plans are in place, including the construction of a floodwall around the City's Central Treatment Plant. See "CERTAIN ENVIRONMENTAL MATTERS AND FACTORS AFFECTING THE SYSTEM—Other Considerations." To the extent damage or claims exceed insured values, rates may be impacted.

The City has established a Self-Insurance Fund (the "Fund") to insure the System and other divisions within the City for certain losses arising from personal and property damage claims by third parties. The System participates in the City's self-insurance program for claims that arise during the normal course of business. Environmental and tax claims generally are paid for out of revenue of the System and not from the Fund. The System is required to make payments to the Fund to cover claims incurred by the System and administrative expenses of the Fund. The System only recognizes expenses for premium payments because the risk of loss transfers to the Fund.

The System's premium payments were \$40,000 in 2021 (unaudited) and \$400,776 in 2020. The System only recognizes expenses for premium payments because the risk of loss transfers to the Fund.

The City purchased a Fiduciary Liability policy with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee retirement plans. The coverage also provides a Government Crime policy with a \$5.0 million limit and \$200,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.0 million per occurrence and an additional \$250,000 of total loss in excess of the self-insured retention. Such additional \$250,000 deductible may be satisfied by loss from one or more occurrences. Coverage also includes a cybersecurity policy.

General Government maintains Property insurance policy that covers its buildings and contents within the buildings and motor vehicles while on insured premises with a limit of \$500.0 million per occurrence. The Property insurance policy has a deductible of \$150,000 per occurrence that applies to the buildings and contents except a deductible of \$250,000 for water damage claims while a deductible of \$10,000 applies to motor vehicles. Excess liability policies provide coverage for Wrongful Acts, General liability, and Automobile liability with a \$5.0 million retention for claims other than those related to law enforcement. Coverage also includes Aviation Liability - Unmanned aircraft liability for drones with a limit of \$1.0 million.

The System's cost for these policies was \$451,957 in 2021 (unaudited) and \$340,565 in 2020.

Labor Relations

Wastewater Management and Stormwater Management currently employ approximately 320 full-time equivalent employees working directly within the utilities. 236 of these employees are represented by one of the labor organizations representing City employees. The City negotiates with those labor organizations through its management negotiating team.

The City enters into a collective bargaining agreement with the Joint Labor Committee concerning negotiable issues, including vacations, sick leave, holidays, life insurance, longevity, medical insurance and other health benefits.

Matters that are specific to a particular union, such as wages and other working conditions, are subject to a separate collective bargaining agreement individually negotiated with the unions.

As provided by State law, matters that are delegated by the City Charter to the City’s Civil Service Board, including issues relating to tenure of employment, hiring, recruitment, and termination, are not negotiated at the bargaining table. Additionally, retirement benefits through the Tacoma Employee Retirement System have been set historically by the Tacoma Retirement Board, which includes representatives of City employees as well as City management. See “Pension” below.

The City strives to promote sound labor relations policies that are beneficial both to management and to its employees. This cooperative effort has prevented a significant work stoppage among general government employees for the last several decades.

Bargaining units representing employees of the System are shown in the following table.

**TABLE 21:
BARGAINING UNITS REPRESENTING SYSTEM EMPLOYEES**

Bargaining Unit	Number of System Employees	Contract Expiration Date
Local 17 International Federation of Professional and Technical Engineers	66	12/31/2022
Local 120 Washington State Council of County and City Employees	5	12/31/2022
International Association of Machinist and Aerospace Workers (“IAM and AW”) (Local 160) (General)	24	12/31/2023
IAM and AW (Local 160) (Supervisors)	4	12/31/2023
Teamsters Local 117 (General)	12	12/31/2022
Teamsters Local 313 (Sewer)	57	12/31/2025
International Brotherhood of Electrical Workers (“IBEW”) Local 483 (Customer and Field Services)	6	12/31/2021 ⁽¹⁾
IBEW 483 (Clerical)	12	12/31/2023
IBEW 483 (Custodians)	3	12/31/2022
IBEW 483 (Supervisors)	2	12/31/2021 ⁽¹⁾
IBEW 483 (Water Pollution)	45	12/31/2022

⁽¹⁾ In negotiation.

Source: *City of Tacoma Environmental Services Department*

Pension

Tacoma Employee Retirement System. 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, 2020 by Milliman (the “Milliman Report”). 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, 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. 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. As of January 1, 2021, there were 2,654 retirees and beneficiaries currently receiving benefits, 582 vested terminated members entitled to future benefits and 3,037 active members in TERS.

Contributions City-wide totaled \$55.0 million in 2021 (\$29.7 million in employer contributions and \$25.3 million in employee contributions) and totaled \$53.0 million in 2020 (\$28.6 million in employer contributions and \$24.4 million in employee contributions). The System contributed \$2.84 million in 2020 (3.0% of reported operating expenses) and \$3.11 million in 2019 (2.0% of reported operating expenses). The contribution rate for the System’s covered payroll is currently set at 21% of gross wages for 2020 (11.34% paid by the System and 9.66% paid by employees).

The Department is current in all payments to TERS. Further details about the plan are included in Note 4 in Appendix C.

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

For the years ending December 31, 2019 and December 31, 2020, the City contributed approximately \$4.8 million and \$4.9 million, 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 2019 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 Comprehensive Annual Financial Report for the year ended June 30, 2020 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.

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 2020, the City reported a pension asset of \$18,606,284 and the System’s proportionate share was 9.93% of that asset, or \$1,847,284, which was based on total actual contributions for the year.

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.

The City allows retirees to participate in medical, dental and vision programs from the time retirement begins until they qualify for Federal funded programs. The City uses pay as you go funding, and upon retirement the retiree is responsible for paying a blended premium, which prior to retirement was paid by the City. The benefit is an implicit subsidy to the retiree. As of December 31, 2020, the City’s net OPEB obligation was \$208,422,031, of which \$2,635,160 was related to the System. Further details about OPEB are provided in Note 4 in Appendix C.

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.

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 require the Legislature to refer legislation to the voters 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 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 Legislature. After two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

Under the City Charter, Tacoma voters may initiate local legislation and City Charter amendments, and modify existing legislation, through powers of initiative and referendum. Under Washington law, the Bond Ordinance may not be a proper subject for a referendum petition. Nonetheless, the referendum period will have expired and the Bond Ordinance will become effective on or before the date of issuance and delivery of the Bonds. As of the date of this Official Statement, no referendum petition has 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 opinion 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. The various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. A copy of the form of legal opinion of Bond Counsel is set forth in Appendix B.

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 of 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

A municipality such as the City must be specifically authorized under state law in order to seek relief under Chapter 9 of the U.S. Bankruptcy Code (the "Bankruptcy Code"). Chapter 39.64 RCW, entitled the "Taxing District Relief Act," permits any "taxing district" (defined to include cities) to petition for relief under the Bankruptcy Code. A creditor cannot bring an involuntary bankruptcy proceeding against a municipality, including the City. While an involuntary bankruptcy petition cannot be filed against the City, the City is authorized to file for bankruptcy under certain circumstances. Should the City file for bankruptcy, there could be adverse effects on the holders of the Bonds.

To the extent that the Revenues are determined to be "special revenues" under the Bankruptcy Code, then Revenues collected after the date of a bankruptcy filing should continue to secure the City's obligations under the Bond Ordinance. "Special revenues" are defined to include receipts derived from the ownership or operation of projects or systems that are primarily used to provide utility services. No assurance can be given that a court would hold that the Revenues are special revenues. If any of the Revenues are determined not to be special revenues, then any such amounts collected after the commencement of the bankruptcy case will likely not secure the City's obligations under

the Bond Ordinance or the Bonds. The holders of the Bonds may not be able to assert a claim against any property of the City other than the Revenues, and if any or all of the Revenues no longer secure the Bond Ordinance and Bonds, then there may be limited, if any, funds from which the holders of the Bonds would be entitled to be paid.

The Bankruptcy Code provides that “special revenues” can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. It is not clear precisely which expenses would constitute necessary operating expenses and any definition in the transaction documents may not be applicable.

If the City is in bankruptcy, the parties (including any bondowners’ trustee and the holders of the Bonds) may be prohibited from taking any action to collect any amount from the City or to enforce any obligation of the City, unless the permission of the bankruptcy court is obtained. The rate covenant may not be enforceable in bankruptcy by the holders of the Bonds. Legal proceedings to resolve issues could be time-consuming and expensive, and substantial delays and reductions in payments could result.

The legal opinion of Bond Counsel regarding the validity of the Bonds will be qualified by reference to bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws affecting the rights of creditors generally, and by general principles of equity. See Appendix B.

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, have also recently experienced a series of major wildfires causing extensive damage in certain areas and diminishing air quality. Tacoma Power 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 and/or Tacoma Power facilities or that City and/or Tacoma Power 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, Tacoma Power, 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 Adaptation 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 City’s 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, a people-first approach centering equity and anti-racism, the City's climate action progress, climate strategies to guide us through 2030, and critical actions through 2024 to start us on our path. The City releases a report annually detailing progress made on each target and action. 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 is affecting many parts of the world, including the State and local region. The COVID-19 outbreak is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus and its variants and the emergence of new variants; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that governmental authorities may take to contain or mitigate the outbreak; (v) the development, efficacy and distribution of medical therapeutics and vaccinations and vaccination rates, vaccination acceptance rates, and the efficacy of therapeutics and vaccines to emerged and new variants; (vi) the impact of the outbreak on the local or global economy; (vii) whether and to what extent the Governor may order additional public health measures; and (viii) the impact of the outbreak and actions taken in response to the outbreak on City and Tacoma Power revenues, expenses and financial condition.

The City cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the State and regional economy. Prospective investors should assume that the restrictions and limitations instituted related to COVID-19 may continue, that the current upheaval to the national and global economies and financial markets may continue and/or be exacerbated, at least over the near term, and that the recovery may be prolonged. Additional pandemics, and other public health emergencies, may occur and may occur with greater frequency and intensity given trends in globalization.

Cybersecurity

As discussed herein, 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 and has taken steps to improve system resilience and mitigate cybersecurity risk. See "THE SYSTEM—Cybersecurity; System Resilience."

TAX MATTERS

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

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 complies 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 federal individual and corporate alternative minimum taxes.

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

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.

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 2022 with the report for the fiscal year ended December 31, 2021, 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 Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. See Appendix F 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 link to the related CUSIPs certain lodging tax rate information for the fiscal year ended December 31, 2017 and failed to timely file (i) certain financial and operating information in connection with the City’s Consolidated Local Improvement District No. 65 Bonds for fiscal year ended December 31, 2016; (ii) taxable sales information, lodging tax information and solid waste tonnage percentage calculations for fiscal year ended December 31, 2016 through 2018; (iii) the incurrence of certain subordinate lien financial obligations of the System; and (iv) related notices of failure to file. As of the date of this Official Statement, the foregoing information has been filed and/or linked to the respective issues on EMMA.

RATINGS

As noted on the cover page of this Official Statement, Moody’s Investors Service (“Moody’s”), S&P Global Ratings (“S&P”) and Fitch Ratings (“Fitch”) have assigned ratings of “Aa2,” “AA+” and “AA+,” respectively, to the Bonds. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained from the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the ratings will not be revised downward or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings will be likely to have an adverse effect on the market price of the Bonds. The City does not have any obligation to take any action, other than file a listed event notification, if the ratings on the Bonds are changed, suspended or withdrawn.

PURCHASER OF THE BONDS

The Bonds are being purchased by J.P. Morgan Securities LLC (the “Purchaser”) at a price of \$95,295,071.56 and will be reoffered at a price of \$95,730,895.55. The Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the initial offering prices and yields set forth in this Official Statement, and such initial offering prices and yields may be changed from time to time, by the Purchaser. After the initial public offering, the public offering prices and yields may be varied from time to time.

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. The Municipal Advisor is a full service investment banking firm that provides financial advisory and underwriting services to state and local governmental entities. While under contract to the City, the Municipal Advisor may not participate in the underwriting of any City debt.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds by the City are subject to the approving legal opinion of Pacifica Law Group LLP, Seattle, Washington, Bond Counsel. A copy of the form of opinion of

Bond Counsel is attached hereto as Appendix B. Pacifica Law Group LLP is also serving as Disclosure Counsel to the City in connection with the issuance of the Bonds. The letter to be delivered by Disclosure Counsel will be addressed solely to the City 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 Department or 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 or the System, 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.

The State of Washington Department of Transportation (“WSDOT”) decided in the 2008-2010 time-frame to design its I-5 HOV Northbound Project (“Northbound Project”), to eliminate six bridges that had protected two large pipes that had been in place across the I-5 right of way since 1961, and replace them with pipes that could withstand the load of highway embankment. The pre-existing pipes and the replacement pipes were 60” and 72” in diameter and approximately 450 feet in length. Because the 60” pipe had been used by the City to convey waste water to the City’s waste treatment facility, and the 72” pipe conveyed storm water from areas of the City south of the I-5 right of way, through the right of way to the Puyallup River, WSDOT demanded that the City reimburse WSDOT for the added Northbound Project costs associated with the removal and replacement of the two pipes, \$12,000,000. Because the City rejected WSDOT’s claim, WSDOT filed suit against the City for declaratory relief and damages. The City asserted numerous defenses to WSDOT’s claim, resulting in a \$3,500,000 mediated settlement on December 29, 2021. The \$3,500,000 settlement figure was not established based upon WSDOT’s alleged damages, but upon the amount of money the Department would save in repair, and maintenance costs over time because the pipes are new. The settlement also required that WSDOT grant easements to the City for the use, operation and maintenance of the two new pipes, with protections against design and construction defect liability. The settlement payment, however, is not expected to have a material impact on the City’s ability to pay debt service on the Parity Bonds.

See also “CERTAIN ENVIRONMENTAL MATTERS AND FACTORS AFFECTING THE SYSTEM.”

POTENTIAL CONFLICTS OF INTEREST

Some or all of the fees of the Municipal Advisor and Bond Counsel are contingent upon the issuance and sale of the Bonds. From time to time, Bond Counsel serves as counsel to the Municipal Advisor on matters unrelated to the issuance 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.

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 he or she has 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).

APPENDIX A
FORM OF THE BOND ORDINANCE
(attached)

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Req. # _____

ORDINANCE NO.



1 AN ORDINANCE of the City of Tacoma, Washington, providing for the issuance
2 and sale of one or more series of sewer revenue bonds of the City in the
3 aggregate principal amount of not to exceed \$105,000,000 to finance and/or
4 reimburse the City for costs associated with the construction, improvement
5 and equipping of the City's municipal sewer system and to pay costs of
6 issuing the bonds; providing the form and terms of the bonds; and
7 delegating the authority to approve the method sale and the final terms of
8 the bonds.

9 WHEREAS the City of Tacoma, Washington (the "City"), now owns, operates,
10 and maintains a municipal sewer system, comprising Wastewater Management and
11 Stormwater Management (the "System"), and

12 WHEREAS the City has issued and has outstanding certain sewer revenue
13 bonds and obligations of the System (as further described herein, the "Outstanding
14 Parity Bonds"), and

15 WHEREAS the ordinances authorizing the Outstanding Parity Bonds
16 provide that additional sewer revenue bonds or obligations may be issued with a
17 lien on Net Revenues (as defined herein) on a parity with the lien of the
18 Outstanding Parity Bonds if certain conditions are met, and

19 WHEREAS the City Council (the "Council") desires to determine that it is in
20 the public interest to issue one or more series of sewer revenue bonds in the
21 aggregate principal amount of not to exceed \$105,000,000 (the "Bonds") to
22 finance and/or reimburse the City for costs associated with the construction,
23 improvement and equipping of the System and to pay costs of issuing the Bonds,
24 and

25



1 WHEREAS the Council wishes to delegate authority to the City Finance
2 Director, Treasurer, and Assistant Finance Director/Controller, or their designees
3 (each, a "Designated Representative") for a limited time, to approve the method of
4 sale and the interest rates, maturity dates, redemption terms, principal maturities
5 and other terms for each series of Bonds within the parameters set by this
6 ordinance, and

7 WHEREAS the Bonds shall be sold by negotiated or competitive sale as
8 set forth herein;

9 Now, Therefore,

10 **BE IT ORDAINED BY THE CITY OF TACOMA:**

11 **Section 1. Definitions and Interpretation of Terms.**

12 As used in this ordinance, the following words and terms shall have the
13 following meanings, unless the context or use indicates another or different
14 meaning or intent. Unless the context indicates otherwise, words importing the
15 singular number shall include the plural number and vice versa.

16 "Accreted Value" means, with respect to any Capital Appreciation Bond, as
17 of the time of calculation, the sum of the amount representing the initial principal
18 amount of such bond plus interest accrued, compounded thereon as of the most
19 recent compounding date. With respect to any particular Payment Date, the
20 Accreted Value is the amount set forth on the Accreted Value Table included as
21 part of the form of Capital Appreciation Bond. In the event the Accreted Value of
22 any Capital Appreciation Bond is required to be determined as of a date other than
23 the Payment Date, the Accreted Value shall be determined by adding to the
24



1 Accreted Value for the next preceding Payment Date the product obtained by
 2 multiplying (a) the difference between the Accreted Value for the next Payment
 3 Date and the Accreted Value for the next preceding Payment Date, by (b) the ratio
 4 obtained by dividing by 180 the number of days elapsed since the next preceding
 5 Payment Date (calculated on the basis of a 360-day year of twelve 30-day months).
 6
 7 "Accreted Value Table" means the Accreted Value Table printed on the
 8 Capital Appreciation Bonds reflecting the Accreted Value of such Capital
 9 Appreciation Bonds as of each Payment Date.
 10
 11 "Adjusted Annual Debt Service" means Annual Debt Service minus (a) an
 12 amount equal to ULID Assessments due in that year and not delinquent and (b) any
 13 Capitalized Interest to be paid with respect to Parity Bonds.
 14
 15 "Adjusted Net Revenues" has the meaning set forth in Section 17 of this
 16 ordinance.
 17
 18 "Annual Debt Service" means the amount required to be paid in a calendar
 19 year for (a) interest due in such calendar year on all Parity Bonds, (b) principal of all
 20 Serial Bonds due in such calendar year, and (c) any Sinking Fund Requirement for
 21 such calendar year.
 22
 23 In the case of Variable Interest Rate Bonds, for the purpose of calculating
 24 Annual Debt Service, the interest rate thereon shall be equal to the higher of (i) the
 25 average of the SIFMA Municipal Swap Index over the 60-month period immediately
 26 preceding the date of computation, or (ii) the average of the SIFMA Municipal Swap
 Index over the 12-month period immediately preceding the date of computation, in
 each case as determined within ten days prior to the date of computation; provided,



1 that if on such date of calculation the interest rate on any Variable Interest Rate
 2 Bonds shall then be fixed for a specified period, including pursuant to a Payment
 3 Agreement, the interest rate used for such specified period shall be such fixed
 4 interest rate.
 5
 6 For purposes of computing Annual Debt Service on any Parity Bonds which
 7 constitute Balloon Indebtedness, it shall be assumed that the principal of such
 8 Balloon Indebtedness, together with interest thereon at the rate applicable to such
 9 Balloon Indebtedness, shall be amortized in equal annual installments over a term
 10 equal to the lesser of (a) 25 years or (b) the remaining term to final maturity of the
 11 Balloon Indebtedness beginning with the first Fiscal Year following the date of
 12 calculation.
 13
 14 For purposes of satisfying the coverage test pursuant to Section 15 or the
 15 requirements for the issuance of Future Parity Bonds pursuant to Section 17,
 16 Annual Debt Service for any Fiscal Year or calendar year shall exclude any Debt
 17 Service Offsets received or expected to be received in such Fiscal Year or calendar
 18 year.
 19
 20 "Balloon Indebtedness" means that portion of any series of Parity Bonds that
 21 comprises more than 25 percent of the principal of such series which, in
 22 accordance with the terms of such Parity Bonds, is due and payable in any one
 23 Fiscal Year either by reason of the stated maturity date of such Parity Bonds or
 24 pursuant to a Sinking Fund Requirement; provided that with respect to any Parity
 25 Bonds issued as Term Bonds, such Term Bonds shall only be treated as Balloon
 26 Indebtedness if more than 25 percent of the principal thereof is due in any one



1 Fiscal Year pursuant to the applicable Sinking Fund Requirement or upon the
 2 stated maturity date thereof (assuming that the only principal due on the stated
 3 maturity date thereof will be the principal remaining outstanding after all
 4 redemptions have been made pursuant to the applicable Sinking Fund
 5 Requirement).
 6
 7 "Bond Counsel" means an attorney at law or a firm of attorneys, selected by
 8 the City, of nationally recognized standing in matters pertaining to the tax exempt
 9 nature of interest on bonds issued by states and their political subdivisions.
 10
 11 "Bond Fund" means the Sewer Revenue Bond Fund created by the City for
 12 the purpose of paying and securing the payment of Parity Bonds.
 13
 14 "Bond Obligation" means, as of any given date of calculation, the sum of
 15 (a) the aggregate principal amount of all outstanding Current Interest Bonds and
 16 (b) the aggregate Accreted Value of all outstanding Capital Appreciation Bonds
 17 calculated as of the date of calculation if that date is a Payment Date or as of the
 18 next preceding Payment Date if the date of calculation is not a Payment Date.
 19
 20 "Bond Purchase Contract" means one or more contracts, if any, for the
 21 purchase of any Bonds of a series sold by negotiated sale to the initial purchaser,
 22 executed pursuant to Section 19.
 23
 24 "Bond Register" means the registration books maintained by the Bond
 25 Registrar for purposes of identifying ownership of the Bonds or the nominee of each
 26 owner, and such other information as the Bond Registrar shall determine.
 "Bond Registrar" means, initially, the fiscal agent of the state of Washington,
 for the purposes of registering and authenticating the Bonds, maintaining the Bond



1 Register, effecting transfer of ownership of the Bonds and paying interest on and
 2 principal of the Bonds.
 3
 4 "Bonds" mean the sewer revenue bonds authorized to be issued pursuant to
 5 this ordinance.
 6
 7 "Capital Appreciation Bonds" mean Parity Bonds, the interest on which
 8 accrues and compounds, payable at maturity or earlier redemption.
 9
 10 "Capital Improvement Plan" means the Capital Improvement Plan of the City
 11 relating to the System, as it may be amended from time to time.
 12
 13 "Capitalized Interest" means proceeds (not including accrued interest) of
 14 Parity Bonds used to pay interest on such Parity Bonds.
 15
 16 "Certificate of Award" means one or more certificates, if any, for the
 17 purchase of any Bonds of a series sold by competitive sale awarding such Bonds to
 18 the bidder as set forth in Section 19 of this ordinance.
 19
 20 "Certified Public Accountant" means an independent licensed certified public
 21 accountant (or firm of certified public accountants) selected by the City.
 22
 23 "City" means the City of Tacoma, Washington, a municipal corporation duly
 24 organized and existing under and by virtue of the laws of the State.
 25
 26 "City Attorney" means the duly appointed and acting City Attorney of the City,
 including anyone acting in an interim or other capacity for the position, or the
 successor to the duties of that office.
 "City Clerk" means the duly appointed and acting City Clerk of the City,
 including anyone acting in an interim or other capacity for the position, or the
 successor to the duties of that office.



1 "City Manager" means the duly appointed and acting City Manager of the
 2 City, including anyone acting in an interim or other capacity for the position, or the
 3 successor to the duties of that office.
 4 "Closing" means the date of issuance and delivery of a series of Bonds to
 5 the Underwriter.
 6 "Code" means the Internal Revenue Code of 1986 as in effect on the date of
 7 issuance of the Tax-Exempt Bonds or (except as otherwise referenced herein) as it
 8 may be amended to apply to obligations issued on the date of issuance of the Tax-
 9 Exempt Bonds, together with applicable proposed, temporary and final regulations
 10 promulgated, and applicable official public guidance published, under the Code.
 11 "Commission" means the Securities and Exchange Commission.
 12 "Continuing Disclosure Certificate" means the written undertaking for the
 13 benefit of the holders of each series of Bonds as required by Section (b)(5) of the
 14 Rule.
 15 "Costs of Maintenance and Operation" means all necessary operating
 16 expenses, current maintenance expenses, expenses of reasonable upkeep and
 17 repairs, insurance premiums and administrative expenses and reasonable pro rata
 18 charges for services provided to the System by City departments, but excludes
 19 (a) payments for debt service or into debt service reserve accounts or funds,
 20 (b) costs of capital additions to or replacements of the System, (c) money
 21 necessary to pay extraordinary legal claims and judgments against the System or
 22 amortized payments to the City's self-insurance fund with respect to extraordinary
 23 claims and judgments, (d) depreciation, (e) City taxes (or payments to the City in



1 lieu of taxes) upon the properties and earnings of the System, and (f) any Rebate
 2 Amount.
 3 "Council" means the Council of the City, as the same shall be duly and
 4 regularly constituted from time to time.
 5 "Covered Bonds" mean:
 6 (a) the 2015 Bonds, and
 7 (b) those Future Parity Bonds designated in the Parity Bond Ordinance
 8 authorizing their issuance as Covered Bonds secured by the Reserve Fund.
 9 "Current Interest Bonds" mean Parity Bonds, the interest on which is paid
 10 periodically.
 11 "Debt Service Offset" means receipts of the City that are not included in
 12 Gross Revenues and that are legally available to pay debt service on Parity Bonds,
 13 including without limitation federal interest subsidy payments, designated as such
 14 by the City.
 15 "Designated Representative" means the City Finance Director, Treasurer,
 16 and Assistant Finance Director/Controller, or their designees. The signature of one
 17 Designated Representative shall be sufficient to bind the City.
 18 "DTC" means The Depository Trust Company, New York, New York.
 19 "Engineer" means an independent licensed professional engineer (or firm of
 20 licensed professional engineers) selected by the City and experienced and skilled in
 21 the design, construction, and operation of sewer systems of comparable size and
 22 character to the System.
 23
 24
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 26



1 "Fair Market Value" means the price at which a willing buyer would
 2 purchase an investment from a willing seller in a bona fide, arm's length
 3 transaction, except for specified investments as described in Treasury Regulation
 4 \$1.148-5(d)(6), including United States Treasury obligations, certificates of deposit,
 5 guaranteed investment contracts, and investments for yield restricted defeasance
 6 escrows. Fair Market Value is generally determined on the date on which a
 7 contract to purchase or sell an investment becomes binding, and, to the extent
 8 required by the applicable regulations under the Code, the term "investment" will
 9 include a hedge.
 10

11 "Federal Tax Certificate" means one or more certificates of the City
 12 pertaining to the tax-exemption of interest on a series of Tax-Exempt Bonds, and
 13 any attachments thereto.
 14

15 "Finance Director" means the duly appointed and acting Finance Director of
 16 the City or the successor to the duties of that office.
 17

18 "Fiscal Year" means the fiscal year used by the City at any time. At the time
 19 of the passage of this ordinance, the Fiscal Year is the 12-month period beginning
 20 January 1 of each year.
 21

22 "Fitch" means Fitch, Inc., a corporation duly organized and existing under
 23 and by virtue of the laws of the State of Delaware, and its successors and assigns.
 24

25 "Future Parity Bonds" mean any revenue bonds of the City issued after the
 26 date of issuance of the Bonds having a charge or lien upon the Net Revenues and
 ULID Assessments for payment of the principal thereof and interest thereon equal
 in priority to the charge or lien upon the Net Revenues and ULID Assessments for



1 the payment of the principal of and interest on the Outstanding Parity Bonds and
 2 the Bonds.
 3

4 "Government Obligations" mean those obligations now or hereafter defined
 5 as such in chapter 39.53 RCW constituting direct obligations of, or obligations the
 6 principal of and interest on which are unconditionally guaranteed by the United
 7 States of America, as such chapter may be hereafter amended or restated.
 8

9 "Gross Revenues" mean (a) all revenues received for the use of the System,
 10 (b) revenues received from the sale of by-products from a treatment facility of the
 11 System or from any other source for rental, use or services rendered by the
 12 System, (c) ULID Assessments, (d) the proceeds received by the City from the sale
 13 or other disposition of any of the properties of the System, (e) investment income
 14 earned on money held in any fund or account of the City in connection with the
 15 ownership and operation of the System, including any bond redemption funds, and
 16 (f) federal or state reimbursement of operating expenses to the extent that such
 17 expenses are included as Costs of Maintenance and Operation, but excluding
 18 (i) insurance proceeds, (ii) investment income irrevocably pledged to the payment
 19 of any specific sewer revenue bonds of the City refunded or defeased pursuant to a
 20 plan of refunding heretofore or hereafter adopted by the City, (iii) investment
 21 income earned on money in any rebate fund, and (iv) grants, gifts or donations.
 22

23 Amounts withdrawn from the Rate Stabilization Fund and deposited into the Sewer
 24 Utility Fund shall increase Gross Revenues for the period in which they are
 25 withdrawn, and amounts deposited in the Rate Stabilization Fund shall reduce
 26 Gross Revenues for the period during which they are deposited.



1 "Interest Account" means the Interest Account in the Bond Fund created by
 2 Ordinance No. 25562.
 3 "Letter of Representations" means the Blanket Issuer Letter of
 4 Representations from the City to DTC.
 5 "Maximum Annual Debt Service" means at the time of calculation, the
 6 maximum amount of Annual Debt Service that will mature or come due in the
 7 current Fiscal Year or any future Fiscal Year on the Parity Bonds.
 8 "Maximum Annual Adjusted Debt Service" means Maximum Annual Debt
 9 Service minus the amount of ULID Assessments due in that year and not
 10 delinquent.
 11 "Maximum Interest Rate" means, with respect to any particular Variable
 12 Interest Rate Bond, a numerical rate of interest, which shall be set forth in any
 13 Parity Bond Ordinance authorizing such Variable Interest Rate Bond, which shall be
 14 the maximum rate of interest such Variable Interest Rate Bond may at any time
 15 bear.
 16 "Maximum Reserve Requirement" means the maximum dollar amount
 17 permitted by the Code to be allocated to a reserve fund from tax-exempt bond
 18 proceeds without requiring a balance to be invested at a restricted yield.
 19 "Moody's" means Moody's Investors Service, Inc. or its comparable
 20 recognized business successor.
 21 "MSRB" means the Municipal Securities Rulemaking Board or any successor
 22 to its functions.
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1 "Net Revenues" mean, for any period, the excess of Gross Revenues over
 2 Costs of Maintenance and Operation for such period, excluding from the
 3 computation of Gross Revenues (a) ULID Assessments, (b) any profit or loss
 4 derived from the sale or other disposition, not in the ordinary course of business, of
 5 properties, rights or facilities of the System, or (c) gains or losses resulting from the
 6 early extinguishment of debt.
 7 "Outstanding Parity Bond Ordinances" mean the ordinances and resolutions
 8 identified herein authorizing the issuance of the Outstanding Parity Bonds.
 9 "Outstanding Parity Bonds" mean, as of the date of this ordinance, the 2015
 10 Bonds, the 2016A Bonds, the 2018 Bonds, and the 2020 Bond.
 11 "Parity Bond Ordinances" mean the Outstanding Parity Bond Ordinances,
 12 this ordinance, and any ordinance hereafter passed for the purpose of authorizing
 13 Future Parity Bonds.
 14 "Parity Bonds" mean the Outstanding Parity Bonds, the Bonds and any
 15 Future Parity Bonds.
 16 "Payment Date" means each date on which principal and/or interest on the
 17 Parity Bonds is due and payable.
 18 "Permitted Investments" mean any investments that are now or may
 19 hereafter be permitted to the City by the laws of the State.
 20 "Principal Account" means the Principal Account of the Bond Fund created
 21 by Ordinance No. 25562.
 22 "Project" has the meaning set forth in Section 3 of this ordinance.
 23
 24
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 26



1 "Project Fund" means the account created pursuant to Section 8 of this
 2 ordinance.

3 "Qualified Insurance" means any non-cancellable municipal bond insurance
 4 policy or surety bond issued by any insurance company licensed to conduct an
 5 insurance business in any state of the United States (or by a service corporation
 6 acting on behalf of one or more such insurance companies), which insurance
 7 company or companies, as of the time of issuance of such policy or surety bond,
 8 are rated in one of the two highest rating categories by Moody's, S&P or Fitch, or
 9 any other rating agency then maintaining a rating on the Bonds.

10 "Qualified Letter of Credit" means any irrevocable letter of credit issued by a
 11 financial institution for the account of the City on behalf of the owners of one or
 12 more series of Parity Bonds, which institution maintains an office, agency or branch
 13 in the United States and as of the time of issuance of such letter of credit is rated in
 14 one of the two highest rating categories by Moody's, S&P or Fitch, or any other
 15 rating agency then maintaining a rating on the Bonds.

16 "Rate Stabilization Fund" means the fund of that name in the Sewer Utility
 17 Fund.

18 "Rebate Amount" means the amount, if any, determined to be payable with
 19 respect to a series of Parity Bonds by the City to the United States of America in
 20 accordance with Section 148(f) of the Code.

21 "Record Date" means the close of business for the Bond Registrar that is 15
 22 days preceding any interest and/or principal payment or redemption date.



23 "Registered Owner" means the person named as the registered owner of a
 24 Bond in the Bond Register. For so long as the Bonds are held in book-entry only
 25 form, DTC or its nominee shall be deemed to be the sole Registered Owner.

26 "Reserve Fund" means the Reserve Fund created in the Bond Fund.

"Reserve Fund Requirement" is the dollar amount to be calculated with
 respect to all Covered Bonds and separately with respect to other Parity Bonds.

(a) With respect to Covered Bonds, the Reserve Fund Requirement means
 as of any date an amount equal to the lesser of (1) the Maximum Annual Debt
 Service for Covered Bonds then outstanding, (2) 125 percent of average Annual
 Debt Service for Covered Bonds then outstanding, or (3) 10 percent of the initial
 face amount of the Covered Bonds then outstanding; provided, however, that the
 dollar amount required to be contributed, if any, as a result of the issuance of a
 series of Future Parity Bonds shall not be greater than the Maximum Reserve
 Requirement. If the dollar amount required to be contributed at the time of issuance
 of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement,
 then the amount required to be contributed shall be equal to the Maximum Reserve
 Requirement.

(b) With respect to other series of Parity Bonds, the Reserve Fund
 Requirement shall be equal to the amount, if any, specified in the Parity Bond
 Ordinance authorizing the issuance of such Parity Bonds or in a certificate or other
 document referenced in such Parity Bond Ordinance; provided, however, such
 Reserve Fund Requirement shall not exceed the Maximum Reserve Requirement
 for such series of Parity Bonds.



1 "Rule" means the Commission's Rule 15c2-12 under the Securities and
 2 Exchange Act of 1934, as the same may be amended from time to time.
 3 "Sale Document" means the Bond Purchase Contract or Certificate of Award,
 4 as applicable, executed by a Designated Representative in connection with the sale
 5 of a series of Bonds pursuant to Section 19 of this ordinance.
 6 "S&P" means S&P Global Ratings, or its comparable recognized business
 7 successor.
 8 "Serial Bonds" mean Parity Bonds other than Term Bonds.
 9 "Sewer Utility Fund" means the fund of the City of that name created by
 10 Section 13 of Ordinance No. 13989, as amended by Ordinance No. 14015, and
 11 reenacted by Section 38 of Ordinance No. 21632.
 12 "Sinking Fund Requirement" means, for any Fiscal Year, the principal
 13 amount of Term Bonds required to be purchased, redeemed or paid in such year as
 14 established by the ordinance or resolution of the City authorizing the issuance of
 15 such Term Bonds.
 16 "State" means the state of Washington.
 17 "System" means the "Tacoma Municipal Sewer System," comprising
 18 Wastewater Management and Stormwater Management, as the same is defined in
 19 Section 1 of Ordinance No. 13989, as amended by Ordinance No. 14015, and
 20 reenacted in and referred to as the "Municipal Sewer System" in Section 1 of
 21 Ordinance No. 21632, as amended by Ordinance No. 21681 and as supplemented
 22 by Ordinance No. 21638, by adding thereto the system of storm and stormwater
 23 drainage of the City, as the same has heretofore been added to, improved and
 24
 25
 26

1 extended and as the same will be added to, improved and extended for as long as
 2 any of the Parity Bonds are outstanding. Such additions, improvements and
 3 extensions shall include the water system of the City should the municipal sewer
 4 system ever be combined with such water system.
 5 "Term Bond Retirement Account" means the Term Bond Retirement Account
 6 of the Bond Fund created by Ordinance No. 25562.
 7 "Term Bonds" mean Parity Bonds designated by the City as term bonds.
 8 "Taxable Bonds" means any Bonds determined to be issued on a taxable
 9 basis pursuant to Section 19.
 10 "Tax-Exempt Bonds" mean any Bonds determined to be issued on a tax-
 11 exempt basis under the Code pursuant to Section 19.
 12 "Treasurer" means the duly appointed and acting Treasurer of the City or the
 13 successor to the duties of that office.
 14 "2015 Bonds" mean the outstanding City of Tacoma, Washington, Sewer
 15 Revenue and Refunding Bonds, 2015 issued pursuant to Ordinance No. 28278.
 16 "2016A Bonds" mean the outstanding City of Tacoma, Washington, Sewer
 17 Revenue Refunding Bonds, 2016A, issued pursuant to Ordinance No. 28355.
 18 "2018 Bonds" mean the outstanding City of Tacoma, Washington, Sewer
 19 Revenue Bonds, Series 2018 issued pursuant to Ordinance No. 28534.
 20 "2020 Bond" means the City of Tacoma, Washington, Sewer Revenue Bond,
 21 Series 2020 (Central Treatment Plant Electrical Distribution System Replacement
 22 Project (WIFIA –N19117WA), issued pursuant to Ordinance No. 28960.
 23
 24
 25
 26



1 "ULID Assessments" mean all assessments (including any interest and
 2 penalties) levied in a utility local improvement district for the acquisition or
 3 construction of improvements to and extensions of the System if those
 4 assessments are pledged to be paid into the Bond Fund. In the case of ULID
 5 Assessments payable in installments, ULID Assessments shall be allocated to the
 6 years in which they would be received if the unpaid principal balance of each
 7 assessment roll were paid over the remaining number of installments with interest
 8 thereon at the rate and in the manner provided in the ordinance confirming the
 9 assessment roll.

10
 11 "Underwriter" means any underwriter or group of underwriters, in the case of
 12 a negotiated sale, or initial purchaser, in the case of a competitive sale, for a series
 13 of Bonds selected pursuant to Section 19.

14
 15 "Variable Interest Rate" means a variable interest rate or rates to be borne
 16 by a series of Parity Bonds or any one or more maturities within a series of Parity
 17 Bonds. The method of computing such variable interest rate shall be specified in
 18 the bond ordinance authorizing such series of Parity Bonds. Such variable interest
 19 rate shall be subject to a Maximum Interest Rate and there may be an initial rate
 20 specified, in each case as provided in such bond ordinance, or a stated interest rate
 21 that may be changed from time to time as provided in the bond ordinance
 22 authorizing such bonds. Such bond ordinance shall also specify either (a) the
 23 particular period or periods of time or manner of determining such period or periods
 24 of time for which each value of such variable interest rate shall remain in effect or

1 (b) the time or times upon which any change in such variable interest rate shall
 2 become effective.
 3 "Variable Interest Rate Bonds" for any period of time means Parity Bonds
 4 that during such period bear a Variable Interest Rate, provided that Parity Bonds
 5 the interest rate on which shall have been fixed for the remainder of the term
 6 thereof shall no longer be Variable Interest Rate Bonds.

7 Section 2. Findings; Compliance with Parity Conditions.

8
 9 The Council hereby finds that it is in the public interest for the City to
 10 undertake the Project and to issue the Bonds to finance a portion of the costs of the
 11 Project.

12
 13 On or prior to the Closing of the Bonds, the City shall satisfy, or cause to be
 14 satisfied, the conditions relating to the execution and delivery of Future Parity
 15 Bonds (as described in the Outstanding Parity Bond Ordinances), as set forth in the
 16 Outstanding Parity Bond Ordinances for the then-outstanding Outstanding Parity
 17 Bonds. Upon the satisfaction of such conditions, the Bonds authorized herein shall
 18 constitute "Parity Bonds" under (and as defined in) the Outstanding Parity Bond
 19 Ordinances and shall have a lien and charge on Net Revenues and ULID
 20 Assessments equal in rank with the lien and charge upon the Net Revenues and
 21 ULID Assessments to pay and secure the payment of the then-outstanding
 22 Outstanding Parity Bonds.

23 Section 3. Authorization and Description of Bonds.

24
 25 The City is hereby authorized to issue and sell one or more series of Bonds
 26 in the aggregate principal amount of not to exceed \$105,000,000 to finance and/or



1 reimburse the City for costs of capital improvements to the System and to pay costs
 2 of issuance of the Bonds. The City specifies, adopts and orders the following
 3 capital improvements to the System (together, the "Project"): pipe replacements,
 4 main extensions, and holding facility improvements for the stormwater utility; trunk
 5 replacements, bio-tower replacements, digester rehabilitation, and sediment tank
 6 upgrades at wastewater facilities; and/or other capital upgrades, repairs,
 7 replacements, and improvements to the System as identified in the Capital
 8 Improvement Plan, as it may be amended from time to time. The specifications for
 9 the Project, and the components thereof, as well as the timing, order and manner of
 10 completing all or which portions thereof, shall be as determined by the City.

11
 12
 13 The cost of all necessary appraisals, negotiation, closing, architectural,
 14 engineering, financial, legal and other consulting services, inspection and testing,
 15 demolition, administrative expenses and other costs incurred in connection with the
 16 foregoing capital improvements shall be deemed a part of the capital costs of such
 17 Project. Such Project shall be complete with all necessary equipment, extensions
 18 and appurtenances.

19
 20 The estimated cost of carrying out the Project, including the costs of
 21 issuance and sale of the Bonds, is expected to be at least \$105,000,000, which cost
 22 shall be paid from the proceeds of the Bonds and from other money available to the
 23 City for such purpose.

24
 25 The Bonds of each series shall be designated as the "City of Tacoma,
 26 Washington, Sewer Revenue Bonds, 2022" with such series or other designation as
 set forth in applicable Sale Document and approved by a Designated

1 Representative. The Bonds of each series shall be dated as of their date of initial
 2 delivery, shall be fully registered as to both principal and interest, shall be in the
 3 denomination of \$5,000 each or any integral multiple thereof within a maturity, shall
 4 be numbered separately in the manner and with any additional designation as the
 5 Bond Registrar deems necessary for purposes of identification and control, and
 6 shall bear interest payable on the dates set forth in the applicable Sale Document.
 7 The Bonds shall bear interest at the rates set forth in the applicable Sale Document;
 8 and shall mature on the dates and in the principal amounts set forth in the
 9 applicable Sale Document and as approved by a Designated Representative
 10 pursuant to Section 19.

11
 12
 13 The Bonds shall be special obligations of the City payable only from the
 14 Bond Fund and shall be payable and secured as provided herein. The Bonds shall
 15 not be general obligations of the City, the State or any political subdivision thereof.

16 Section 4. Registration, Exchange and Payments.

17
 18 (a) Bond Registrar/Bond Register. The City hereby specifies and adopts
 19 the system of registration approved by the Washington State Finance Committee
 20 from time to time through the appointment of a state fiscal agent. The City shall
 21 cause a Bond Register to be maintained by the Bond Registrar. So long as any
 22 Bonds remain outstanding, the Bond Registrar shall make all necessary provisions
 23 to permit the exchange or registration or transfer of Bonds at its designated office.
 24 The Bond Registrar may be removed at any time at the option of the Finance
 25 Director upon prior notice to the Bond Registrar and a successor Bond Registrar
 26 appointed by the Finance Director. No resignation or removal of the Bond



1 Registrar shall be effective until a successor shall have been appointed and until
 2 the successor Bond Registrar shall have accepted the duties of the Bond Registrar
 3 hereunder. The Bond Registrar is authorized, on behalf of the City, to authenticate
 4 and deliver Bonds transferred or exchanged in accordance with the provisions of
 5 such Bonds and this ordinance and to carry out all of the Bond Registrar's powers
 6 and duties under this ordinance. The Bond Registrar shall be responsible for its
 7 representations contained in the Certificate of Authentication of the Bonds.
 8
 9 (b) Registered Ownership. The City and the Bond Registrar, each in its
 10 discretion, may deem and treat the Registered Owner of each Bond as the absolute
 11 owner thereof for all purposes (except as provided in the Continuing Disclosure
 12 Certificate), and neither the City nor the Bond Registrar shall be affected by any
 13 notice to the contrary. Payment of any such Bond shall be made only as described
 14 in subsection (g) below, but such Bond may be transferred as herein provided. All
 15 such payments made as described in subsection (g) below shall be valid and shall
 16 satisfy and discharge the liability of the City upon such Bond to the extent of the
 17 amount or amounts so paid.

18
 19
 20 (c) DTC Acceptance/Letters of Representations. The Bonds initially shall be
 21 held in fully immobilized form by DTC acting as depository. The City has executed
 22 and delivered to DTC the Letter of Representations. Neither the City nor the Bond
 23 Registrar will have any responsibility or obligation to DTC participants or the
 24 persons for whom they act as nominees (or any successor depository) with respect
 25 to the Bonds in respect of the accuracy of any records maintained by DTC (or any
 26 successor depository) or any DTC participant, the payment by DTC (or any

1 successor depository) or any DTC participant of any amount in respect of the
 2 principal or interest on Bonds, any notice which is permitted or required to be
 3 given to Registered Owners under this ordinance (except such notices as shall be
 4 required to be given by the City to the Bond Registrar or to DTC (or any successor
 5 depository)), or any consent given or other action taken by DTC (or any successor
 6 depository) as the Registered Owner. For so long as any Bonds are held in fully
 7 immobilized form by a depository, DTC or its successor depository shall be deemed
 8 to be the Registered Owner for all purposes hereunder, and all references herein to
 9 the Registered Owners shall mean DTC (or any successor depository) or its
 10 nominee and shall not mean the owners of any beneficial interest in such Bonds.
 11
 12 (d) Use of Depository.

13
 14 (1) The Bonds shall be registered initially in the name of
 15 "Cede & Co.", as nominee of DTC, with one Bond of each series maturing on each
 16 of the maturity dates for the Bonds in a denomination corresponding to the total
 17 principal therein designated to mature on such date. Registered ownership of such
 18 Bonds, or any portions thereof, may not thereafter be transferred except (A) to any
 19 successor of DTC or its nominee, provided that any such successor shall be
 20 qualified under any applicable laws to provide the service proposed to be provided
 21 by it; (B) to any substitute depository appointed by the Finance Director pursuant to
 22 subsection (2) below or such substitute depository's successor; or (C) to any
 23 person as provided in subsection (4) below.
 24
 25 (2) Upon the resignation of DTC or its successor (or any substitute
 26 depository or its successor) from its functions as depository or a determination by



1 the Finance Director to discontinue the system of book entry transfers through
 2 DTC or its successor (or any substitute depository or its successor), the Finance
 3 Director may hereafter appoint a substitute depository. Any such substitute
 4 depository shall be qualified under any applicable laws to provide the services
 5 proposed to be provided by it.

6
 7 (3) In the case of any transfer pursuant to clause (A) or (B) of
 8 subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding
 9 Bonds of a series, together with a written request on behalf of the Finance Director,
 10 issue a single new Bond for each series and maturity then outstanding, registered
 11 in the name of such successor or such substitute depository, or their nominees, as
 12 the case may be, all as specified in such written request of the Finance Director.

13
 14 (4) In the event that (A) DTC or its successor (or substitute
 15 depository or its successor) resigns from its functions as depository and no
 16 substitute depository can be obtained, or (B) the Finance Director determines that
 17 it is in the best interest of the beneficial owners of the Bonds that such owners be
 18 able to obtain physical Bond certificates, the ownership of such Bonds may then be
 19 transferred to any person or entity as herein provided, and such Bonds shall no
 20 longer be held by a depository. The Finance Director shall deliver a written
 21 request to the Bond Registrar, together with a supply of physical Bonds, to issue
 22 Bonds as herein provided in any authorized denomination. Upon receipt by the
 23 Bond Registrar of all then outstanding Bonds of a series together with a written
 24 request on behalf of the Finance Director to the Bond Registrar, new Bonds shall



1 be issued in the appropriate denominations and registered in the names of such
 2 persons as are requested in such written request.

3 (e) Registration of Transfer of Ownership or Exchange; Change in
 4 Denominations. The transfer of any Bond may be registered and Bonds may be
 5 exchanged, but no transfer of any such Bond shall be valid unless it is surrendered
 6 to the Bond Registrar with the assignment form appearing on such Bond duly
 7 executed by the Registered Owner or such Registered Owner's duly authorized
 8 agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the
 9 Bond Registrar shall cancel the surrendered Bond and shall authenticate and
 10 deliver, without charge to the Registered Owner or transferee therefor, a new Bond
 11 (or Bonds at the option of the new Registered Owner) of the same series, date,
 12 maturity and interest rate and for the same aggregate principal amount in any
 13 authorized denomination, naming as Registered Owner the person or persons listed
 14 as the assignee on the assignment form appearing on the surrendered Bond, in
 15 exchange for such surrendered and canceled Bond. Any Bond may be surrendered
 16 to the Bond Registrar and exchanged, without charge, for an equal aggregate
 17 principal amount of Bonds of the same series, date, maturity and interest rate, in
 18 any authorized denomination. The Bond Registrar shall not be obligated to register
 19 the transfer or to exchange any Bond between the Record Date and the next
 20 principal payment or redemption date.

21 (f) Bond Registrar's Ownership of Bonds. The Bond Registrar may become
 22 the Registered Owner of any Bond with the same rights it would have if it were not
 23 the Bond Registrar, and to the extent permitted by law, may act as depository for



1 and permit any of its officers or directors to act as a member of, or in any other
 2 capacity with respect to, any committee formed to protect the right of the Registered
 3 Owners of Bonds.

4 (g) Place and Medium of Payment. Both principal of and interest on the
 5 Bonds shall be payable in lawful money of the United States of America. Interest
 6 on the Bonds shall be calculated on the basis of a year of 360 days and twelve
 7 30-day months. For so long as all Bonds are held by a depository, payments of
 8 principal and interest thereon shall be made as provided in accordance with the
 9 operational arrangements of DTC referred to in the Letter of Representations. In
 10 the event that the Bonds are no longer held by a depository, interest on the Bonds
 11 shall be paid by check or draft mailed to the Registered Owners at the addresses
 12 for such Registered Owners appearing on the Bond Register on the Record Date,
 13 or upon the written request of a Registered Owner of more than \$1,000,000 of
 14 Bonds (received by the Bond Registrar by the Record Date), such payment shall be
 15 made by the Bond Registrar by wire transfer to the account within the United States
 16 designated by the Registered Owner. Principal of the Bonds shall be payable upon
 17 presentation and surrender of such Bonds by the Registered Owners at the
 18 designated office of the Bond Registrar.

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

23 Section 5. Redemption Prior to Maturity and Purchase of Bonds.



1 (a) Mandatory Redemption of Term Bonds and Optional Redemption, if
 2 any. The Bonds of each series shall be subject to mandatory redemption to the
 3 extent, if any, set forth in the applicable Sale Document approved by a Designated
 4 Representative pursuant to Section 19. The Bonds of each series shall be subject
 5 to optional redemption on the dates, at the prices and under the terms set forth in
 6 the applicable Sale Document approved by a Designated Representative pursuant
 7 to Section 19.

8 (b) Purchase of Bonds. The City hereby reserves the right at any time and
 9 at any price to purchase any of the Bonds from amounts in the Sewer Utility Fund
 10 available for such purchase.

11 (c) Selection of Bonds for Redemption. For as long as the Bonds are held
 12 in book-entry only form, the selection of particular Bonds within a series and
 13 maturity to be redeemed shall be made in accordance with the operational
 14 arrangements then in effect at DTC. If the Bonds are no longer held by a
 15 depository, the selection of such Bonds to be redeemed and the surrender and
 16 reissuance thereof, as applicable, shall be made as provided in the following
 17 provisions of this subsection (c). If the City redeems at any one time fewer than
 18 all of the Bonds of a series having the same maturity date, the particular Bonds or
 19 portions of Bonds of such maturity to be redeemed shall be selected by lot (or in
 20 such manner determined by the Bond Registrar) in increments of \$5,000. In the
 21 case of a Bond of a denomination greater than \$5,000, the City and the Bond
 22 Registrar shall treat each Bond as representing such number of separate Bonds
 23 each of the denomination of \$5,000 as is obtained by dividing the actual principal
 24



1 amount of Bonds by \$5,000. In the event that only a portion of the principal sum
 2 of a Bond is redeemed, upon surrender of such Bond at the designated office of
 3 the Bond Registrar there shall be issued to the Registered Owner, without charge
 4 therefor, for the then unredeemed balance of the principal sum thereof, at the
 5 option of the Registered Owner, a Bond or Bonds of like series, maturity and
 6 interest rate in any of the denominations herein authorized. Notwithstanding the
 7 foregoing, any Taxable Bonds shall be selected on a pro rata pass through
 8 distribution of principal basis.
 9 (d) Notice of Redemption.
 10 (1) Official Notice. For so long as the Bonds are held by a
 11 depository, notice of redemption shall be given in accordance with the operational
 12 arrangements of DTC as then in effect, and neither the City nor the Bond Registrar
 13 will provide any notice of redemption to any beneficial owners. The notice of
 14 redemption may be conditional. Unless waived by any owner of Bonds to be
 15 redeemed, official notice of any such redemption (which redemption may be
 16 conditioned by the Bond Registrar on the receipt of sufficient funds for redemption
 17 or otherwise) shall be given by the Bond Registrar on behalf of the City by mailing a
 18 copy of an official redemption notice by first-class mail at least 20 days and not
 19 more than 60 days prior to the date fixed for redemption to the Registered Owner of
 20 the Bond or Bonds to be redeemed at the address shown on the Bond Register or
 21 at such other address as is furnished in writing by such Registered Owner to the
 22 Bond Registrar.
 23 All official notices of redemption shall be dated and shall state:



1 (A) the redemption date,
 2 (B) the redemption price,
 3 (C) if fewer than all outstanding Bonds are to be redeemed,
 4 the identification by maturity (and, in the case of partial redemption, the respective
 5 principal amounts) of the Bonds to be redeemed,
 6 (D) that unless conditional notice of redemption has been
 7 given and such conditions have not been satisfied or waived or such notice has
 8 been rescinded, on the redemption date the redemption price will become due and
 9 payable upon each such Bond or portion thereof called for redemption, and if the
 10 Bond Registrar then holds sufficient funds to pay such Bonds at the redemption
 11 price, interest thereon shall cease to accrue from and after said date,
 12 (E) any conditions to redemption, and
 13 (F) the place where such Bonds are to be surrendered for
 14 payment of the redemption price, which place of payment shall be the designated
 15 office of the Bond Registrar.
 16 On or prior to any redemption date, unless any condition to such redemption
 17 has not been satisfied or waived or the notice has been rescinded or revoked, the
 18 City shall deposit with the Bond Registrar an amount of money sufficient to pay the
 19 redemption price of all the Bonds or portions of Bonds which are to be redeemed on
 20 that date. The City retains the right to rescind any redemption notice and the
 21 related optional redemption of Bonds by giving notice of rescission to the affected
 22 Registered Owners at any time on or prior to the scheduled redemption date. Any
 23 notice of optional redemption that is so rescinded shall be of no effect, and the



1 Bonds for which the notice of optional redemption has been rescinded shall remain
 2 outstanding.

3 (2) Effect of Notice; Bonds Due. If notice of redemption has been
 4 given and not rescinded or revoked, or if the conditions set forth in a conditional
 5 notice of redemption have been satisfied or waived, the Bonds or portions of Bonds
 6 to be redeemed shall, on the redemption date, become due and payable at the
 7 redemption price therein specified, and if the Bond Registrar then holds sufficient
 8 funds to pay such Bonds at the redemption price, then from and after such date
 9 such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of
 10 such Bonds for redemption in accordance with said notice, such Bonds shall be
 11 paid by the Bond Registrar at the redemption price. Installments of interest due on
 12 or prior to the redemption date shall be payable as herein provided for payment of
 13 interest. All Bonds which have been redeemed shall be canceled by the Bond
 14 Registrar and shall not be reissued.

15 (3) Additional Notice. In addition to the foregoing notice, further
 16 notice shall be given by the City as set out below, but no defect in said further
 17 notice nor any failure to give all or any portion of such further notice shall in any
 18 manner defeat the effectiveness of a call for redemption if notice thereof is given
 19 as above prescribed. Each further notice of redemption given hereunder shall
 20 contain the information required above for an official notice of redemption plus
 21 (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the
 22 Bonds as originally issued; (C) the rate of interest borne by each Bond being
 23 redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other



1 descriptive information needed to identify accurately the Bonds being redeemed.
 2 Each further notice of redemption may be sent at least 20 days before the
 3 redemption date to each party entitled to receive notice pursuant to the Continuing
 4 Disclosure Certificate with such additional information as the City shall deem
 5 appropriate, but such mailings shall not be a condition precedent to the redemption
 6 of such Bonds.

7 (4) Amendment of Notice Provisions. The foregoing notice provisions of this
 8 Section 5, including, but not limited to, the information to be included in redemption
 9 notices and the persons designated to receive notices, may be amended by
 10 additions, deletions and changes in order to maintain compliance with duly
 11 promulgated regulations and recommendations regarding notices of redemption of
 12 municipal securities.

13 Section 6. Form of Bonds and Certificate of Authentication.
 14 The Bonds shall be in substantially the form set forth in Exhibit A, which is
 15 incorporated herein by this reference, with appropriate or necessary insertions,
 16 depending upon the omissions and variations as permitted or required hereby.

17 Section 7. Execution of Bonds.
 18 The Bonds shall be executed on behalf of the City with the manual or
 19 facsimile signatures of the Mayor and City Clerk of the City and the seal of the City
 20 shall be impressed, imprinted or otherwise reproduced thereon.

21 Only such Bonds as shall bear thereon a Certificate of Authentication in the
 22 form provided herein, manually executed by the Bond Registrar, shall be valid or
 23 obligatory for any purpose or entitled to the benefits of this ordinance. Such



1 Certificate of Authentication shall be conclusive evidence that the Bonds so
 2 authenticated have been duly executed, authenticated and delivered hereunder
 3 and are entitled to the benefits of this ordinance.
 4

5 In case either of the officers who shall have executed the Bonds shall cease
 6 to be an officer or officers of the City before the Bonds so signed shall have been
 7 authenticated or delivered by the Bond Registrar, or issued by the City, such
 8 Bonds may nevertheless be authenticated, delivered and issued and upon such
 9 authentication, delivery and issuance, shall be as binding upon the City as though
 10 those who signed the same had continued to be such officers of the City. Any
 11 Bond may be signed and attested on behalf of the City by such persons who at the
 12 date of the actual execution of such Bond, are the proper officers of the City,
 13 although at the original date of such Bond any such person shall not have been
 14 such officer of the City.
 15

16 Section 8. Application of Bond Proceeds.

17 A portion of the proceeds of the Bonds, net of any underwriter's discount and
 18 fees and any amount to be used to satisfy the Reserve Fund Requirement for the
 19 Bonds, if any, shall be deposited into a fund or account created by the Finance
 20 Director (the "Project Fund"), and subaccounts therein as necessary, in the
 21 amounts specified in the closing memorandum prepared in connection with the
 22 issuance of the Bonds. Such proceeds shall be used to pay and/or reimburse the
 23 City for the costs of the Project and to pay costs of issuance of the Bonds.
 24

25 The Finance Director shall invest money in the Project Fund and the
 26 subaccounts contained therein in Permitted Investments and which will mature prior



1 to the date on which such money shall be needed, but only to the extent that the
 2 same are acquired, valued and disposed of at Fair Market Value. Upon completion
 3 of the Project, Bond proceeds (including interest earnings thereon) may be used for
 4 other capital projects of the System or shall be transferred to the Bond Fund.
 5

6 Section 9. Sewer Utility Fund.

7 A special fund of the City has been created and designated the "Sewer Utility
 8 Fund". The City covenants and agrees that so long as any of the Parity Bonds are
 9 outstanding, it will pay or cause to be paid into the Sewer Utility Fund all Gross
 10 Revenues exclusive of ULID Assessments and earnings on money and investments
 11 in any construction fund, the Rate Stabilization Fund, the Bond Fund and any
 12 rebate fund, which earnings may be retained in such funds or accounts or
 13 transferred to other funds or accounts as permitted or required by this ordinance.
 14

15 The amounts on deposit in the Sewer Utility Fund shall be used only for the
 16 following purposes and in the following order of priority:

17 (a) To pay or provide for Costs of Maintenance and Operation.

18 (b) To make all payments required to be made into the Interest Account in
 19 the Bond Fund or to make any Payment under Payment Agreements that meet the
 20 requirements to be on a parity of lien with the Parity Bonds in accordance with
 21 Section 16.
 22

23 (c) To make all payments required to be made into the Principal Account in
 24 the Bond Fund and to make all payments into the Term Bond Retirement Account
 25 in the Bond Fund.
 26



1 (d) To make all payments pursuant to a reimbursement agreement ranking
 2 on a parity of lien with the Parity Bonds and entered into in connection with a
 3 Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility with
 4 respect to the Reserve Fund, and into any other reserve fund created in the future
 5 for the payment of debt service on Parity Bonds; and to make all payments
 6 pursuant to a reimbursement agreement ranking on a parity of lien with the Parity
 7 Bonds and entered into in connection with a letter of credit, insurance or other
 8 equivalent credit enhancement with respect to Variable Interest Rate Bonds;
 9 provided, that if there is not sufficient money to make all payments under
 10 reimbursement agreements the payments will be made on a pro rata basis.
 11 (e) To make all payments required to be made into the Reserve Fund to
 12 secure the payment of any Covered Bonds, and into any other reserve fund created
 13 in the future for the payment of debt service on Parity Bonds.
 14 (f) To make all payments required to be made into any special fund or
 15 account created to pay or secure the payment of obligations issued having a lien
 16 upon amounts in the Sewer Utility Fund junior and inferior to the lien thereon for the
 17 payment of the principal of and interest on the Parity Bonds.
 18 (g) To pay any taxes (or payments in lieu of taxes) upon the System payable
 19 to the City.
 20 (h) To make payments into the Rate Stabilization Fund for the purposes set
 21 forth in Section 11 or for any lawful purpose of the City related to the System.
 22
 23
 24
 25
 26



1 Section 10. Bond Fund.
 2 (a) A special fund of the City designated the "City of Tacoma Sewer
 3 Revenue Bond Fund" (the "Bond Fund") has previously been created by the City.
 4 The Bond Fund shall be used solely for the purposes of paying the principal of,
 5 premium, if any, and interest on Parity Bonds and retiring Parity Bonds prior to
 6 maturity in the manner provided herein or in any Parity Bond Ordinance.
 7
 8 The Bond Fund contains four funds and accounts: the Interest Account, the
 9 Principal Account, the Term Bond Retirement Account, and the Reserve Fund. At
 10 the option of the City, separate funds and accounts may be created in the Bond
 11 Fund for the purpose of paying or securing the payment of principal, premium, if
 12 any, and interest on any series of Parity Bonds. The City hereby obligates and
 13 binds itself irrevocably to set aside and to pay into the Bond Fund all ULID
 14 Assessments and out of the Sewer Utility Fund certain fixed amounts sufficient
 15 (together with other available funds on hand and paid into the Bond Fund) to pay
 16 the principal of, premium, if any, and interest on the Bonds and all other Parity
 17 Bonds outstanding pursuant to this ordinance and all other Parity Bond Ordinances
 18 when due, either at maturity or in accordance with the terms of any Sinking Fund
 19 Requirement schedule established for the retirement of Term Bonds. The fixed
 20 amounts to be paid into the Bond Fund, to the extent that such payments are not
 21 made from ULID Assessments, bond proceeds or from other legally available
 22 money, shall be made out of the Sewer Utility Fund in the following order of priority:
 23 first, into the Interest Account; second, into the Principal Account and Term Bond
 24
 25
 26



1 Retirement Account; and third, into the Reserve Fund. The City may create
 2 subaccounts within such funds and accounts for the purpose of paying the Bonds,
 3 (1) Interest Account. In the case of all Parity Bonds, no later than the
 4 day prior to the date on which an installment of interest is due on any Parity Bonds,
 5 the City shall transfer from the Sewer Utility Fund to the Interest Account in the
 6 Bond Fund an amount (together with other money as is on hand and available in
 7 such Account) equal to the installment of interest then due on all outstanding Parity
 8 Bonds.

9 (2) Principal Account and Term Bond Retirement Account. No later
 10 than the day prior to the date upon which an installment of principal on Parity Bonds
 11 that are Serial Bonds is due, the City shall transfer from the Sewer Utility Fund to
 12 the Principal Account in the Bond Fund an amount (together with such other money
 13 as is on hand and available in such Account) equal to the installment of principal
 14 then due on all outstanding Parity Bonds that are Serial Bonds.

15 No later than the day prior to each Sinking Fund Requirement date, the City
 16 will transfer from the Sewer Utility Fund to the Term Bond Retirement Account an
 17 amount (together with such other money as is available and on hand in such
 18 account) equal to the Sinking Fund Requirement for such date.

19 The City will apply all the money paid into the Term Bond Retirement
 20 Account to the redemption or purchase of Term Bonds on the next ensuing Sinking
 21 Fund Requirement due date (or may so apply such money prior to the Sinking Fund
 22 Requirement due date). In addition to redeeming Term Bonds, the City may apply
 23 the money paid into the Term Bond Retirement Account to retire Term Bonds by



1 purchasing such Term Bonds at a purchase price (including any brokerage charge)
 2 that is not in excess of the principal amount thereof, in which event the principal of
 3 such Term Bonds so purchased will be credited against the ensuing Sinking Fund
 4 Requirement. If, as of any January 1, the principal amount of Term Bonds retired
 5 by purchase or redemption exceeds the cumulative amount required to be
 6 redeemed by Sinking Fund Requirement on or before such January 1, then the
 7 excess may be credited against Sinking Fund Requirements in the manner
 8 determined by the City at the time of the purchase or redemption. Any such
 9 purchase of Term Bonds by the City may be made with or without tenders of such
 10 Term Bonds in such manner as the City will deem, in its discretion, to be in its best
 11 interest.

12 (3) Reserve Fund.

13 (A) A Reserve Fund has been created in the Bond Fund for the
 14 purpose of securing the payment of the principal of and interest on the Covered
 15 Bonds. The City may create separate reserve funds and establish separate
 16 Reserve Fund Requirements, which may be zero to secure the payment of the
 17 principal of and interest on other Parity Bonds. Any such Reserve Fund
 18 Requirement and related provisions shall be as set forth in the Parity Bond
 19 Ordinance relating to such Covered Bonds. The Bond shall not be issued as a
 20 Covered Bond. The Reserve Fund Requirement for the Bond is zero.

21 The City may, at any time, substitute Qualified Insurance or a Qualified
 22 Letter of Credit for the money and investments in the Reserve Fund or may
 23 substitute money and investments for Qualified Insurance or a Qualified Letter of



1 Credit in accordance with this subsection. The face amount of such Qualified
 2 Insurance or Qualified Letter of Credit shall be at least equal to the amount of the
 3 money or investments for which the Qualified Insurance or Qualified Letter of Credit
 4 is substituted.
 5
 6 (B) Valuation of the amount in the Reserve Fund and all
 7 subaccounts therein shall be made by the City on each December 31 and may be
 8 made on any other date. Such valuation shall be at the market value of the
 9 obligations in such fund and such subaccounts (including accrued interest);
 10 provided, that investments which mature within one year shall be valued at their
 11 maturity value.

12
 13 (C) In the event of the issuance of any Future Parity Bonds
 14 that are Covered Bonds, the Parity Bond Ordinance authorizing the issuance of
 15 such Future Parity Bonds shall provide for approximately equal monthly payments
 16 into the Reserve Fund from the money in the Sewer Utility Fund, in such amounts
 17 and at such times so that by no later than five years from the date of issuance of
 18 such Future Parity Bonds or by the final maturity established for such series of
 19 Future Parity Bonds, whichever occurs first, there will be credited to the Reserve
 20 Fund an amount equal to the Reserve Fund Requirement. Notwithstanding the
 21 foregoing provisions of this subparagraph (C), the proceedings authorizing the
 22 issuance of Future Parity Bonds that are Covered Bonds, to the extent permitted
 23 under the Code, may provide for payments into the Reserve Fund from the
 24 proceeds of such Future Parity Bonds or from any other money lawfully available
 25 therefor, or may provide for the City to obtain Qualified Insurance or a Qualified
 26



1 Letter of Credit for amounts required by subparagraph (E) of this section or parallel
 2 provisions in other Parity Bond Ordinances to be paid out of the Reserve Fund.
 3 The face amount of any such Qualified Insurance or Qualified Letter of Credit may
 4 be credited against the amounts required to be maintained in the Reserve Fund by
 5 this section or parallel provisions in other Parity Bond Ordinances to the extent that
 6 such payments and credits to be made are insured by an insurance company or
 7 guaranteed by a letter of credit from a financial institution.

8
 9 On receipt of a notice of cancellation of any Qualified Letter of Credit or
 10 Qualified Insurance or upon notice that the entity providing the Qualified Letter of
 11 Credit or Qualified Insurance no longer meets the requirements specified herein,
 12 the City shall substitute a Qualified Letter of Credit or Qualified Insurance in the
 13 amount required to make up the deficiency created in the Reserve Fund or in the
 14 alternative shall create a special account in the Sewer Utility Fund and deposit
 15 therein, on or before the 25th day of each of the 36 succeeding calendar months
 16 (commencing with the 25th day of the calendar month next following the date of the
 17 notice) one thirty-sixth of the amount sufficient, together with other money and
 18 investments on deposit in the Reserve Fund, to equal the Reserve Fund
 19 Requirement in effect as of the date the cancellation or disqualification of the entity
 20 becomes effective. Those amounts shall be deposited in the special account from
 21 money in the Sewer Utility Fund after making provision for payment of Costs of
 22 Maintenance and Operation and for required payments into the Bond Fund.
 23 Amounts on deposit in that special account shall not be available to pay debt
 24 service on Covered Bonds or for any other purpose of the City, and shall be
 25
 26



1 transferred to the Reserve Fund on the effective date of any cancellation of a
 2 Qualified Letter of Credit or Qualified Insurance to make up all or part of the
 3 deficiency caused thereby. Amounts in that special account or in the Reserve Fund
 4 may be transferred to the Sewer Utility Fund and used for any purpose if and when
 5 a qualifying Qualified Letter of Credit or Qualified Insurance is obtained.
 6

7 (D) If at any time the money and value of Permitted
 8 Investments in the Reserve Fund shall exceed the amount of money and value of
 9 Permitted Investments then required to be maintained therein, such excess may be
 10 transferred to the Sewer Utility Fund.
 11

12 (E) In the event that there shall be a deficiency in the Interest
 13 Account, Principal Account or Term Bond Retirement Account in the Bond Fund
 14 with respect to Covered Bonds, the City shall promptly make up such deficiency
 15 from the Reserve Fund by the withdrawal of cash therefrom for that purpose and by
 16 the sale or redemption of obligations held in the Reserve Fund, if necessary, in
 17 such amounts as will provide cash in the Reserve Fund sufficient to make up any
 18 such deficiency, and if a deficiency still exists immediately prior to a Payment Date
 19 and after the withdrawal of cash, the City shall then draw from any Qualified Letter
 20 of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount
 21 to make up the deficiency. Such draw shall be made at such times and under such
 22 circumstances as the agreement for such Qualified Letter of Credit or Qualified
 23 Insurance shall provide. The City covenants and agrees that any deficiency
 24 created in the Reserve Fund by reason of any withdrawal therefrom for payment
 25 into the Interest Account, Principal Account or Term Bond Retirement Account shall
 26



1 be made up from money in the Sewer Utility Fund first available after providing for
 2 the required payments into such Interest, Principal and Term Bond Retirement
 3 Accounts and after providing for payments under a reimbursement agreement
 4 entered into by the City under Section 18; provided, any such deficiency shall be
 5 made up within 12 months of such deficiency.
 6

7 (F) When a series of Covered Bonds is refunded in whole or in
 8 part, money may be withdrawn from the Reserve Fund to pay or provide for the
 9 payment of refunded Covered Bonds; provided that immediately after such
 10 withdrawal there shall remain in or be credited to the Reserve Fund money and
 11 Permitted Investments in an amount equal to the Reserve Fund Requirement or so
 12 much thereof as is then required to be maintained.
 13

14 (b) In making the payments and credits to the Principal Account, Interest
 15 Account, Term Bond Retirement Account and Reserve Fund required by this
 16 Section 10 and parallel provisions in other Parity Bond Ordinances, to the extent
 17 that such payments are made from bond proceeds, from money in any Capitalized
 18 Interest account, or from other money that may legally be available, such payments
 19 are not required to be made from the Sewer Utility Fund.
 20

21 (c) Money in the Bond Fund shall be transmitted to the Bond Registrar in
 22 amounts sufficient to meet the maturing installments of principal of, premium, if any,
 23 and interest on all Parity Bonds when due. All money remaining in the Bond Fund
 24 after provision for the payment in full of the principal of, premium, if any, and
 25 interest on all Parity Bonds shall be returned to the Sewer Utility Fund.
 26



1 Subject to the foregoing sentence, the Bond Fund shall be drawn upon solely
 2 for the purpose of paying the principal of, premium, if any, and interest on Parity
 3 Bonds. Money set aside from time to time with the Bond Registrar for such
 4 payment shall be held in trust for the owners of Parity Bonds in respect of which the
 5 same shall have been so set aside. Until so set aside, and except as otherwise
 6 provided herein, all money in the Bond Fund shall be held in trust for the benefit of
 7 the owners of all Parity Bonds at the time outstanding equally and ratably.

8 (d) Money in the Bond Fund may, at the option of the City, be invested and
 9 reinvested as permitted by law in Permitted Investments maturing, or which are
 10 redeemable at the option of the owner, prior to the date needed or prior to the
 11 maturity date of the final installment of principal of the Parity Bonds payable out of
 12 the Bond Fund, but only to the extent that the same are acquired, valued and
 13 disposed of at Fair Market Value. At the City's option, earnings on investments in
 14 the Bond Fund may be retained in the Bond Fund or transferred to the Sewer Utility
 15 Fund, except that earnings on investments in the Reserve Fund shall first be
 16 applied to remedy any deficiency in such fund.

17 (e) Money in each of the subaccounts and funds established in this
 18 Section 10 may be used, if necessary, to pay Rebate Amounts to the extent that
 19 such Rebate Amounts are directly attributable to earnings on such subaccount.

20 Section 11. Rate Stabilization Fund.
 21 A special fund of the City designated the "Rate Stabilization Fund" has been
 22 established by the City in the Sewer Utility Fund. In accordance with the priorities
 23 set forth in this ordinance, the City may from time to time deposit Net Revenues into



1 the Rate Stabilization Fund and may from time to time withdraw amounts therefrom
 2 to enhance rate stability or for other lawful purposes of the City related to the
 3 System.

4 Section 12. Security for Parity Bonds.

5 All Parity Bonds are special limited obligations of the City payable from and
 6 secured solely by a charge and lien as set forth in this paragraph. There are
 7 hereby pledged as security for the payment of the principal of, premium, if any, and
 8 interest on all Parity Bonds in accordance with the provisions of this ordinance,
 9 subject to the provisions of this ordinance restricting or permitting the application
 10 thereof, (a) the proceeds of the sale of Parity Bonds to the extent held in funds
 11 established or continued by this ordinance, (b) Net Revenues and ULID
 12 Assessments and (c) the money and assets credited to the Sewer Utility Fund and
 13 the Bond Fund and the income therefrom. The pledge of Net Revenues, money
 14 and assets credited to the Sewer Utility Fund and Bond Fund and
 15 ULID Assessments constitutes a lien and charge on the Net Revenues, the funds
 16 and ULID Assessments superior to all other charges of any kind or nature.

17 All Parity Bonds hereafter outstanding shall be equally and ratably payable
 18 and secured hereunder without priority by reason of date of adoption of the
 19 ordinance providing for their issuance or by reason of their number or date of sale,
 20 issuance, execution or delivery, or by the liens, pledges, charges, trusts,
 21 assignments and covenants made herein, except as otherwise expressly provided
 22 or permitted in this ordinance and except as to insurance which may be obtained by
 23 the City to insure the repayment of one or more series or maturities within a series.



1 Parity Bonds shall not in any manner or to any extent constitute general
 2 obligations of the City or of the State, or any political subdivision of the State, or a
 3 charge upon any general fund or upon any money or other property of the City or
 4 of the State, or of any political subdivision of the State, not specifically pledged
 5 thereto by this ordinance.
 6

7 Section 13. Adequacy of Revenue of System to Make Required Payments.
 8 The Council declares, in fixing the amounts to be paid into the Bond Fund as
 9 provided herein, that it has exercised due regard for Costs of Maintenance and
 10 Operation and has not obligated the City to set aside and pay into the Bond Fund a
 11 greater amount of the Gross Revenues than in its judgment will be available over
 12 and above such Costs of Maintenance and Operation and the amount of Gross
 13 Revenues previously pledged.
 14

15 Section 14. Defeasance.

16 In the event that the City, to effect the payment, retirement or redemption of
 17 any Bond, sets aside in the Bond Fund or in another special account, cash or
 18 noncallable Government Obligations, or any combination of cash and/or noncallable
 19 Government Obligations, in amounts and maturities which, together with the known
 20 earned income therefrom, are sufficient to redeem or pay and retire such Bond in
 21 accordance with its terms and to pay when due the interest and redemption
 22 premium, if any, thereon, and such cash and/or noncallable Government
 23 Obligations are irrevocably set aside and pledged for such purpose, then no further
 24 payments need be made into the Bond Fund for the payment of the principal of and
 25 interest on such Bond. The owner of a Bond so provided for shall cease to be
 26



1 entitled to any lien, benefit or security of this ordinance except the right to receive
 2 payment of principal, premium, if any, and interest from the Bond Fund or such
 3 special account, and such Bond shall be deemed to be not outstanding under this
 4 ordinance.
 5

6 The City shall give written notice of defeasance in accordance with the
 7 Continuing Disclosure Certificate.

8 Section 15. Covenants.

9 The City covenants and agrees with the owners of the Bonds, from time to
 10 time for as long as any such Bonds are outstanding, as follows:

11 (a) Rate Covenant – General. The City shall establish, maintain and collect
 12 rates or charges in connection with the ownership and operation of the System that
 13 shall be fair and nondiscriminatory and adequate to provide Gross Revenues
 14 sufficient for the payment of the principal of and interest on all Parity Bonds for
 15 which payment has not otherwise been provided and all amounts that the City is
 16 obligated to set aside in the Bond Fund, for the proper operation and maintenance
 17 of the System, and for the payment of all amounts that the City may now or
 18 hereafter become obligated to pay from Gross Revenues.
 19

20 (b) Rate Covenant – Coverage. The City shall establish, maintain and
 21 collect rates or charges in connection with the ownership and operation of the
 22 System sufficient to provide Net Revenues in any calendar year hereafter in an
 23 amount equal to at least 1.25 times the Adjusted Annual Debt Service.
 24

25 Solely for purposes of calculating the coverage requirement set forth above,
 26 there shall be added to Gross Revenues in any Fiscal Year any amount withdrawn



1 from the Rate Stabilization Fund in such Fiscal Year and deposited in the Sewer
 2 Utility Fund, and there shall be subtracted from Gross Revenues in any Fiscal Year
 3 any amount withdrawn from the Sewer Utility Fund in such Fiscal Year and
 4 deposited in the Rate Stabilization Fund. Credits to or from the Rate Stabilization
 5 Fund that occur within 90 days after the end of a Fiscal Year may be treated as
 6 occurring within such Fiscal Year.
 7
 8 The calculation of the coverage requirement set forth above, and in
 9 Section 17, and the City's compliance therewith, may be made solely with
 10 reference to this ordinance without regard to future changes in generally accepted
 11 accounting principles. If the City has changed one or more of the accounting
 12 principles used in the preparation of its financial statements, because of a change
 13 in generally accepted accounting principles or otherwise, then an event of default
 14 relating to this coverage requirement shall not be considered an event of default if
 15 the coverage requirement ratio would have been complied with had the City
 16 continued to use those accounting principles employed at the date of the most
 17 recent audited financial statements prior to the date of this ordinance.

18
 19 (c) Maintenance and Operation Standards. The City will at all times keep
 20 and maintain the System in good repair, working order and condition, and will at all
 21 times operate the System and the business in connection therewith in an efficient
 22 manner and at a reasonable cost.
 23

24
 25 (d) Disposal of Properties. The City shall not sell, mortgage, lease or
 26 otherwise dispose of the properties constituting the System except as provided by
 law and subject to such additional restrictions as are provided in this section and as



1 may be provided in a reimbursement agreement with respect to Qualified Insurance
 2 or a Qualified Letter of Credit, as follows:

3
 4 (1) The City will not sell, mortgage, lease or otherwise dispose of the
 5 System in its entirety unless simultaneously with such sale or other disposition,
 6 provision is made for the payment, redemption or other retirement of all Parity
 7 Bonds then outstanding.

8
 9 (2) Except as provided in paragraph (3) below, the City will not sell,
 10 mortgage, lease or otherwise dispose of any part of the System in excess of
 11 five percent of the book value of the net utility plant of the System unless provision
 12 is made for the payment, redemption or other retirement of a principal amount of
 13 Parity Bonds equal to the greater of the following amounts:

14 (A) An amount that will be in the same proportion to the net
 15 Bond Obligation of Parity Bonds then outstanding (defined as the total Bond
 16 Obligation of such Parity Bonds outstanding less the amount of cash and
 17 investments in the Principal Account and Term Bond Retirement Account in the
 18 Bond Fund) that the revenues attributable to the part of the System sold or
 19 disposed of for the 12 preceding months bears to the total revenues for such
 20 period; or

21
 22 (B) An amount that will be in the same proportion to the net
 23 Bond Obligation of Parity Bonds then outstanding that the book value of the part of
 24 the System sold or disposed of bears to the book value of the entire System
 25 immediately prior to such sale or disposition.
 26



1 (3) The City may sell, lease, mortgage or otherwise dispose of any
 2 part of the System which shall have become unserviceable, inadequate, obsolete or
 3 unfit to be used in the operation of the System, or no longer necessary, material to
 4 or useful in such operation.
 5
 6 (4) The proceeds of the sale, lease or disposal of any part of the
 7 System shall be deposited in the Sewer Utility Fund.
 8
 9 (5) If the sale, lease, mortgage or other disposal of any part of the
 10 System is valued in excess of 10 percent of the book value of the physical assets of
 11 the System, an opinion of an Engineer, based on financial statements of the
 12 System for the most recent Fiscal Year available, shall be delivered in connection
 13 with such disposition demonstrating that such sale, mortgage, lease or other
 14 disposal would not prevent the City from meeting the requirements of Section 15(b).
 15
 16 (e) No Free Service. Except as permitted by law for the support of the poor
 17 and infirm and otherwise permitted by law in an amount per year not exceeding
 18 1/10 of 1 percent of annual Costs of Maintenance and Operation, the City will not
 19 furnish sanitary and storm sewage collection and disposal service to any customer
 20 whatsoever free of charge.
 21
 22 (f) Books and Accounts – Operating Statement. The City shall keep and
 23 maintain proper books and accounts with respect to the operations, income and
 24 expenditures of the System that are in accordance with proper and legal
 25 accounting procedures. On or before 120 days after each Fiscal Year of the City's
 26 operation of the System, it will prepare or cause to be prepared an operating
 statement of the System for such preceding Fiscal Year. Each such statement

1 shall contain a statement in detail of the Gross Revenues, Costs of Maintenance
 2 and Operation, and expenses for capital purposes of the System for such Fiscal
 3 Year, shall contain a statement as of the end of such year showing the status of all
 4 the funds and accounts created by the various ordinances pertaining to the
 5 operation of the System and authorizing the issuance of outstanding bonds
 6 payable from the revenue of the System, and shall contain a statement of the
 7 number of sanitary and storm sewage collection and disposal customers per class
 8 of customer at the end of such year. Copies of such statement shall be placed on
 9 file in the office of the Department of Finance and shall be open to inspection at
 10 any reasonable time by any owner of the Bonds or of any other outstanding bonds
 11 of the City payable out of the Gross Revenues. Upon the request of any owner of
 12 Parity Bonds, the City shall provide a copy of such statement to such owner. All
 13 expenses incurred in the maintenance of such books and accounts and the
 14 preparation of such statement may be regarded and paid as an expense of
 15 operation of the System.
 16
 17 (g) Insurance. The City will keep the System insured, and will carry such
 18 other insurance, with responsible insurers, with policies payable to the City, against
 19 risks, accidents or casualties, at least to the extent that insurance is usually carried
 20 by municipal corporations operating like properties; provided, however, that the City
 21 may, if deemed necessary and advisable by the Council, institute or continue a
 22 self-insurance program with respect to any or all of the aforementioned risks. In the
 23 event of any loss or damage, the City will promptly deposit the insurance proceeds
 24 into any construction fund hereafter created for the System, and use such funds to



1 repair or replace the damaged portion of the insured property and apply the
 2 proceeds of any insurance policy or self-insurance funding for that purpose; or in
 3 the event the City should determine not to repair or reconstruct such damaged
 4 portion of the properties of the City, the proceeds of such insurance or self-
 5 insurance funding shall be transferred to the Reserve Fund to the extent that such
 6 transfer shall be necessary to make up any deficiency in the Reserve Fund and the
 7 balance, if any, shall, at the option of the City, be used for repairs, renewals,
 8 replacements, or additions to or extension of the System or be used in the
 9 retirement of Parity Bonds prior to maturity, either by purchase at prices not to
 10 exceed the next applicable redemption price or by call for redemption.
 11
 12 (h) Junior Lien Bonds. In the event the City issues revenue bonds or other
 13 revenue obligations having a lien upon the Gross Revenues junior and inferior to
 14 the lien on the Parity Bonds, the City covenants that a default on such junior lien
 15 bonds will not constitute a default on the Parity Bonds and that the City will not
 16 permit an acceleration of such junior lien bonds in the event of a default on such
 17 bonds.
 18
 19 (i) Tax Covenants. The City will take all actions necessary to assure the
 20 exclusion of interest on any Tax-Exempt Bonds from the gross income of the
 21 owners of such Tax-Exempt Bonds to the same extent as such interest is permitted
 22 to be excluded from gross income under the Code as in effect on the date of
 23 issuance of such Tax-Exempt Bonds, including but not limited to the following:
 24
 25 (1) Private Activity Bond Limitation. The City will assure that the
 26 proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt



1 Bonds to satisfy the private business tests of Section 141(b) of the Code or the
 2 private loan financing test of Section 141(c) of the Code.
 3
 4 (2) Limitations on Disposition of Project. The City will not sell or
 5 otherwise transfer or dispose of (i) any personal property components of the Project
 6 other than in the ordinary course of an established government program under
 7 Treasury Regulation § 1.141-2(d)(4) or (ii) any real property components of the
 8 Project, unless it has received an opinion of Bond Counsel to the effect that such
 9 disposition will not adversely affect the treatment of interest on the Tax-Exempt
 10 Bonds as excludable from gross income for federal income tax purposes.
 11
 12 (3) Federal Guarantee Prohibition. The City will not take any action
 13 or permit or suffer any action to be taken if the result of such action would be to
 14 cause any of the Tax-Exempt Bonds to be "federally guaranteed" within the
 15 meaning of Section 149(b) of the Code.
 16
 17 (4) Rebate Requirement. The City will take any and all actions
 18 necessary to assure compliance with Section 148(f) of the Code, relating to the
 19 rebate of excess investment earnings, if any, to the federal government, to the
 20 extent that such section is applicable to the Tax-Exempt Bonds.
 21
 22 (5) No Arbitrage. The City will not take, or permit or suffer to be
 23 taken, any action with respect to the proceeds of the Tax-Exempt Bonds which, if
 24 such action had been reasonably expected to have been taken, or had been
 25 deliberately and intentionally taken, on the date of issuance of the Tax-Exempt
 26 Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the
 meaning of Section 148 of the Code.



1 (6) Registration Covenant. The City will maintain a system for
 2 recording the ownership of each Tax-Exempt Bond that complies with the
 3 provisions of Section 149 of the Code until all Tax-Exempt Bonds have been
 4 surrendered and canceled.

5 (7) Record Retention. The City will retain its records of all
 6 accounting and monitoring it carries out with respect to the Tax-Exempt Bonds for
 7 at least three years after the Tax-Exempt Bonds mature or are redeemed
 8 (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed and
 9 refunded, the City will retain its records of accounting and monitoring at least three
 10 years after the maturity or redemption of the obligations that refunded
 11 the Tax-Exempt Bonds.

12 (8) Compliance with Federal Tax Certificate. The City will comply
 13 with the provisions of the Federal Tax Certificate with respect to a series of Tax-
 14 Exempt Bonds, which are incorporated herein as if fully set forth herein.

15 The covenants of this Section will survive payment in full or defeasance of
 16 the Tax-Exempt Bonds.

17 Section 16. Parity Derivative Products.

18 For purposes of this Section 16, the following words shall have the following
 19 definitions:

20 (a) "Payment" means any payment (designated as such by an ordinance or
 21 resolution) required to be made by or on behalf of the City under a Payment
 22 Agreement and which is determined according to a formula set forth in the
 23 Payment Agreement.



1 (b) "Parity Payment Agreement" means a Payment Agreement under which
 2 the City's payment obligations are expressly stated to be secured by a pledge of
 3 and lien on Net Revenues on an equal and ratable basis with the Net Revenues
 4 required to be paid into the Bond Fund to pay and secure the payment of the
 5 principal of and interest on Parity Bonds.

6 (c) "Payment Agreement" means a written agreement, for the purpose of
 7 managing or reducing the City's exposure to fluctuations or levels of interest rates,
 8 currencies or commodities or for other interest rate, investment, asset or liability
 9 management purposes, entered into on either a current or forward basis by the City
 10 and a Qualified Counterparty, as authorized by any applicable laws of the State and
 11 City policy. Such agreement may or may not be characterized by a structure of
 12 reciprocity of payment.

13 (d) "Payment Date" means any date specified in the Payment Agreement on
 14 which a City Payment or Receipt is due and payable under the Payment
 15 Agreement.

16 (e) "Receipt" means any payment (designated as such by an ordinance or
 17 resolution) to be made to, or for the benefit of, the City under a Payment Agreement
 18 by the Payor.

19 (f) "Payor" means a Qualified Counterparty to a Payment Agreement that is
 20 obligated to make one or more payments thereunder.

21 (g) "Qualified Counterparty" means a party (other than the City or a party
 22 related to the City) who is the other party to a Payment Agreement that has or
 23 whose obligations are unconditionally guaranteed by a party that has at least an



1 investment grade rating from a rating agency (who, if the City's Parity Bonds are
 2 rated by Moody's, must have a rating of at least "A") and who is otherwise qualified
 3 to act as the other party to a Payment Agreement under any applicable laws of the
 4 State.

5 A Payment made under a Payment Agreement may be on a parity with the
 6 Bonds if the Payment Agreement satisfies the requirements for Future Parity Bonds
 7 described in Section 17, taking into consideration regularly scheduled Payments
 8 and Receipts (if any) under a Payment Agreement. The following shall be
 9 conditions precedent to the use of any Payment Agreement on a parity with the
 10 Bonds:

11 (1) The City shall obtain an opinion of Bond Counsel on the due
 12 authorization and execution of such Payment Agreement, the validity and
 13 enforceability thereof and opining that the action proposed to be taken is authorized
 14 or permitted by this ordinance or the applicable provisions of any supplemental
 15 ordinance and will not adversely affect the excludability for federal income tax
 16 purposes of the interest on any outstanding Parity Bonds.

17 (2) Prior to entering into a Payment Agreement, the City shall adopt
 18 an ordinance, which shall:

19 (A) set forth the manner in which the Payments and Receipts
 20 are to be calculated and a schedule of Payment Dates;

21 (B) establish general provisions for the rights of parties to
 22 Payment Agreements; and



23 (C) set forth such other matters as the City deems necessary
 24 or desirable in connection with the management of Payment Agreements as are not
 25 clearly inconsistent with the provisions of this ordinance.

26 The Payment Agreement may obligate the City to pay, on one or more
 scheduled and specified Payment Dates, the Payments in exchange for the Payor's
 obligation to pay or to cause to be paid to the City, on scheduled and specified
 Payment Dates, the Receipts. The City may also enter into Payment Agreements
 that are not reciprocated by the other party to the agreement.

If the City enters into a Parity Payment Agreement, Payments shall be made
 from the Interest Account in the Bond Fund and Annual Debt Service shall include
 any regularly scheduled City Payments adjusted by any regularly scheduled
 Receipts during a Fiscal Year. Receipts shall be paid directly into the Bond Fund.
 Obligations to make unscheduled payments, such as termination payments, may
 not be entered into on a parity with the Parity Bonds.

Nothing in this section shall preclude the City from entering into Payment
 Agreements with a claim on Net Revenues junior to that of the Bonds.

Furthermore, nothing in this section shall preclude the City from entering into
 obligations on a parity with the Bonds in connection with the use of Payment
 Agreements or similar instruments if the City obtains an opinion of Bond Counsel
 that the obligations of the City thereunder are consistent with this ordinance.

Section 17. Future Parity Bonds.

(a) The City reserves the right to issue Future Parity Bonds from time to
 time as may be required for any lawful purpose of the City relating to the System,



1 including but not limited to, acquiring, constructing and installing additions and
 2 improvements to and extensions of, acquiring necessary equipment for, or making
 3 necessary renewals, replacements or repairs and capital improvements to the
 4 System and refunding any outstanding indebtedness.

5 (b) The City covenants that Future Parity Bonds shall be issued only upon
 6 compliance with the following conditions:

7 (1) At the times of the issuance of such Future Parity Bonds there is
 8 no deficiency in the Bond Fund or in any of the funds and accounts therein.

9 (2) With respect to Covered Bonds, the ordinances authorizing the
 10 issuance of the Future Parity Bonds shall require that there shall be paid into the
 11 Reserve Fund in the Bond Fund (A) from the proceeds of such Future Parity Bonds
 12 an amount such that the amount on deposit in the Reserve Fund, allowing for any
 13 amount covenanted in an ordinance authorizing the issuance of outstanding Parity
 14 Bonds to be paid into such Fund over five years, is equal to the Reserve Fund
 15 Requirement, or (B) from the Sewer Utility Fund in approximately equal monthly
 16 payments, such amounts and at such times so that by no later than five years from
 17 the date of issuance of such Future Parity Bonds or by the final maturity established
 18 for such series of Future Parity Bonds, whichever occurs first, there will be credited
 19 to the Reserve Fund an amount equal to the Reserve Fund Requirement. Upon the
 20 issuance of any series of Future Parity Bonds, the City shall recalculate the
 21 Reserve Fund Requirement, which recalculated Reserve Fund Requirement shall
 22 become effective as of such date of recalculation.



1 (3) If such Future Parity Bonds are being issued to pay costs incurred
 2 or to be incurred for purposes other than refunding purposes as described in
 3 subsection 17(c), there shall be on file with the City Clerk either:

4 (A) A certificate of the Finance Director of the City stating that
 5 Net Revenues in any 12 consecutive months out of the most recent 24 months
 6 preceding the delivery of the bonds then proposed to be issued, as determined from
 7 the financial statements of the System, were not less than 1.25 times Maximum
 8 Adjusted Annual Debt Service on all outstanding Parity Bonds and the bonds then
 9 proposed to be issued. In issuing such certificate the Finance Director shall reflect
 10 in the certificate the Net Revenues such officer estimates would have been
 11 collected in such 12-month period if the Council at any time on or prior to the date
 12 of delivery of the bonds proposed to be issued had adopted any adjustment in the
 13 rates, fees and charges collected by the City for the services to the System if such
 14 new rates, fees and charges had been in effect for the entire 12-month period, or

15 (B) A certificate of an Engineer or a Certified Public
 16 Accountant showing that the "Adjusted Net Revenues" (as determined herein) for
 17 each calendar year during the life of the bonds proposed to be issued will equal not
 18 less than 1.25 times Maximum Adjusted Annual Debt Service on all outstanding
 19 Parity Bonds and the bonds then proposed to be issued.

20 The "Adjusted Net Revenues" shall be the Net Revenues for a period of any
 21 12 consecutive months out of the 24 months immediately preceding the date of
 22 delivery of such proposed Future Parity Bonds (the "Base Period") as adjusted by
 23 such Engineer or Certified Public Accountant to take into consideration changes in
 24



1 Net Revenues estimated to occur under the following conditions for each year after
 2 such delivery for so long as any Parity Bonds, including the Future Parity Bonds
 3 proposed to be issued, shall be outstanding:
 4
 5 (1) the additional Net Revenues that would have been
 6 received if any change in rates and charges adopted prior to the date of such
 7 certificate and subsequent to the beginning of the Base Period and effective within
 8 12 months had been in force during the full Base Period;
 9
 10 (2) the additional Net Revenues that would have been
 11 received if any facility of the System that became fully operational after the
 12 beginning of the Base Period had been so operating for the entire Base Period;
 13
 14 (3) the additional Net Revenues estimated by such Engineer
 15 or Certified Public Accountant to be received as a result of any additions and
 16 improvements to and extensions of any facilities of the System which are (a) under
 17 construction at the time of such certificate or (b) will be constructed or acquired
 18 from the proceeds of the Future Parity Bonds to be issued;
 19
 20 (4) the additional Net Revenues that would have been
 21 received if any customers added to the System during the Base Period or
 22 subsequent thereto were customers for the entire Base Period, and
 23
 24 (5) ninety percent of the additional Net Revenues estimated by
 25 such Engineer or Certified Public Accountant to be derived from the new customers
 26 that will be added to the System in the first 12 months after the completion of the
 construction of the improvements to be made thereto or from acquisitions out of the
 proceeds of the sale of such Future Parity Bonds.

1 Such Certified Public Accountant or Engineer may rely upon, and the
 2 Certified Public Accountant or Engineer's certificate shall have attached thereto,
 3 financial statements of the System, certified by the Finance Director, showing
 4 income and expenses for the period upon which the same is based.
 5
 6 (c) Refunding Bonds. In the event that any Future Parity Bonds provided
 7 for in this section are issued for refunding purposes and the issuance of such
 8 refunding Future Parity Bonds results in a present value monetary saving to the
 9 City and such refunding Future Parity Bonds will not require an increase of greater
 10 than \$5,000 in debt service payments to be paid in any fiscal or calendar year
 11 thereafter than would have been required to be paid in the same fiscal or calendar
 12 year for Annual Debt Service on the Parity Bonds being refunded, then paragraph
 13 (3) of subsection 17(b) need not be complied with to permit such refunding Future
 14 Parity Bonds to be issued, although the provisions of paragraphs (1) and (2) of
 15 subsection 17(b) must still be complied with.
 16
 17 (d) Junior Lien Bonds. Nothing herein shall prevent the City from issuing
 18 bonds, notes, warrants or other obligations payable from and secured by a lien and
 19 charge junior to the lien and charge securing the payment of Parity Bonds.
 20
 21 (e) Future Parity Bonds shall not be subject to acceleration under any
 22 circumstances, including, without limitation, upon the occurrence and continuance
 23 of an event of default. This prohibition against acceleration shall not be deemed to
 24 prohibit mandatory tender or other tender provisions with respect to variable rate
 25 obligations.
 26



1 Section 18. Reimbursement Obligations.

2 In the event that the City elects to meet the requirements with respect to the

3 Reserve Fund as to any issue of Parity Bonds through the use of a Qualified Letter

4 of Credit, Qualified Insurance or other equivalent credit enhancement, the City may

5 contract with the entity providing such Qualified Letter of Credit, Qualified Insurance

6 or other equivalent credit enhancement that the City's reimbursement obligation, if

7 any, to such entity ranks on a parity of lien with the Parity Bonds.

8 In the event that the City elects additionally to secure any issue of Variable

9 Interest Rate Bonds through the use of a letter of credit, insurance or other

10 equivalent credit enhancement, the City may contract with the entity providing such

11 letter of credit, insurance or other equivalent credit enhancement that the City's

12 reimbursement obligation, if any, to such entity ranks on a parity of lien with the

13 Parity Bonds; provided, that the payments due under such reimbursement

14 agreement are such that if such reimbursement obligation were a series of Future

15 Parity Bonds, such Future Parity Bonds could be issued in compliance with the

16 provisions of Section 17.

17 Section 19. Sale of Bonds.

18 (a) Bond Sale. The Council has determined that it would be in the best

19 interest of the City to delegate to each Designated Representative for a limited

20 time the authority to determine whether the Bonds shall be issued in one or more

21 series, the method of sale of each series, whether a series shall be designated as

22 Taxable Bonds or Tax-Exempt Bonds, and to approve the final interest rates,

23 maturity dates, redemption terms, principal maturities and other terms for each

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26



1 series of Bonds. Bonds may be issued pursuant to this ordinance at one time or

2 from time to time as provided herein. Each Designated Representative is hereby

3 authorized to approve the issuance, from time to time, of one or more series of

4 Bonds and to determine whether the Bonds of such series shall be sold through a

5 competitive public sale or a negotiated sale, designated as Taxable Bonds or Tax-

6 Exempt Bonds, and to approve the final terms of the Bonds, as set forth below.

7 If a Designated Representative determines that the Bonds of a series are to

8 be sold by negotiated public sale, a Designated Representative shall select one or

9 more Underwriters who the Designated Representative believes is in the best

10 interest of the City. Such Bonds shall be sold to the Underwriter pursuant to the

11 terms of a Bond Purchase Contract.

12 If a Designated Representative determines that the Bonds of a series are to

13 be sold at a competitive public sale, a Designated Representative shall: (1)

14 establish the date of the public sale; (2) establish the criteria by which the

15 successful bidder will be determined; (3) request that a good faith deposit in an

16 amount not less than one percent of the principal amount of the offering

17 accompany each bid; (4) cause notice of the public sale to be given; and (5)

18 provide for such other matters pertaining to the public sale as such individual

19 deems necessary or desirable. The Designated Representative shall cause the

20 notice of sale to be given and provide for such other matters pertaining to the

21 public sale as such individual deems necessary or desirable. Such Bonds shall be

22 sold to the Underwriter pursuant to the terms of a Certificate of Award.

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1 Subject to the terms and conditions set forth in this Section 19, each
 2 Designated Representative is hereby authorized to approve the method of sale and
 3 the sale of the Bonds in accordance with the authority granted by this section so
 4 long as:
 5 (1) the aggregate principal amount (face amount) of all Bonds issued
 6 pursuant to this ordinance does not exceed \$105,000,000,
 7 (2) the final maturity date for each series of Bonds is no later than
 8 December 1, 2052,
 9 (3) the Bonds of each series are sold (in the aggregate) at a price not
 10 less than 98 percent,
 11 (4) the true interest cost for each series of Bonds (in the aggregate)
 12 does not exceed 5.00 percent, and
 13 (5) the Bonds conform to all other terms of this ordinance.
 14 Subject to the terms and conditions set forth in this section, each Designated
 15 Representative is hereby authorized to execute one or more applicable Sale
 16 Document. Each Sale Document shall be dated the date of sale of the Bonds. The
 17 signature of one Designated Representative shall be sufficient to bind the City.
 18 Following the execution of a Sale Document, a Designated Representative
 19 shall provide a report to the City Council describing the final terms of the Bonds
 20 approved pursuant to the authority delegated in this section. The authority granted
 21 to the Designated Representatives by this Section 19 shall expire 180 days after
 22 the effective date of this ordinance. If a Sale Document for the Bonds has not
 23 been executed within 180 days after the effective date of this ordinance, the
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1 authorization for the issuance of the Bonds shall be rescinded and the Bonds shall
 2 not be issued nor their sale approved unless such Bonds shall have been
 3 reauthorized by ordinance of the City Council. The ordinance reauthorizing the
 4 issuance and sale of such Bonds may be in the form of a new ordinance repealing
 5 this ordinance in whole or in part or may be in the form of an amendatory
 6 ordinance approving a sale document or establishing terms and conditions for the
 7 authority delegated under this Section 19.
 8 (b) Delivery of Bonds; Documentation. Upon the passage and approval of
 9 this ordinance, the proper officials of the City, including the Finance Director,
 10 Treasurer, City Clerk, City Attorney, and City Manager, are authorized and directed
 11 to undertake all action necessary for the prompt execution and delivery of the
 12 Bonds to the Underwriter and further to execute all closing certificates and
 13 documents required to effect the closing and delivery of the Bonds, in accordance
 14 with the terms of this ordinance and the Sale Document.
 15 Section 20. Approval of Official Statement.
 16 The Finance Director is hereby authorized to approve and to deem final the
 17 preliminary Official Statement relating to the Bonds for the purposes of the Rule.
 18 The Finance Director is further authorized to approve for purposes of the Rule, on
 19 behalf of the City, the final Official Statement relating to the issuance and sale of
 20 the Bonds and the distribution of the final Official Statement pursuant thereto with
 21 such changes, if any, as may be deemed by such officer to be appropriate.
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1 Section 21. Supplemental Ordinances.

2 (a) The Council from time to time and at any time may pass an ordinance or

3 ordinances supplemental hereto, which ordinance or ordinances thereafter shall

4 become a part of this ordinance, for any one or more or all of the following

5 purposes:

6 (1) To add to the covenants and agreements of the City contained in

7 this ordinance other covenants and agreements thereafter to be observed which

8 shall not adversely affect the interests of the owners of any Parity Bonds or to

9 surrender any right or power reserved to or conferred upon the City.

10 (2) To make such provisions for the purpose of curing any

11 ambiguities or of curing, correcting or supplementing any defective provision

12 contained in this ordinance or any ordinance authorizing Parity Bonds in regard to

13 matters or questions arising under such ordinances as the Council may deem

14 necessary or desirable and not inconsistent with such ordinances and which shall

15 not adversely affect the interest of the owners of the Parity Bonds.

16 Any such supplemental ordinance of the City may be passed without the

17 consent of the owners of any Parity Bonds at any time outstanding, notwithstanding

18 any of the provisions of subsection (b) of this section, if the City obtains an opinion

19 of Bond Counsel to the effect that such supplemental ordinance is solely for one or

20 more of the purposes stated above and will not adversely affect the interests of the

21 owners of Parity Bonds.

22 (b) With the consent of the owners of not less than 51 percent in aggregate

23 Bond Obligations of the Parity Bonds at the time outstanding, the City may pass an

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1 ordinance or ordinances supplemental hereto for the purpose of adding any

2 provisions to or changing in any manner or eliminating any of the provisions of this

3 ordinance or of any supplemental ordinance; provided, however, that no such

4 supplemental ordinance shall:

5 (1) Extend the fixed maturity of any Parity Bonds, or reduce the rate

6 of interest thereon, or extend the times of payment of interest thereon from their

7 due dates, or reduce the amount of the principal thereof, or reduce any premium

8 payable on the redemption thereof, without the consent of the owner of each bond

9 so affected; or

10 (2) Reduce the aforesaid percentage of bondowners required to

11 approve any such supplemental ordinance, without the consent of the owners of all

12 of the Parity Bonds then outstanding.

13 It shall not be necessary for the consent of bondowners under this

14 subsection (b) to approve the particular form of any proposed supplemental

15 ordinance, but it shall be sufficient if such consent shall approve the substance

16 thereof.

17 (c) Upon the passage of any supplemental ordinance pursuant to the

18 provisions of this section, this ordinance shall be deemed to be modified and

19 amended in accordance therewith, and the respective rights, duties and obligations

20 of the City under this ordinance and of all owners of Bonds outstanding hereunder

21 shall thereafter be determined, exercised and enforced thereunder, subject in all

22 respects to such modification and amendments, and all the terms and conditions of

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1 any such supplemental ordinance shall be deemed to be part of the terms and
 2 conditions of this ordinance for any and all purposes.

3 Section 22. Bond Insurance.

4 Each Designated Representative is hereby further authorized to solicit
 5 proposals from municipal bond insurance companies for the issuance of a bond
 6 insurance policy. In the event that the City receives multiple proposals in response
 7 to a solicitation, a Designated Representative may select the proposal having the
 8 lowest cost and resulting in an overall lower interest cost with respect to the Bonds
 9 to be insured. Alternatively, in the case of a competitive sale, bidders may elect to
 10 insure all or a portion of the Bonds at the bidders' risk and expense.

11 In the event that all or a portion of the Bonds are to be insured, a Designated
 12 Representative may execute a commitment received from the insurer. The Council
 13 further authorizes all proper officers, agents, attorneys and employees of the City to
 14 cooperate with the insurer in preparing such additional agreements, certificates,
 15 and other documentation on behalf of the City as shall be necessary or advisable in
 16 providing for the bond insurance policy.

17 Section 23. Ongoing Disclosure.

18 The City covenants to execute and deliver at the time of Closing of each
 19 series Bonds a Continuing Disclosure Certificate. Each Designated Representative
 20 is hereby authorized to execute and deliver a Continuing Disclosure Certificate
 21 upon the issuance, delivery and sale of the Bonds with such terms and provisions
 22 as such officer shall deem appropriate and in the best interests of the City.

23 Section 24. Lost or Destroyed Bonds.



1 In case any Bonds shall be lost, stolen or destroyed, the Bond Registrar may
 2 authenticate and deliver a new Bond(s) of like series, amount, date, tenor, and
 3 effect to the owner thereof upon the owner paying the expenses and charges of the
 4 City in connection therewith and upon filing with the Bond Registrar evidence
 5 satisfactory to the Bond Registrar that such Bond(s) were actually lost, stolen or
 6 destroyed and of ownership thereof, and upon furnishing the City with indemnity
 7 satisfactory to both.

8 Section 25. Severability.

9 If any one or more of the covenants or agreements provided in this
 10 ordinance to be performed on the part of the City shall be declared by any court of
 11 competent jurisdiction to be contrary to law, then such covenant or covenants,
 12 agreement or agreements, shall be null and void and shall be deemed separable
 13 from the remaining covenants and agreements of this ordinance and shall in no way
 14 affect the validity of the other provisions of this ordinance or of the Bonds. All acts
 15 taken pursuant to the authority granted in this ordinance but prior to its effective
 16 date are hereby ratified and confirmed.

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Section 26. Effective Date.

This ordinance shall take effect and be in force 10 days after its passage, approval, and publication as required by law.

Passed _____

Mayor

Attest:

City Clerk

Approved as to form and legality:

Pacifica Law Group LLP
Bond Counsel to the City of Tacoma

By _____

EXHIBIT A
Form of Bond
[DTC Language]

UNITED STATES OF AMERICA

No. _____ \$ _____

STATE OF WASHINGTON
CITY OF TACOMA, WASHINGTON
SEWER REVENUE BOND, 2022 [_____]

INTEREST RATE: % MATURITY DATE: CUSIP NO.:
REGISTERED OWNER: CEDE & CO.
PRINCIPAL AMOUNT:

The City of Tacoma, Washington, a municipal corporation of the State of Washington (the "City"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, the Principal Amount indicated above and to pay interest from _____, 20____, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the Interest Rate set forth above, payable on _____ 1, 20____, and semiannually thereafter on the first days of _____ and _____. Both principal of and interest on this bond are payable in lawful money of the United States of America. For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the City to DTC.

This bond is one of an authorized issue of bonds of like date and tenor, except as to number, amount, rate of interest, date of maturity and rights of redemption, in the aggregate principal amount of \$_____, and is issued pursuant to Ordinance No. _____ passed by the Council on February 22, 2022 (the "Bond Ordinance") to provide the funds necessary to finance and/or reimburse the City for costs of capital improvements to the System and to pay costs of issuance. Capitalized terms used in this bond and not otherwise defined shall have the meanings given them in the Bond Ordinance.

The bonds of this issue are subject to redemption at the option of the City as provided in the Bond Ordinance.

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1 As security for the payment of the principal of, premium, if any, and interest
 2 on all Parity Bonds the City has pledged in accordance with the provisions of the
 3 Bond Ordinance, subject to the provisions of the Bond Ordinance restricting or
 4 permitting the application thereof, (a) the proceeds of the sale of Parity Bonds to
 5 the extent held in funds established or continued by the Bond Ordinance, (b) Net
 6 Revenues and ULID Assessments and (c) the money and assets credited to the
 7 Sewer Utility Fund and the Bond Fund and the income therefrom. The pledge of
 8 Net Revenues, money and assets credited to the Sewer Utility Fund and the Bond
 9 Fund and ULID Assessments constitutes a lien and charge on Net Revenues, said
 10 Funds and ULID Assessments superior to all other charges of any kind or nature.

11 The bonds of this issue are not "private activity bonds" as such term is
 12 defined in the Internal Revenue Code of 1986, as amended (the "Code"). The City
 13 has not designated the bonds of this issue as "qualified tax-exempt obligations"
 14 within the meaning of Section 265(b)(3)(B) of the Code.

15 The City hereby irrevocably covenants and agrees with the Registered
 16 Owner of this bond that it will keep and perform all the covenants of this bond and
 17 of the Bond Ordinance to be by it kept and performed. Reference is hereby made
 18 to the Bond Ordinance for a complete statement of such covenants.

19 Bonds are interchangeable for bonds of any authorized denomination of
 20 equal aggregate principal amount and of the same interest rate and maturity upon
 21 presentation and surrender to the Bond Registrar.

22 This bond shall not be valid or become obligatory for any purpose or be
 23 entitled to any security or benefit under the Bond Ordinance until the Certificate of
 24 Authentication hereon shall have been manually signed by the Bond Registrar.

25 It is hereby certified that all acts, conditions and things required by the
 26 Constitution and statutes of the State of Washington and the charter and
 ordinances of the City to exist and to have happened, been done and performed
 precedent to and in the issuance of this bond do exist and have happened, been
 done and performed and that the issuance of this bond and the bonds of this series
 does not violate any constitutional, statutory or other limitation upon the amount of
 bonded indebtedness that the City may incur.



1 IN WITNESS WHEREOF, the City of Tacoma, Washington, has caused this
 2 bond to be signed with the manual or facsimile signature of the Mayor and attested
 3 by the manual or facsimile signature of the City Clerk, and the seal of the City to be
 4 impressed or a facsimile thereof to be imprinted hereon, as of this ___ day of
 5 _____, 2022.

6 [SEAL]

7 CITY OF TACOMA, WASHINGTON

8 By _____
 9 /s/ manual or facsimile
 10 Mayor

11 ATTEST:

12 _____
 13 /s/ manual or facsimile
 14 City Clerk

15 The Bond Registrar's Certificate of Authentication on the Bonds shall be in
 16 substantially the following form:

17 CERTIFICATE OF AUTHENTICATION

18 This bond is one of the bonds described in the within-mentioned Bond Ordinance
 19 and is one of the Sewer Revenue Bonds, 2022 of the City of Tacoma, Washington,
 20 dated _____, 2022.

21 WASHINGTON STATE FISCAL AGENT,
 22 as Bond Registrar

23 By _____

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APPENDIX B

FORM OF BOND COUNSEL OPINION

April 7, 2022

City of Tacoma, Washington
Tacoma, Washington

J.P. Morgan Securities LLC
New York, New York

Re: City of Tacoma, Washington
Sewer Revenue Bonds, 2022 — \$86,425,000

Addressees:

We have acted as bond counsel to the City of Tacoma, Washington (the “City”), and have examined a certified transcript of all of the proceedings taken in the matter of the issuance by the City of its Sewer Revenue Bonds, 2022, in the principal amount of \$86,425,000 (the “Bonds”) issued pursuant to Ordinance No. 28804 of the City (the “Bond Ordinance”), to finance and/or reimburse the City for costs of capital improvements to the City’s municipal sewer system and to pay costs of issuance of the Bonds. Capitalized terms used in this opinion have the meanings given such terms in the Bond Ordinance.

The Bonds are subject to redemption prior to their stated dates of maturity as provided in Bond Ordinance and the Official Statement relating to the Bonds. 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”).

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Ordinance and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

1. The Bonds have been legally issued and constitute valid and binding special obligations of the City, both principal thereof and interest thereon payable solely out of a special fund of the City known as the “Sewer Revenue Bond Fund” (the “Bond Fund”), except to the extent that the enforcement of the rights and remedies of the holders of the Bonds may be limited by laws relating to bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application affecting the rights of creditors, by the application of equitable principles and 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. The City has pledged and bound itself to pay into the Sewer Utility Fund all of the Gross Revenues derived by the City from the operation of the City’s combined municipal sewer system (the “System”). The City has further pledged and bound itself to set aside from the money in the Sewer Utility Fund and to pay into the Bond Fund and the funds and accounts therein certain fixed amounts sufficient to pay the principal, premium, if any, and interest on the Bonds and all other Parity Bonds as the same become due. As security for the payment of the principal of, premium, if any, and interest on all Parity Bonds the City has pledged (i) the proceeds of the sale of

Parity Bonds to the extent held in funds established or continued by the Bond Ordinance, (ii) Net Revenues and ULID Assessments, if any, and (iii) the money and assets credited to the Sewer Utility Fund and Bond Fund and the income therefrom. The pledge of Net Revenues, money and assets credited to the Sewer Utility Fund and the Bond Fund and ULID Assessments constitutes a lien and charge on the Net Revenues, the funds and ULID Assessments superior to all other charges of any kind or nature. The City has reserved the right to issue Future Parity Bonds and other parity obligations on the terms and conditions set forth in the Bond Ordinance.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the 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 C

**AUDITED FINANCIAL STATEMENTS OF THE SYSTEM
AS OF DECEMBER 31, 2020**

(attached)

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WASTEWATER AND SURFACE WATER
MANAGEMENT

2020

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended **December 31, 2020**
Prepared by the Finance Department

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City of Tacoma, Washington
Environmental Services Department

Wastewater and Surface Water Management

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Financial Data

Report of Independent Auditors

Honorable Mayor and City Council
City of Tacoma, Environmental Services Department, Wastewater and Surface Water Management
Tacoma, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of City of Tacoma, Environmental Services Department, Wastewater and Surface Water Management (the Division), which comprise the statements of net position as of December 31, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Division as of December 31, 2020 and 2019, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying management's discussion and analysis, Schedule of Proportionate Share of Net Pension Liability Last 10 Years, Schedule of Contributions Last 10 Fiscal Years, and Schedule of Proportionate Share of the Collective OPEB Liability Last 10 Years, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021, on our consideration of the City of Tacoma, Environmental Services Department, Wastewater and Surface Water Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Division's internal control over financial reporting and compliance.



Tacoma, Washington
May 14, 2021

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Management Discussion and Analysis

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Management's Discussion and Analysis
December 31, 2020 and 2019

Introduction

The following discussion and analysis of City of Tacoma Wastewater and Surface Water Management Division's financial performance provides an overview of the financial activities for the years ended December 31, 2020, 2019, and 2018. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues, provide an overview of the financial activities, and identify changes in the financial position. We encourage readers to consider the information presented here in conjunction with the financial statements and the accompanying notes taken as a whole.

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. The statements were prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America, applied on a consistent basis, and include amounts that are based on management's best estimates and judgments.

The basic financial statements, presented on a comparative basis for the years ended December 31, 2020 and 2019, include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows. The Statements of Net Position present information on all of City of Tacoma Wastewater and Surface Water Management Division's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as net position. The Statements of Revenues, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows provide information on cash receipts and disbursements during the year and report changes in cash resulting from operating, non-capital financing, capital and related financing, and investing activities.

The Notes to Financial Statements provide additional disclosures that are essential to a full understanding of the data provided in the financial statements. They are an integral part of the Division's presentation of financial position, results of operations and changes in cash flows.

Financial Highlights

- Total net position is \$490.1 million at December 31, 2020 compared to \$474.8 million and \$458.8 million at year-end 2019 and 2018, respectively.
- Operating revenues were \$119.0 million in 2020, \$116.9 million in 2019, and \$115.8 million in 2018.
- Cash and equity in pooled investments was \$170.6 million at December 31, 2020 compared to \$180.4 million in 2019 and \$185.3 million in 2018.

Financial Analysis – Condensed Statements of Net Position

Net position may serve over time as a useful indicator of an entity's financial position. The following condensed statement of net position provides a comparison of net position for the last three years.

	December 31,		
	2020	2019	2018
Current, restricted, and other assets	\$ 205,659,002	\$ 198,967,967	\$ 208,495,085
Net capital assets	623,394,016	605,220,487	594,655,680
Total assets	829,053,018	804,188,454	803,150,765
Deferred outflows of resources	9,896,598	20,103,675	8,258,947
Total assets and deferred outflows of resources	<u>\$ 838,949,616</u>	<u>\$ 824,292,129</u>	<u>\$ 811,409,712</u>
Non-current liabilities	\$ 288,049,238	\$ 300,543,999	\$ 297,917,406
Current liabilities	27,039,733	20,131,901	22,029,267
Total liabilities	315,088,971	320,675,900	319,946,673
Deferred inflows of resources	33,802,772	28,853,934	32,624,240
Total liabilities and deferred inflows of resources	<u>348,891,743</u>	<u>349,529,834</u>	<u>352,570,913</u>
Net position:			
Net investment in capital assets	422,355,570	412,290,574	410,745,328
Restricted	6,523,335	4,672,034	14,663,136
Unrestricted	61,178,968	57,799,687	33,430,335
Total net position	<u>490,057,873</u>	<u>474,762,295</u>	<u>458,838,799</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 838,949,616</u>	<u>\$ 824,292,129</u>	<u>\$ 811,409,712</u>

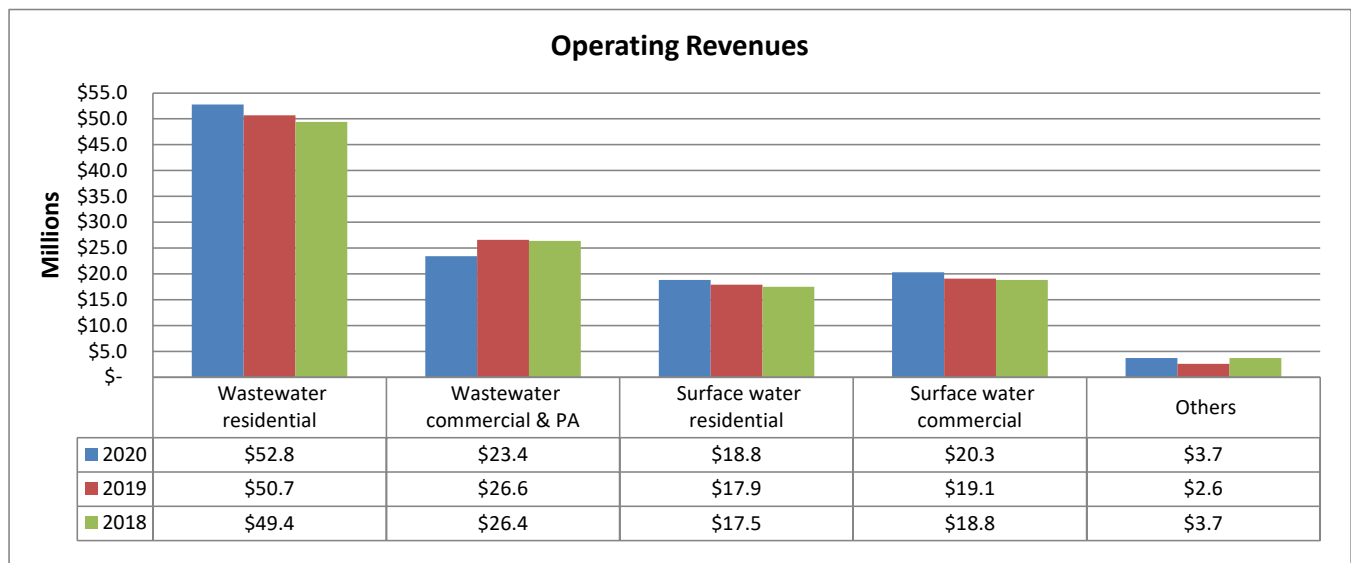
The assets and deferred outflows of the Division exceeded liabilities and deferred inflows by \$490.1 million in 2020, compared to \$474.8 million in 2019, and \$458.8 million in 2018. The Division's net position increased by \$15.3 million in 2020 compared to an increase of \$16.0 million in 2019 and an increase of \$24.2 million in 2018. However, the largest component of net position reflects the Division's net investment in capital assets (e.g., land, buildings, machinery, and equipment). The net investment in capital assets component of net position was \$422.4 million in 2020, compared to \$412.3 million in 2019, and \$410.7 million in 2018. The Division uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Division's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The restricted portion of the Division's net position is \$6.5 million in 2020, compared to \$4.7 million in 2019 and \$14.7 million in 2018 and represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$61.2 million for 2020, \$57.8 million for 2019, and \$33.4 million for 2018 is unrestricted.

Financial Analysis - Condensed Statements of Revenues, Expenses and Changes in Net Position

	For Year ended December 31,		
	2020	2019	2018
Operating revenues	\$ 119,026,415	\$ 116,918,923	\$ 115,817,015
Operating expenses	93,741,240	92,734,467	83,751,684
Net operating income	25,285,175	24,184,456	32,065,331
Nonoperating expenses	(2,564,825)	(2,007,517)	(4,522,281)
Increase in net position before transfers	22,720,350	22,176,939	27,543,050
Capital contributions	3,568,051	4,123,876	5,568,353
Transfers	(10,992,823)	(10,377,319)	(8,904,806)
Increase in net position	15,295,578	15,923,496	24,206,597
Net position - Beginning of year	474,762,295	458,838,799	434,632,202
Net position - Ending	<u>\$ 490,057,873</u>	<u>\$ 474,762,295</u>	<u>\$ 458,838,799</u>

Operating revenues

The following graph provides a comparison of operating revenues for the three years.

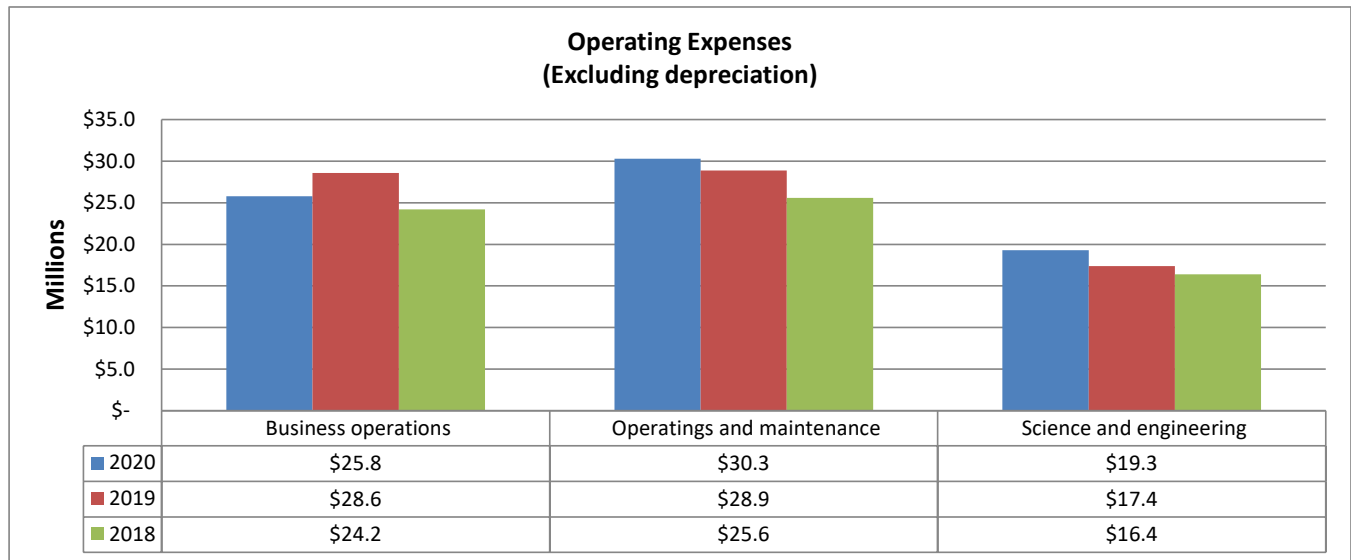


Operating revenues were \$119.0 million in 2020 compared to \$116.9 million in 2019 and \$115.8 million in 2018. The approved average rate increases for Wastewater were 4.0% for 2020 and 2019, and 4.5% for 2018. The average rate increases for Surface Water were 3.5% for 2020 and 2019, and 5.5% for 2018. The rate increases went into effect January 1st of each year.

Wastewater residential revenues increased \$2.1 million or 4% in 2020 compared to \$1.3 million increase or 3% in 2019. Wastewater commercial and public authority (PA) revenues decreased \$3.2 million or 12% in 2020 compared to \$186,000 increase or 1% in 2019 due in part to temporary business shut down and partial closures due to COVID-19 impacts. Surface Water residential increased \$942,000 or 5% in 2020 compared to \$391,000 increase or 2% in 2019 and Surface Water commercial increased \$1.1 million or 6% in 2020 compared to \$351,000 increase or 2% in 2019. Other revenues increased \$1.2 million or 45% compared to a \$1.1 million decrease or 30% in 2019; the 2020 increase was mainly due to increased revenues from septic tank and leachates from the Land Recovery Inc. and the 2019 decrease was mainly due to the Site Development division being transferred to the Public Works Department as of January 1, 2019.

Operating expenses

The graph below shows operating expenses for each of the operating groups excluding depreciation expense and other.



2020 Activity

Operating expenses were \$93.7 million in 2020 and \$92.7 million in 2019, an increase of \$1.0 million.

- Business operation expenses decreased \$2.8 million. The significant events were:
 - Labor expense including all payroll associated costs decreased \$2.9 million mainly due to the decrease in Western Metal Pension withdrawal expenses of \$3.3 million. The remaining difference of \$400,000 was related to multiple small increases within salaries and wages and pension contributions.
 - Administrative and General (A&G) credit allocated to capital projects increased \$706,000 due in part to more spending on capital projects.
 - Bad debts increased \$1.2 million due to an increase in aged accounts receivable.
 - The remaining difference of \$394,000 is related to multiple small decreases in other expenses.
- Operations and maintenance expenses increased \$1.4 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$860,000 primarily due to pay increases in 2020.
 - Inventory reclaim account increased \$312,000, which was used to readjust inventory counts in SAP based on the physical inventory.
 - Operating supplies increased \$227,000 due in part to increases in repair and maintenance costs for Plant 1 and Pump station.
- Science and engineering expenses increased \$1.9 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$743,000 primarily due to pay increases in 2020.
 - External contract services increased \$1.8 million primarily due to the Hosmer Holding Basin maintenance project with Glacier Environmental Services.
 - Environmental liability adjustment decreased \$1.5 million due to the completion of the cap material replenishment project in 2020 and re-measurement of the anticipated monitoring cost for the Olympic View Resource Area (OVRA).
 - The remaining difference of \$857,000 is related to multiple small increases in other expenses.

2019 Activity

Operating expenses were \$92.7 million in 2019 and \$83.8 million in 2018, an increase of \$8.9 million.

- Business operation expenses increased \$4.4 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$5.0 million. Of this increase, \$3.3 million was related to entries for Western Metal Pension withdrawal expenses and \$1.2 million for pension expenses. The remaining difference of \$500,000 was related to multiple small increases within salaries and wages and pension contributions.
 - Assessment charges from other departments, including Customer Service and IT, decreased \$730,000 for their services.
 - Administrative and General (A&G) credit allocated to capital projects increased \$339,000 due to more spending on capital projects and the A&G rate increases from 6% to 8.5% for Surface Water and 7% to 8.5% for Wastewater.
 - The remaining difference of \$469,000 is related to multiple small increases in other expenses.
- Operations and maintenance expenses increased \$3.3 million. The significant events were:
 - Labor expense including all payroll associated costs increased \$2.5 million primarily due to a \$2.6 million increase in pension expenses, which was allocated based upon last year's labor expenses of each division. The remaining difference of \$100,000 is related to multiple small decreases within salaries & wages and pension contributions.
 - Inventory reclaim account decreased \$530,000, which was used to readjust inventory counts in SAP based on the physical inventory.
 - Solid Waste expense increased \$349,000 due in part to dewatered debris disposal costs at the Land Recovery Inc. (LRI) Landfill.
 - The remaining difference of \$981,000 is related to multiple small increases in other expenses
- Science and engineering expenses increased \$1.0 million. The significant events were:
 - External contract services increased \$953,000 primarily due to increased costs for the field test construction of new permeable mix designs, stormwater collection system with Miles Resources LLC, and the Hosmer Basin maintenance project with Active Construction Inc.
 - Environmental liabilities increased \$214,000 due to re-measured anticipated monitoring costs and a cap material replenishment project for the Olympic View Resource Area (OVRA).
 - The remaining difference of \$167,000 is related to multiple small decreases in other expenses.

Nonoperating revenues (expenses)

Net nonoperating expenses were \$2.6 million in 2020 and \$2.0 million in 2019, an increase of \$557,000. The significant events were:

- Investment and other earnings decreased \$1.6 million due to the decrease in cash balance and lower interest on investments.
- Other nonoperating revenues increased \$1.3 million mainly due to \$1.6 million contribution for the Hosmer Holding Basin Maintenance Phase 2 project from the Pierce County Flood Control Zone District.
- CARES grant of \$231,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) received in 2020.

Contributions and transfers

Capital contributions decreased \$556,000 mainly due to less capital grants from the State of Washington Ecology Department because major capital projects were completed in 2019, which were the South Tacoma Way Green Infrastructure and Madison and Monroe Permeable Pavement projects. Transfer in from other funds decreased \$649,000 primarily due to the decrease in transfer in of \$407,000 from Public Works for the Puget Sound Ave Green Infrastructure project and \$200,000 from Public Works for the Bennet Street GSI project.

Capital Assets

Net capital assets increased \$18.2 million in 2020 compared to \$10.6 million in 2019 (See Note 4.)

2020 Activity

Net capital assets increased \$18.2 million over the prior year. Land and easements increased \$1.4 million mainly due to the Union Pacific Railroad easements. Buildings increased \$17.7 million: \$17.9 million increased for reclassified assets from machinery and equipment, and transmission lines and other improvements, \$1.6 million decreased for disposed assets per physical inventory, and \$1.4 million increased for the Sedimentation Tank #1 & #2 projects. Machinery and equipment decreased \$14.7 million: \$12.8 million decreased for reclassified assets to buildings, \$2.8 million decreased for disposed assets per physical inventory, and \$900,000 increased for vehicles purchased through Fleet and various equipment. Transmission lines and other improvements increased \$6.9 million: 2,166 feet of donated lines were recorded for \$1.5 million, 74,118 feet of old lines were retired at the historical cost of \$300,000, 28,169 feet of new replacement lines and extended sewer lines were recorded for \$11.0 million, and \$5.3 million was decreased for reclassified assets to buildings. Accumulated depreciation increased \$14.5 million and construction in progress increased \$21.2 million.

2019 Activity

Capital assets increased \$10.6 million over the prior year. Buildings increased \$4.0 million primarily due to the Emergency Digester #2 Band Replacement project and Tagro Canopy project. Machinery and equipment increased \$3.9 million primarily due to the South Tacoma Lift Station project and various vehicles purchased through Fleet. Transmission lines and other improvements increased \$19.2 million: 3,940 feet of donated lines were recorded for \$1.4 million, 68,142 feet of old lines were retired at the historical cost of \$261,000, and 35,228 feet of new replacement lines and extended sewer lines were recorded for \$18.1 million. Accumulated depreciation increased \$16.9 million and construction in progress increased \$245,000.

Debt Administration

At December 31, 2020, the Division had \$289.6 million outstanding in long-term debt: \$45.5 million of this is junior lien debt consisting of State Revolving Fund (SRF) loans and Certificate of Participation (COP) loan. The remaining balance is senior parity bonds debt. This compares to \$288.9 million in 2019 and \$300.6 million in 2018.

The rating agencies maintained the Division's underlying credit ratings on parity bonds of Aa2, AA+, and AA+ from Moody's, Standard & Poor's, and Fitch, respectively.

Additional information on the Division's long-term debt can be found in Note 5 of the financial statements.

Debt Service Coverage

The bonds coverage ratio is calculated by dividing net revenue by debt service as defined by bonds covenants. The SRF loans are junior lien debt and excluded from the debt service in the bonds coverage ratio calculation.

The Division is required by its bond covenants to maintain a debt service coverage ratio of 1.3. The debt service coverage ratio is 2.98 at the end of 2020. This compares to a ratio of 3.03 in 2019 and 4.28 in 2018.

2021 and 2022 Rates

The approved average rate increases for 2021 are 1.5% for Wastewater and Surface Water and 2.0% for 2022. These rates were reduced from the previously planned rate increases of 3.5% for each year for Wastewater and 3.0% for each year for Surface Water due to the economic impacts on customers from the COVID-19 Pandemic. These rate decreases were determined after considering many internal and external factors impacting the Sewer Utility Systems' maintenance and operation such as revenues, expenses, debt service and debt financing needs, capital improvement plans, equity, affordability, and economic considerations.

Summary

The management of the Finance Department of the City of Tacoma is responsible for preparing the accompanying financial statements and for their integrity. We prepared the financial statements according to GAAP in the United States of America, and they fairly portray the City of Tacoma Wastewater and Surface Water Management's financial position and operating results. The Notes to Financial Statements are an integral part of the basic financial statements and provide additional financial information. The financial statements have been independently audited by Moss Adams LLP. We have made available to them all pertinent information necessary to complete the audit.

Management considers and takes appropriate action on audit recommendations. Management has established and maintains a system of controls which includes organizational, administrative and accounting processes. These controls provide reasonable assurance that records and reports are complete and reliable, that assets are used appropriately and that business transactions are carried out as authorized.

Request for Information

The Wastewater and Surface Water Management Division's (the Division) financial statements are designed to provide a general overview of the Division's finances, as well as to demonstrate the Division's accountability to its customers, investors, creditors, and other interested parties. For questions concerning any of the information provided in this report or requests for additional financial information, please contact the City of Tacoma, Finance Department, 747 Market Street, Room 132, Tacoma, WA 98402-2773.

Financial Statements

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position

	As of December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and equity in pooled investments	\$101,520,308	\$ 92,118,414
Accounts receivable, net	9,404,260	7,520,126
Unbilled revenues	7,675,787	7,736,787
Conservation loan fund receivables	123,536	151,349
Loan receivable	12,711,377	-
Due from other governments	237,692	651,662
Inventory	2,145,521	1,427,934
Prepayments	277,655	249,533
Restricted cash and equity in pooled investments:		
Debt service funds	1,405,277	1,405,464
Construction funds	62,975,331	82,194,733
Total restricted cash and equity in pooled investments	64,380,608	83,600,197
Total current assets	198,476,744	193,456,002
Non-current assets:		
Restricted cash and equity in pooled investments:		
Debt reserves	4,672,034	4,672,034
Net pension asset	1,847,284	-
Conservation loan fund receivables	662,940	746,018
Prepayments	-	93,913
Capital assets:		
Land and easements	25,205,157	23,853,122
Buildings	213,368,244	195,685,067
Machinery and equipment	199,438,768	214,154,846
Transmission lines and other improvements	449,462,863	442,526,066
Computer software	9,466,301	9,307,245
Less: accumulated depreciation	(314,254,868)	(299,766,758)
Construction work in progress	40,707,551	19,460,899
Total capital assets, net	623,394,016	605,220,487
Total non-current assets	630,576,274	610,732,452
TOTAL ASSETS	829,053,018	804,188,454
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - loss on refunding bonds	3,424,042	3,629,399
Deferred outflows - OPEB	992,025	1,052,545
Deferred outflows - pensions	5,480,531	15,421,731
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,896,598	20,103,675
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 838,949,616	\$ 824,292,129

The accompanying notes are an integral part of the financial statements.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statement of Net Position

	As of December 31,	
	2020	2019
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 11,188,879	\$ 4,014,531
Accrued wages payable and compensated absences payable	1,409,975	1,072,317
Accrued taxes payable	189,701	142,380
Due to other governments	780,000	720,000
Accrued environmental liability	147,500	1,766,057
Accrued State loan interest payable	167,676	167,001
Current portion of Capital COP loan	525,000	-
Current portion of State Revolving Fund loan	4,085,363	4,011,393
Current portion of revenue bonds payable	6,668,750	6,375,417
Unearned revenues	467,595	457,341
Current liabilities payable from restricted assets:		
Current portion of revenue bonds payable	606,250	579,583
Accrued revenue bonds interest payable	799,027	825,881
Deposit in lieu of bond	4,017	-
Total current liabilities	<u>27,039,733</u>	<u>20,131,901</u>
Non-current liabilities:		
Long-term debt - revenue bonds, net	236,865,882	245,296,846
Long-term debt - Capital COP loan	12,270,000	-
Long-term State Revolving Fund loan	28,583,345	32,624,538
Long-term accrued compensated absences	3,270,411	2,565,742
Long-term accrued environmental liability	1,144,500	1,192,000
Net pension liability	-	13,029,876
Net OPEB liability	2,635,160	2,555,057
Pension withdrawal liability	3,279,940	3,279,940
Total noncurrent liabilities	<u>288,049,238</u>	<u>300,543,999</u>
TOTAL LIABILITIES	<u>315,088,971</u>	<u>320,675,900</u>
 DEFERRED INFLOWS OF RESOURCES		
Rate stabilization	25,000,000	25,000,000
Deferred inflows - gain on refunding bonds	17,014	35,574
Deferred inflows - OPEB	1,746,124	2,106,245
Deferred inflows - pensions	7,039,634	1,712,115
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>33,802,772</u>	<u>28,853,934</u>
 NET POSITION	32,668,708	
Net investment in capital assets	422,355,570	412,290,574
Restricted for:		
Bond reserves	4,672,034	4,672,034
Deposit in lieu of bond	4,017	-
Net pension asset	1,847,284	-
Unrestricted	61,178,968	57,799,687
TOTAL NET POSITION	<u>490,057,873</u>	<u>474,762,295</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 838,949,616</u>	<u>\$ 824,292,129</u>

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Revenues, Expenses and Changes in Net Position

	For Year ended December 31	
	2020	2019
OPERATING REVENUES		
Wastewater residential	\$ 52,822,791	\$ 50,738,543
Wastewater commercial and public authorities	23,366,944	26,567,803
Surface water residential	18,835,178	17,893,654
Surface water commercial	20,261,316	19,145,563
Other revenues	3,740,186	2,573,360
Total operating revenues	<u>119,026,415</u>	<u>116,918,923</u>
OPERATING EXPENSES		
Business operations	25,762,591	28,572,464
Operations and maintenance	30,323,439	28,883,438
Science and engineering	19,305,171	17,436,244
Depreciation	18,350,039	17,842,321
Total operating expenses	<u>93,741,240</u>	<u>92,734,467</u>
Net operating income	<u>25,285,175</u>	<u>24,184,456</u>
NONOPERATING REVENUES (EXPENSES)		
Investment and other earnings	4,413,480	5,973,435
Interest expenses and other related costs	(10,979,923)	(10,992,896)
Amortization of bond premium and gain/loss on refunding	969,167	777,227
CARES grant	230,999	-
Other nonoperating revenues	3,668,621	2,338,883
Other nonoperating expenses	(181,085)	-
Gain or loss on sale/disposal of capital assets	(686,084)	(104,166)
Total nonoperating expenses	<u>(2,564,825)</u>	<u>(2,007,517)</u>
Net income before contributions and transfers	<u>22,720,350</u>	<u>22,176,939</u>
Capital contributions and grants	3,568,051	4,123,876
Transfer in from other funds	22,260	670,812
Transfer out to other funds	(1,266,500)	(1,268,500)
Gross earnings tax	(9,748,583)	(9,779,631)
Total contributions and transfers	<u>(7,424,772)</u>	<u>(6,253,443)</u>
CHANGE IN NET POSITION	15,295,578	15,923,496
NET POSITION - JANUARY 1	474,762,295	458,838,799
NET POSITION - DECEMBER 31	<u>\$ 490,057,873</u>	<u>\$ 474,762,295</u>

The accompanying notes are an integral part of the financial statements.

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows

	For Year ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 115,233,633	\$ 116,485,004
Payments to suppliers	(28,946,681)	(35,351,533)
Payments to employees	(36,046,089)	(33,867,193)
Payments for taxes	(2,029,039)	(1,870,483)
Net cash from operating activities	48,211,824	45,395,795
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfer out to other funds	(11,196,168)	(11,767,506)
Operating grants received	2,173,168	785
CARES grant received	230,999	-
Principal paid on noncapital debt	(650,325)	(618,788)
Interest paid on noncapital debt	(405,752)	(435,636)
Contributions and donations	117,072	14,760
Net cash from noncapital financing activities	(9,731,006)	(12,806,385)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Transfer in from other funds	22,260	670,812
Acquisition and construction of capital assets	(35,887,902)	(27,012,454)
Principal payments on capital debt	(10,316,067)	(9,945,075)
Bond refunding costs	-	(1,742,262)
Interest and issuance costs paid on capital debt	(10,516,729)	(10,544,123)
Proceeds from capital debt	44,169	-
Gain/loss on bonds defeasance	-	(57,855)
Contributions and donations	1,947,648	3,385,363
Cash proceeds from sale of capital assets	202,277	900
Insurance recoveries	5,750	4,028
Net cash from capital financing activities	(54,498,594)	(45,240,666)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	4,413,480	5,973,435
Nonoperating income	1,786,601	1,721,647
Net cash from investing activities	6,200,081	7,695,082
NET CHANGE IN CASH AND EQUITY IN POOLED INVESTMENTS		
	(9,817,695)	(4,956,174)
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING		
	180,390,645	185,346,819
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING		
	\$ 170,572,950	\$ 180,390,645

The accompanying notes are an integral part of the financial statements.

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows

	For Year ended December 31	
	2020	2019
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH FROM OPERATING ACTIVITIES:		
Net operating income	\$ 25,285,175	\$ 24,184,456
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	18,350,039	17,842,321
Expense capital project costs	96,374	-
Pension expense (credits)	391,559	1,878,529
Net OPEB expense (credits)	(219,494)	(239,154)
Pension withdrawal expense	-	3,279,940
Cash from changes in operating assets and liabilities:		
Accounts receivable, net of allowance	(1,884,134)	(284,238)
Accrued unbilled revenue	61,000	527,000
Due from other funds	-	97,971
Inventory	(717,587)	(329,148)
Prepayments	65,791	71,215
Accounts payable	7,174,348	(1,626,294)
Conservation loan fund receivables	110,891	(84,788)
Accrued wages and compensated absences payable	337,658	(61,986)
Accrued taxes payable	47,321	(1,185)
Deposit in lieu of bonds	4,017	(9,250)
Due to other funds	-	(556,492)
Due to other governments	60,000	120,972
Accrued environmental liability	(1,618,557)	543,723
Unearned revenues	10,254	54,710
Long-term accrued environmental liability	(47,500)	179,500
Long-term accrued compensated absences	704,669	(192,007)
Total adjustments	22,926,649	21,211,339
NET CASH FROM OPERATING ACTIVITIES	\$ 48,211,824	\$ 45,395,795
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated capital assets	\$ 1,620,403	\$ 1,373,616

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management

Notes to Financial Statements
Years Ended December 31, 2020 and 2019

NOTE 1 OPERATIONS

OPERATIONS OF THE WASTEWATER AND SURFACE WATER MANAGEMENT DIVISION - The Wastewater and Surface Water Management Division (the Division) is presented as an enterprise fund within the Environmental Services Department under the provisions of the City of Tacoma's (the City) Charter and is included in the City's Annual Financial Report.

The Division is responsible for the planning, design, construction, operation, and maintenance of the wastewater and surface water facilities owned by the City. In addition to providing wastewater service within the City, the Division provides sewage treatment and disposal services by contract to the towns of Fife, Ruston, and Fircrest, and portions of Pierce County.

The Division receives certain services from other departments and agencies of the City including those normally considered to be general and administrative. The Division is charged for services received from other City departments and agencies and, additionally, must pay gross earnings tax to the City. These transactions are required to be arms-length transactions by law.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION - The financial statements of the Division are prepared under the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) issued by the Governmental Accounting Standards Board (GASB) applicable to governmental entities that use proprietary fund accounting. Revenues are recognized when earned, and costs and expenses are recognized when incurred.

ACCOUNTING CHANGES - Effective for the fiscal year 2020, the Division implemented the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective for periods beginning after June 15, 2018, and later. Where applicable, the Division has applied the effective accounting and financial reporting provisions as prescribed by GASB Statement No. 95.

CASH, SPECIAL FUNDS AND EQUITY IN POOLED INVESTMENTS - The Division's fund cash balances are a "deposit" with the City Treasurer's Tacoma Investment Pool (TIP) for the purpose of maximizing interest earnings through pooled investment activities. Cash and equity in pooled investments in the TIP are reported at fair value and changes in unrealized gains and losses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. Interest earned on such pooled investments is allocated daily to the participating funds based on each fund's daily equity in the TIP.

The TIP operates like a demand deposit account in that all City departments, including the Division, have fund balances which are their equity in the TIP. Accordingly, balances are considered to be cash equivalents.

The City of Tacoma Investment Policy permits legal investments as authorized by state law including Certificates of Deposit with qualified public depositories (as defined in Chapter 39.58 of the Revised Code of Washington (RCW)), obligations of the U.S. Treasury, Government Sponsored Agencies and Instrumentalities, bonds issued by Washington State and its Local Governments with an A or better rating, general obligation bonds issued by any State or Local Government with an A or better rating, Bankers' Acceptances, Commercial Paper, Repurchase and Reverse Repurchase agreements, and the Washington State Local Government Investment Pool (LGIP).

Daily liquidity requirement to meet the City's daily obligations is maintained by investing a portion of the City's Investment Pool in the LGIP.

The Division's equity in that portion of the City of Tacoma Investment Pool held in qualified public depositories at December 31, 2020 and 2019 is entirely covered by the Federal Deposit Insurance Corporation (FDIC) and the Washington State Public Deposit Protection Commission (WSPDPC).

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, longer term investments have greater exposure to changes in market interest rates. The City of Tacoma investment policy allows for authorized investments up to 60 months to 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.

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. Repurchase agreements and commercial paper are protected by the FDIC insurance up to \$250,000.

All deposits not covered by the FDIC are covered by the WSPDPC. The WSPDPC is a statutory authority established under RCW 39.58. It constitutes a fully insured or fully collateralized pool. The WA State Treasures LGIP is authorized by RCW 43.250. The LGIP is operated like a 2A7 fund and is collateralized by short-term legal investments.

ACCOUNTS RECEIVABLE AND UNBILLED REVENUE - Accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Receivables are shown net of allowances for uncollectible accounts. The Division accrues an estimated amount for services that have been provided but not billed, which is included in accounts receivable as of December 31, 2020, and 2019.

ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS - A reserve has been established for uncollectible accounts receivable based on historical write-off trends and knowledge of specific circumstances that indicate collection of an account may be unlikely. Generally, accounts receivable are considered past due after 30 days. Allowance for Uncollectible accounts was \$4,723,864 and \$3,548,999 as of December 31, 2020, and 2019, respectively.

LOAN RECEIVABLE – Loan receivable represents the amounts held by State of Washington relating to the Local Agency Financing Lease, Series 2020C, entered into by and between the State of Washington and the City of Tacoma. Loan Receivable will be decreasing on a cost reimbursement basis. Interest earned on the money held by State of Washington is recorded as a loan receivable and an interest income in the year earned.

INTERFUND AND INTERGOVERNMENTAL TRANSACTIONS - Unsettled transactions between entities at year end are recorded as due to or due from other funds or other governmental units as appropriate.

INVENTORY - Materials and supplies consist primarily of items for capital construction and maintenance of Division assets and are valued at the lower of average cost or fair market value.

RESTRICTED ASSETS - In accordance with bond covenants, agreements and laws, separate restricted funds have been established. These funds consist of cash and investments in pooled investments with restrictions externally imposed and legally enforceable, established by the City Council. Generally, restricted assets include bond construction, reserve and debt service funds, and customer deposits.

BOND PREMIUM AND GAIN/LOSS ON REFUNDING - Bond premiums are amortized over the life of the bonds using the weighted average of the bonds outstanding, are recorded as offset to Long-term debt, and are presented in the statement of net position. Gains or losses on bond refunding represent the difference between reacquisition price and the carrying value of the old debt and are amortized on a straight-line basis over the applicable bond period, and are presented as deferred outflows in the statement of net position.

CAPITAL ASSETS AND DEPRECIATION - Capital assets consist of utility plant and are stated at original cost, which includes both direct costs of construction or acquisition and indirect costs. The cost of capital assets contributed is recorded at donated fair value. The cost of maintenance and repairs is charged to expense as incurred while the costs of improvements, additions, and major renewals that extend the life of an asset are capitalized.

Assets are capitalized when costs exceed \$5,000 and the useful life exceeds one year.

Depreciation is recorded using the straight-line method based upon estimated useful lives of the assets. The original cost of property together with removal cost, less salvage, is charged to accumulated depreciation at such time as property is retired and removed from service.

The estimated useful lives range as follows:

	<u>Years</u>
Collection and Transmission Mains	75
Structures and Improvements	50
Land Improvements	25
Intangible Plant	7 - 20
Equipment	3 - 20

CONSTRUCTION IN PROGRESS - Capitalizable costs incurred on projects which are not in service or ready for use are held in construction in progress. When the asset is ready for service, related costs are transferred to capital assets. Upon determining that a project will be abandoned, the related costs are charged to expense.

ASSET VALUATION - The Division periodically reviews the carrying amount of its long-lived assets for impairment. An asset is considered impaired when estimated future cash flows are less than the carrying amount of the asset. In the event the carrying amount of such asset is not deemed recoverable, the asset is adjusted to its estimated fair value. Fair value is generally determined based on discounted future cash flows.

CAPITAL CONTRIBUTIONS - In accordance with GASB No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", capital grants and capital contributions are recorded as capital contributions.

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. The City implemented a new policy in 1998 allowing employees to earn PTO (personal time off) without distinction between vacation and sick leave. Employees who worked for the City prior to the change could choose to stay with the original policy or opt to convert to the new policy. The amount of PTO earned is based on years of service. The maximum accrual for PTO is 960 hours (*), and upon termination, employees are entitled to compensation for unused PTO at 100%. Vacation pay and PTO are recorded as a liability and an expense in the year earned.

(*) When the federal Families First Coronavirus Response Act (FFCRA) legislation was enacted on April 1, 2020, and communicated to employees, an updated Emergency Leave Guidance Document was also provided. One of the changes made was in the "Other City Leave" section relating to employees being able to exceed the Personal Time Off (PTO) and Vacation maximum accrual caps by up to 20% through December 31, 2020. Thereafter, employees have 90 calendar days to use the excess leave accruals or they will be forfeited.

Employees in the original policy accumulate sick leave at the rate of one day per month with no maximum accumulation specified. Employees receive 25% of the value at retirement or 10% upon termination for any other reason. In the event of death, beneficiaries receive 25% of the value. Sick leave pay is recorded as a liability and an expense in the year earned.

The accrued liability is computed at 100% vacation and PTO while sick leave is accrued at 10%, which is considered the amount vested or 25% if the employee meets retirement criteria. Based on historical information, 10% of compensated absences are considered short term.

RATE STABILIZATION FUND - The Division has established a rate stabilization account to better match revenues and expenses which may reduce volatility in rates. Amounts deposited into the account are excluded from the Statement of Revenues, Expenses and Changes in Net Position in accordance with regulated operations. Revenue will be recognized in subsequent periods when it is withdrawn in accordance with rate decisions.

OPERATING REVENUES - Revenues are derived from providing wastewater and surface water services. Wastewater services include the collection and treatment of wastewater to produce clean water and biosolids that are then used to produce TAGRO, planting soil amendments. Wastewater rates are based on volume of flow and strength. Total suspended solids (TSS) and biological oxygen demand (BOD) are strength determinants. Customers are billed on bi-monthly or monthly billing cycles.

Surface water services include flooding and erosion control, pollution prevention and control, environmental cleanup and restoration, and street drainage. Surface water rates are based on the area of the parcels and level of development with reductions for direct discharge and approved detention systems.

The rate structure is designed to meet the Division's needs and obligations on a cost-of-service basis while adhering to legal requirements. These legal requirements include computing rates on a reasonable basis, charging rates uniformly within classes, and using the revenues for utility and regulatory purposes. In addition, there may be laws imposed by the State, City Charter or to meet grant or bonds requirements.

The City has a parity bonds ordinance that it will establish, maintain and collect rates or charges in connection with the ownership and operation of the utility that will be fair and nondiscriminatory and adequate to provide gross revenues sufficient for 1) the payment of the principal and interest on all parity bonds and all amounts that the City is obligated to set aside in the bonds fund, 2) the proper operation and maintenance of the utility, and 3) the payment of any and all amounts that the City may now or hereafter become obligated to pay from gross revenues.

NON-OPERATING REVENUES AND EXPENSES - The Division reports transactions not directly related to primary services as non-operating revenues and expenses. Significant items include investment and rental income and interest expense.

TAXES - The City charges the Division a gross earnings tax at the rate of 8.0%, which was reported as a transfer. In addition, the Division pays a 3.852% public utility tax to the State on wastewater collection revenues and the 1.5% business and occupation tax to the State on wastewater transmission and treatment and surface water service revenues. The Division is exempt from payment of federal income tax.

NET POSITION - The statement of net position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, with the difference of the elements reported as net position. There are three components of net position: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, less accumulated depreciation, reduced by the bonds, loans or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Net position components are reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all net position that does not meet the definition of "restricted" or "net investment in capital assets."

ARBITRAGE REBATE REQUIREMENT - The Division is subject to the Internal Revenue Code (IRC) related to its tax-exempt revenue bonds. The IRC requires that earnings on gross proceeds of any revenue bonds that are in excess of the amount prescribed will be surrendered to the Internal Revenue Service. As such, the Division would record such a rebate as a liability. The Division had no liability in the current or prior year.

ENVIRONMENTAL REMEDIATION COSTS - The Division recognizes environmental obligations and accruals for expected pollution remediation outlays which are recorded when one of the five obligating events occurs and are adjusted as further information develops or circumstances change.

The five obligating events are applied when the Division is: 1) compelled to take action because of an imminent endangerment, 2) the Division is in violation of a pollution prevention-related permit or license, 3) the Division is named or evidence indicates that it will be named by a regulator as a responsible party or potentially responsible party, 4) named in a lawsuit to compel participation in pollution remediation or 5) the Division commences or legally obligates itself to commence pollution remediation.

Costs related to environmental remediation are charged to operating expense when the liability is recognized; outlays are capitalized when goods and services are acquired under specific circumstances. Measurement is based on the current value of the outlays for the individual remediation components using the expected cash flow technique, adjusted for recoveries from other parties and insurance.

SHARED SERVICES - The Division is charged for services received from other departments and agencies of the City, including those normally considered to be general and administrative.

USE OF ESTIMATES - The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. The Division used estimates in determining reported unbilled revenues, allowance for doubtful accounts, accrued compensated absences, environmental liabilities, depreciation, Other Post Employment Benefits (OPEB Liability), self-insurance liabilities, net pension liability and other contingencies. Actual results may differ from these estimates.

SIGNIFICANT RISKS AND UNCERTAINTIES - The Division is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include, but are not limited to, weather and natural disaster-related disruptions, collective bargaining labor disputes, Environmental Protection Agency regulations, federal government regulations or orders concerning the operation, maintenance and/or licensing of facilities.

RECLASSIFICATIONS - Changes have been made to prior year account classifications as needed to conform to the current year presentation format.

NOTE 3 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 (adjusted) prices in active markets for identical assets or liabilities that the government can access at the measurement data. 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 of City's investments in TIP are provided by Interactive Data.

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.

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

	As of			
Debt Securities:	12/31/2020	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 371,578,276	\$ -	\$ 371,578,276	\$ -
Supranational Securities	10,065,910	-	10,065,910	-
Municipal Bonds	11,664,518	-	11,664,518	-
Agency Securities	491,827,203	-	491,827,203	-
Corporate Securities	62,803,670	-	62,803,670	-
Total	<u>\$ 947,939,577</u>	<u>\$ -</u>	<u>\$ 947,939,577</u>	<u>\$ -</u>

	As of			
Debt Securities:	12/31/2019	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 394,034,439	\$ -	\$ 394,034,439	\$ -
Supranational Securities	20,035,790	-	20,035,790	-
Municipal Bonds	17,764,606	-	17,764,606	-
Agency Securities	449,502,580	-	449,502,580	-
Corporate Securities	63,736,264	-	63,736,264	-
Total	<u>\$ 945,073,679</u>	<u>\$ -</u>	<u>\$ 945,073,679</u>	<u>\$ -</u>

The Division's share of the City's investments shown in the table above is 15.21% and 16.71% as of December 31, 2020 and 2019.

NOTE 4 CAPITAL ASSETS

A summary of the balances and changes in capital assets for 2020 and 2019 follows:

	2019	Additions	Retirements	Transfers & Adjustments	2020
Capital assets, not being depreciated:					
Land and easements	\$ 23,853,122	\$ 165,941	\$ -	\$ 1,186,094	\$ 25,205,157
Construction work in progress	19,460,899	35,791,527	-	(14,544,875)	40,707,551
Total capital assets, not being depreciated	43,314,021	35,957,468	-	(13,358,781)	65,912,708
Capital assets, being depreciated:					
Buildings	195,685,067	-	(1,687,715)	19,370,892	213,368,244
Machinery and equipment	214,154,846	-	(2,775,734)	(11,940,344)	199,438,768
Transmission lines and other improvements	442,526,066	1,454,461	(286,841)	5,769,177	449,462,863
Computer software	9,307,245	-	-	159,056	9,466,301
Total capital assets, being depreciated	861,673,224	1,454,461	(4,750,290)	13,358,781	871,736,176
Less: accumulated depreciation	(299,766,758)	(18,350,039)	3,861,929	-	(314,254,868)
Total capital assets, being depreciated, net	561,906,466	(16,895,578)	(888,361)	13,358,781	557,481,308
Total capital assets, net	<u>\$ 605,220,487</u>	<u>\$ 19,061,890</u>	<u>\$ (888,361)</u>	<u>\$ -</u>	<u>\$ 623,394,016</u>

	2018	Additions	Retirements	Transfers & Adjustments	2019
Capital assets, not being depreciated:					
Land and easements	\$ 23,696,173	\$ 126,124	\$ -	\$ 30,825	\$ 23,853,122
Construction work in progress	19,216,207	27,012,454	-	(26,767,762)	\$ 19,460,899
Total capital assets, not being depreciated	42,912,380	27,138,578	-	(26,736,937)	43,314,021
Capital assets, being depreciated:					
Buildings	191,724,902	-	-	3,960,165	195,685,067
Machinery and equipment	210,276,727	-	(786,229)	4,664,348	214,154,846
Transmission lines and other improvements	423,336,124	1,373,616	(261,218)	18,077,544	442,526,066
Computer software	9,280,373	-	(8,008)	34,880	9,307,245
Total capital assets, being depreciated	834,618,126	1,373,616	(1,055,455)	26,736,937	861,673,224
Less: accumulated depreciation	(282,874,826)	(17,842,321)	950,389	-	(299,766,758)
Total capital assets, being depreciated, net	551,743,300	(16,468,705)	(105,066)	26,736,937	561,906,466
Total capital assets, net	<u>\$ 594,655,680</u>	<u>\$ 10,669,873</u>	<u>\$ (105,066)</u>	<u>\$ -</u>	<u>\$ 605,220,487</u>

NOTE 5 LONG-TERM DEBT

Long-term debt activity for the years ended December 31, 2020 and 2019, follows:

	2019	Additions	Reductions	2020	Due within One Year
Revenue bonds	\$ 235,715,000	\$ -	\$ (6,955,000)	\$ 228,760,000	\$ 7,275,000
Plus: Unamortized premium	16,536,846	-	(1,155,964)	15,380,882	-
State Revolving Fund loans	36,635,931	44,169	(4,011,392)	32,668,708	4,085,363
State COP loan	-	12,795,000	-	12,795,000	525,000
Total long-term debt	<u>\$ 288,887,777</u>	<u>\$ 12,839,169</u>	<u>\$ (12,122,356)</u>	<u>\$ 289,604,590</u>	<u>\$11,885,363</u>

	2018	Additions	Reductions	2019	Due within One Year
Revenue bonds	\$ 242,340,000	\$ -	\$ (6,625,000)	\$ 235,715,000	\$ 6,955,000
Plus: Unamortized premium	17,695,173	-	(1,158,327)	16,536,846	-
State Revolving Fund loans	40,574,794	-	(3,938,863)	36,635,931	4,011,393
Total long-term debt	<u>\$ 300,609,967</u>	<u>\$ -</u>	<u>\$ (11,722,190)</u>	<u>\$ 288,887,777</u>	<u>\$10,966,393</u>

The Division's long-term debt at December 31, 2020 and 2019 consists of the following payable from revenues of the Division.

Parity bond, senior lien:

	2020	2019
2015 Revenue and Refunding Bonds, with interest rates ranging from 3% to 5%, due in yearly installments of \$1,245,000 to \$9,485,000 between 2016 and 2045. Original par value \$109,300,000 with a call date of June 1, 2025. Purpose was to (a) finance a portion of the costs of the Division's capital improvement program, (b) to refund a portion of the outstanding 2006 Revenue and Refunding Bonds, (c) to make a deposit to the debt service reserve fund, and (d) to pay costs of issuance of the bonds.	\$100,835,000	\$102,755,000
2016A Revenue Refunding Bonds, with interest rates ranging from 1.75% to 5%, due in yearly installments of \$525,000 to \$2,010,000 between 2016 and 2038. Original par value \$31,855,000 with a call date of June 1, 2026. Purpose was to advance refund of the TES Properties, 2009 Lease Revenue Bonds and contemporaneously terminate the capital lease agreement with TES Properties. Proceeds were also used to fund the bond reserve and pay issuance costs.	27,205,000	28,300,000
2016B Revenue Refunding Bonds, with interest rates ranging from 4% to 5%, due in yearly installments of \$2,165,000 to \$2,605,000 between 2017 and 2021. Purpose was to refund a portion of the 2006 Revenue and Refunding Bonds and issuance costs.	2,605,000	5,090,000
2018 Revenue Bonds, with interest rates ranging from 3% to 5% due in yearly installments of \$3,422,000 to \$8,256,000 between 2019 and 2048. Purpose was to finance capital improvements and pay costs of issuance.	98,115,000	99,570,000
Total parity bonds, senior lien	<u>\$228,760,000</u>	<u>\$235,715,000</u>

Notes to the Financial Statements (continued)

Junior lien debt:	2020	2019
<p>State Revolving Fund loans DOE L040006A & DOE L040006B, with an interest rate of 1.5% and 2.6%, respectively, due in semi-annual installments of \$2,297,662 to \$4,532,452 through 2028; this debt is junior lien and is secured by net operating revenue. The original amount issued totaled \$75,178,000 to reimburse a portion of costs related to the Central Treatment Plant upgrade project.</p>	\$32,348,432	\$36,336,361
<p>State Revolving Fund loan 2011 DOE L1000007, with an interest rate of 2.9% in semi-annual installments of \$21,511 to \$31,346 through 2030; this debt is junior lien and is secured by net operating revenue. The original amount issued totaled \$473,806 to reimburse a portion of costs related to surface water line retrofit projects.</p>	276,107	299,570
<p>Local Agency Financing Lease, Series 2020C, known as “Capital (Certificate Of Participation) Loan”, with an interest rate of approximately 2.12% with annual debt service payments of between \$751,861 and \$787,088 through 2040; this debt is junior lien and is secured by net operating revenue. The issuance costs are included in the interest rate. The proceeds of up to \$12,700,000 to be received on a cost reimbursement basis for Energy Management Project expenditures.</p>	12,795,000	-
<p>The division entered into State Revolving Fund loan agreements with the Department of Ecology on a cost reimbursement basis, of which \$2,800,000 for the Larchmont Permeable Neighborhood project effective 7/1/2019, and \$5,000,000 for the Madison District Green Infrastructure project effective 7/1/2018. In 2020, totals \$42,531 and \$1,638 have been drawn for the Larchmont and Madison District projects respectively (*).</p>	44,169	-
<p>Total junior lien debt</p>	45,463,708	36,635,931
<p>Total outstanding debt</p>	274,223,708	272,350,931
<p>Less:</p>		
<p style="padding-left: 20px;">Current portion</p>	(11,885,363)	(10,966,393)
<p>Plus: Unamortized premium</p>	15,380,882	16,536,846
<p style="padding-left: 20px;">Total long-term debt</p>	\$277,719,227	\$277,921,384

Local Agency Financing Lease, Series 2020C, entered into by and between the State of Washington and the City of Tacoma, known as the “Capital (Certificate Of Participation) Loan”. This debt requires a general obligation, full faith and credit pledge from the City but secured by net operating revenues of the System. The All-in true interest cost (All-in TIC) is approximately 2.12% with annual debt service payments of between \$751,861 and \$787,088 with principal and interest due on June 1 and interest only due on December 1 of each year up to and including June 1, 2040. The proceeds of up to \$12,700,000 to be received on a cost reimbursement basis for Energy Management Project expenditures. This project is designed to convert methane gas to bio-fuel to generate revenues in the form of reduced Liquefied Natural Gas (LNG) costs for the Solid Waste fleet and Renewable Identification Number (RIN) credits which will be used to repay the debt costs.

Notes to the Financial Statements (continued)

As of December 31, 2020, annual debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 11,885,363	\$ 10,399,651	\$ 22,285,014
2022	11,920,803	10,043,249	21,964,052
2023	12,257,745	9,715,614	21,973,359
2024	12,646,222	9,313,676	21,959,898
2025	13,076,266	8,880,865	21,957,131
2026-2030	60,513,140	37,684,874	98,198,014
2031-2035	60,490,000	25,935,074	86,425,074
2036-2040	43,925,000	14,494,000	58,419,000
2041-2045	35,335,000	6,985,950	42,320,950
2046-2048	12,130,000	982,800	13,112,800
Pending debt schedule (*)	44,169	-	44,169
	<u>\$ 274,223,708</u>	<u>\$ 134,435,753</u>	<u>\$ 408,659,461</u>

(*) The debt schedule for Larchmont Permeable Neighborhood project and Madison District Green Infrastructure project is not available for disclosure as of December 31, 2020.

As of December 31, 2020, the following outstanding bonds were considered defeased in substance:

<u>Issue</u>	<u>Amount</u>
Sewer Revenue Refunding bonds, 2006 and 2011	\$ 34,320,000

These refunded bonds constitute a contingent liability of the Division 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.

NOTE 6 INSURANCE

The major risks to the Division are flooding, recontamination, wind damage, chemical spills, and earthquakes. Mitigating controls and emergency and business resumption plans are in place. To the extent damage or claims exceed insured values, rates may be impacted.

The City of Tacoma has established a Self-insurance Fund (the Fund) to insure the Division and other divisions within the City for certain losses arising from personal and property damage claims by third parties. The Division participates in the City's self-insurance program for claims that arise during the normal course of business. Environmental and tax claims generally are paid for out of revenue of the Division and not from the Fund. The Division is required to make payments to the Fund to cover claims incurred by the Division and administrative expenses of the Fund. The Division's premium payments totaled \$400,776 for 2020 and \$381,691 for 2019. The Division only recognizes expense for premium payments because the risk of loss transfers to the Fund.

The City purchased a Fiduciary Liability policy with a limit of \$15.0 million and a \$100,000 deductible. This coverage provides for wrongful acts related to the fiduciary duty of the City, trustees, or committee members arising out of the administration of the City's employee retirement plans. The coverage also provides a Government Crime policy with a \$1.0 million limit and \$75,000 deductible for employee dishonesty and for fraudulent or dishonest acts by employees against the City for loss of money, securities, and property. Coverage also includes an Excess Worker's Compensation policy with a statutory limit and a self-insured retention of \$1.0 million per occurrence

and an additional \$250,000 of total loss in excess of the self-insured retention. Such additional \$250,000 deductible may be satisfied by loss from one or more occurrences. Coverage also has a Cybersecurity policy with a limit of \$5.0 million.

General Government maintains Property insurance policy that covers its buildings and contents within the buildings and motor vehicles while on insured premises with a limit of \$500.0 million per occurrence. A deductible of \$150,000 per occurrence applies to the building and contents except a deductible of \$250,000 for water damage claims while a deductible of \$10,000 applies to motor vehicles. Excess liability policies provide coverage for Wrongful Acts, General liability, and Automobile liability with a \$3.0 million retention for claims other than those related to law enforcement. A retention of \$5.0 million applies to law enforcement liability claims. The coverage also provides Aviation Liability - Unmanned Aircraft liability for drones with a limit of \$1.0 million.

The Division's cost for these policies is \$340,566 in 2020 and \$288,544 in 2019.

NOTE 7 WESTERN METAL INDUSTRY PENSION FUND

The City of Tacoma had approximately 113 employees who participated in the Western Metal Industry Pension Fund (Plan). The Plan is a cost-sharing, defined benefit, multiple-employer pension plan and is administered by the Board of Trustees. The Trustees and other Plan fiduciaries have discretionary authority to interpret the Plan and determine entitlement to Plan benefits.

Information was unavailable to determine if an actuarial liability exists for the City in 2020, however, the Plan was in "critical" status in the Plan Year beginning January 1, 2019. The Plan fell into critical status following the 2009 Plan Year and was certified as "critical" in 2010. In an effort to improve the Plan's 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 Plan's 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 Plan administrator.

The employer is required to make contributions to the Plan absent terms of a Collective Bargaining Agreement.

On December 3, 2019, the Tacoma City Council approved the collective bargaining agreements for the following groups; the International Association of Machinists and Aerospace Workers District Lodge 160, Local Lodge 297 covering City of Tacoma General Unit, and District Lodge 160, Local Lodge 282 covering Wastewater Treatment Plant Maintenance Supervisors' Unit. Contained in this agreement was a call for cessation of the participation in the Western Metal Industry Pension Fund (WMIPF). The contributions submitted for the December 31, 2019, payroll were the final contributions made on behalf of the employees in this unit. As of December 31, 2020, there were no employees participating in the plan nor were there any contributions made.

Those employees who vested would be eligible for benefits based on their date of withdrawal.

There were no contribution rates applicable for 2020. The contribution rates for 2019 by classification were as follows:

Classification	January 1, 2019 - December 31, 2019
Fabrication Welder	6.21% of gross pay
WWTP Assistant	5.43% of gross pay
WWTP Maintenance Machinist	6.31% of gross pay
WWTP Maintenance Machinist, Senior	6.22% of gross pay
WWTP Maintenance Supervisor	4.03% of gross pay

There was no contribution in 2020. In 2019, the Division contributed \$305,469.

There is currently no schedule to amortize the unfunded liability for the employees who are remaining within the Plan 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.

At this time, WMIPF has not provided a withdrawal liability estimate. The City utilized employee data from 2017, the last year in which all units were actively contributing to WMIPF, to estimate the City's withdrawal liability. The Division has recognized a liability in the amount of \$3,279,940 as of December 31, 2020, and 2019.

NOTE 8 TACOMA EMPLOYEES' RETIREMENT SYSTEM

The Tacoma Employees' Retirement System (TERS or System), a pension trust fund of the City of Tacoma, issues a publicly available Annual Financial Report that includes financial statements and required supplementary information and may be obtained by writing to:

Tacoma Employee's Retirement System
3628 South 35th Street
Tacoma, WA 98409

Or the TERS Annual Financial Report may be downloaded from the TERS website at www.cityoftacoma.org/retirement.

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 the Pierce Transit and South Sound 911 (formerly known as Law Enforcement Support Agency) who established membership in the System when these agencies were still City of Tacoma departments, 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 RCW 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.

The breakdown of membership as of December 31, 2019 (measurement date) is as follows:

Retirees and beneficiaries currently receiving benefits		2,617
Terminated vested and other terminated participants		745
Active members:		
City of Tacoma	2,791	
Pierce Transit	9	
South Sound 911	2	
Tacoma-Pierce County Health Department	274	
Total active members		3,076
Total membership		6,438

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.

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 as a member 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.

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.

The total contribution rate continues to be 21%, divided as 54% for the employer and 46% for the employee, for a new total of 11.34% from the employer and 9.66% from the employee. Changes to the contribution rate are subject to Sections 1.30.340 and 1.30.360 of the Tacoma Municipal Code.

Significant Assumptions - The following actuarial methods were used in the funding valuation.

Measurement Date	December 31, 2019
Valuation Date	January 1, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Funding is based on statutory contributions 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* • 3.75% amortization growth rate
Asset Valuation Method	4 year smoothing period; Corridor - None
Inflation	2.75%
Salary Increases	Varies by service
Investment Rate of Return	7.00%
Cost of Living Adjustment	2.125%
Retirement Age	Varies by age, gender, and eligibility
Turnover	Varies by service, and gender
Mortality	RP-2014 Mortality for Employees, Healthy and Disabled Annuitants. Generational improvements with projection scale based on Social Security Administration Data.

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. There have been no significant changes between the January 1, 2020 valuation date and December 31, 2019 the measurement date. Therefore, no adjustments were needed from the January 1, 2020 actuarial valuation date to the calculated liabilities as of December 31, 2019, measurement date for reporting date of December 31, 2020. There were no changes between the January 1, 2019, and January 1, 2020, valuation dates.

At its June 8, 2017 meeting, the TERS Board approved updates to the service purchase factors and optional form factors effective January 1, 2018. The Board also approved updated factors for use in converting member contributions with interest into the unmodified benefit form for comparison to the service retirement benefit. This change was effective January 1, 2020.

TARGET ALLOCATION - 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 Milliman's (the System's actuary) investment consulting practice as of December 31, 2019. The target asset allocation is based on the Tacoma Employees' Retirement System Investment Policy Statement dated March 2016.

Notes to the Financial Statements (continued)

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Investment Grade Fixed Income	19.5%	1.46%
US Bank/ Leveraged Loans	3.0%	2.69%
US Long Government Bonds	3.0%	1.69%
High Yield Bonds	6.0%	3.08%
Emerging Market Debt	5.0%	3.31%
Global Equity	34.5%	5.07%
Public Real Estate	10.0%	3.84%
Private Equity	10.0%	9.47%
Master Limited Partnerships	4.0%	3.98%
Timber	1.5%	4.00%
Infrastructure	2.0%	4.79%
Agriculture	1.5%	4.49%
Assumed Inflation - Mean		2.75%
Assumed Inflation - Standard Deviation		1.65%
Portfolio Arithmetic Real Mean Return		4.23%
Portfolio Median Nominal Geometric Return		6.54%
Portfolio Standard Deviation		9.81%
Long-Term Expected Rate of Return, net of investment expenses		7.00%

SENSITIVITY ANALYSIS - The following presents the net pension liability (asset) of the System, calculated using the discount rate of 7%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower, 6%, or 1 percentage point higher, 8%, than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (asset)	\$19,770,307	\$(1,847,284)	\$ (19,913,227)

As of December 31, 2020, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (928,364)	\$ 1,617,424
Changes of assumptions	-	1,020,003
Net Difference Between Projected and Actual Earnings	(6,109,984)	-
Changes in Employer Proportion	(1,286)	119
Contributions Made Subsequent to the Measurement Date	-	2,842,985
Total	<u>\$ (7,039,634)</u>	<u>\$ 5,480,531</u>

The net amount of deferred inflows and outflows, other than contributions made subsequent to the measurement date, will be recognized as pension expense in each of the next five years.

Amounts will be recognized in pension expense as follows:

2021	\$ (1,364,782)
2022	(1,126,768)
2023	553,359
2024	(2,637,835)
2025	173,938
	\$ (4,402,088)

At December 31, 2020, the Division reported a pension asset of \$1,847,284 for its proportionate share of the total System, compared to a pension liability of \$13,029,876 at December 31, 2019. The proportionate share of the Wastewater & Surface Water Division is 9.93% of the total System’s pension liability as of December 31, 2020 and 11.14% as of December 31, 2019. The proportionate share was based on the actual contributions for the year as of December 31, 2020 and 2019.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION - The City provides the opportunity to receive medical benefits to most of its retirees until age 65. Eligibility and the amount of benefits paid by the City vary by group (TERS, LEOFF 1, LEOFF 2, or Rail employees). The City charges some early retirees not yet eligible for Medicare a health premium based on the claims experience of both actives and retirees. Since health claims costs generally increase with age, retiree health premiums would be significantly higher if they were determined without regard to active claims experience. Therefore, the employer effectively subsidizes the costs of the participating retirees’ healthcare through payment of the employer’s portion of the premiums for active employees.

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 Human Resources Department. The membership as of January 1, 2019 for non-LEOFF 1 members includes 3,525 active participants, 171 retirees and surviving spouses, and 139 spouses of current retirees. The membership as of January 1, 2020 for LEOFF 1 members includes 1 active participant and 370 retirees.

This plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS - The valuation date is January 1, 2019 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, 2019. This is the date as of which the total OPEB liability is determined. No adjustment is required between the measurement date and the reporting date. The reporting date is December 31, 2020.

Subsequent to the January 1, 2019 valuation date for non-LEOFF 1 members, H.R. 1865 Further Consolidated Appropriations Act of 2020 was passed into Law on December 20, 2019. This law repealed the excise tax completely and removed the Health Insurer Fee permanently beginning in 2021. The total OPEB liability as of the December 31, 2019 measurement date reflects this change.

In preparing the valuation, the actuary relied, without audit, on information as of January 1, 2019 and January 1, 2020 furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information.

Notes to the Financial Statements (continued)

Valuation Date: January 1, 2019
Census Date: January 1, 2019
Actuarial Cost Method: Individual Entry Age Normal Cost Method
Demographic Assumptions: Demographic assumptions regarding retirements, disability, and turnover are based upon pension valuations for the various pension plans.

Actuarial Assumptions:

Discount Rate: 2.74% for pay-as-you-go funding
Medical Cost Trend:
2019 9.10%
2020 6.00%
2021 5.50%
2030 5.00%
2040 5.10%
2050 5.10%
2060 5.00%

Note that the trend for year 2019 reflects the percent by which 2020 medical costs are expected to exceed 2020 medical costs. The medical cost rate is assumed to continue grading downward until achieving the ultimate rate of 4.30% in 2073 and beyond. These trend rates assume that, over time, deductibles and out-of-pocket maximums will be periodically increased as medical trends increase. The trends above do not reflect increases in costs due to the excise tax.

Economic Assumptions -

Discount Rate (Liabilities): 2.74%

Demographic Assumptions:

Eligibility:
Disability - Five years of service are required for non-service connected disability.

Retirement - TERS members are eligible for retiree medical benefits after becoming eligible for service retirement pension benefits (either reduced or full pension benefits).

- 30 years of service
- 60 years of age
- Age + Service = 80 years
- Age 55 with 10 years of service
- Age 40 with 20 years of service

Former members who are entitled to a deferred vested pension benefit are also eligible to receive medical benefits after pension benefit commencement.

Survivors of members who die prior to retirement are eligible for medical benefits.

The discount rate was based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

CHANGES OF ASSUMPTIONS - The discount rate was updated to 2.74% from 4.10%. The actuarial cost method is the individual entry age actuarial cost method to be in compliance with GASB 75.

OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOW OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES - At December 31, 2020, the Division reported a liability of \$2,635,160 for its proportionate share of the collective total OPEB liability of \$208.4 million, compared to \$2,555,057 at December 31, 2019. The OPEB liability was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2020. At December 31, 2019, the participating Division's proportion was 1.25178% as compared to 1.26434% at December 31, 2020. For the year ended December 31, 2020, the participating Division recognized an OPEB credit of \$219,498.

At December 31, 2020, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred of Outflows Resources
Difference Between Expected and Actual Experience	\$ (38,583)	\$ 456
Changes of assumptions	(160,998)	130,513
Changes in Employer Proportion	(1,478,799)	680,242
Differences in Contributions	(67,744)	42,949
Contributions Made Subsequent to the Measurement Date	-	137,865
Total	<u>\$ (1,746,124)</u>	<u>\$ 992,025</u>

The Division reported \$137,865 as deferred outflows of resources related to the amounts associated with contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB Liability in the fiscal year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (215,782)
2022	(215,782)
2023	(215,782)
2024	(235,845)
2025	(10,277)
Thereafter	<u>1,504</u>
	<u>\$ (891,964)</u>

SENSITIVITY OF THE DIVISION'S PROPORTIONATE SHARE OF THE OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following presents the Division's proportionate share of the OPEB liability, calculated using the discount rate of 2.74%, as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 1.74%, or one percentage point higher, 3.74%, than the current rate.

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Net OPEB liability	\$ 2,984,775	\$ 2,635,160	\$ 2,343,742

SENSITIVITY OF THE DIVISION'S PROPORTIONATE SHARE OF THE OPEB LIABILITY TO CHANGES IN THE HEALTHCARE COST TREND RATES

The following presents the Division's proportionate share of the OPEB liability using the healthcare cost trend rate as well as what the Division's proportionate share of the OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current higher than the current rate:

	1% Decrease 5.00%	Current Trend Rates 6.00%	1% Increase 7.00%
Net OPEB liability	\$ 2,331,477	\$ 2,635,160	\$ 2,995,535

NOTE 10 ENVIRONMENTAL LIABILITIES

COMMENCEMENT BAY NATURAL RESOURCE DAMAGES - The City resolved federal, state, and tribal natural resource damage assessment (NRDA) claims associated with municipal waste and storm water discharges in Commencement Bay through a Consent Decree, effective May 28, 1997. The stated value of the City's settlement was approximately \$7,700,000. Under the NRDA Consent Decree, the City agreed to undertake five restoration projects within the Commencement Bay watershed, perform environmental protection activities, and make certain cash payments. The City completed construction on four projects and alternatively the City made a payment to the Port of Tacoma of \$134,692 to construct the fifth project. This final project, Place of Circling Waters, was built in 2010 and the monitoring period was completed in 2016. Following completion of this monitoring, the City received notification that the Trustees had executed a Resolution agreeing that the City had completed their obligations under the Consent Decree (May 28, 2019).

Although the City resolved its NRDA liability, it remains a property owner of the restoration sites. The City expects that any financial obligation it may have related to these parcels in the future will be de minimus and similar to the liability related to ownership of other properties within the City.

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 2020 and 2019 are liabilities of \$475,000 and \$2,046,057 respectively.

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 at least 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 is expected to continue 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 2020 and 2019 are liabilities of \$817,000 and \$912,000 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 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.

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.

NOTE 11 COMMITMENTS AND CONTINGENCIES

LITIGATION AND CLAIMS - 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 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.

NOTE 12 – COVID-19 PANDEMIC

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the deadly new virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

The COVID-19 pandemic is ongoing, and the duration and severity of the crisis are uncertain. The City and the Division took aggressive budget actions in early 2020 to manage the impacts of COVID-19. The actions included, but are not 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. Other actions the City took in response to COVID-19 included, but are not limited to, the following: instituted telework for all non-frontline service staff, health screening for employees reporting to City facilities, implemented an Emergency Leave Program for employees impacted by COVID-19, provided additional funding for Rental Assistance programs, and provided additional funding for utility bill assistance. The City and the Division will continue to monitor the community impacts of COVID-19 and remain flexible on responding to community needs.

In 2020, the Division received \$231,000 from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), of which \$195,000 was used to support small business for business interruptions, and \$36,000 was used for COVID-19 related expenses.

NOTE 13 SUBSEQUENT EVENTS

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 anticipates receiving approximately \$63.0 million in ARPA assistance. 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.

While the full impact of the COVID-19 pandemic on the City, the Division and the regional economy is currently uncertain, the City and the Division currently believe that the measures they have taken will help mitigate its anticipated revenue shortfall. The City and the Division, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses of the City and the Division. Management will continue to monitor the situation closely, but given the uncertainty about the situation, it is unable to estimate the full financial impact.

Required Supplementary Information

Proportionate Share of the Net Pension Liability Last 10 Years*

	As of Measurement Date December 31,					
	2019	2018	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset) as a percentage	9.93%	11.14%	11.21%	11.38%	11.66%	11.65%
Employer's proportion share of net pension liability (asset)	(\$1,847,284)	\$13,029,876	(\$4,409,368)	\$10,569,592	\$10,094,045	(\$1,119,219)
Employer's covered payroll **	\$26,635,524	\$27,513,166	\$26,516,978	\$25,955,557	\$26,960,556	\$25,070,695
Employer's proportionate share of net pension liability (asset) as a percentage of its covered employee payroll	-6.94%	47.36%	-16.63%	40.72%	37.44%	-4.46%
Plan fiduciary net position as a percentage the total pension liability	101.08%	92.81%	102.53%	93.91%	93.94%	100.71%

Schedule of Contributions Last 10 Fiscal Years*

	Fiscal Year Ended December 31,					
	2020	2019	2018	2017	2016	2015
Contractually required employer contribution	\$2,842,985	\$3,111,579	\$2,961,878	\$2,745,272	\$2,753,194	\$2,650,121
Contributions in relation to the contractually required employer contribution	(2,842,985)	(3,111,579)	(2,961,878)	(2,745,272)	(2,753,194)	(2,650,121)
Employer contribution deficiency (excess)	-	-	-	-	-	-
Employer's covered employee payroll	\$28,273,875	\$26,635,524	\$27,513,166	\$26,516,978	\$25,955,557	\$26,960,556
Employer contribution as a percentage of covered-employee payroll	10.06%	11.68%	10.77%	10.35%	10.61%	9.83%

* The above schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

** Due to implementation of GASB 82, the division's covered employee payroll has been restated for fiscal years 2016 and 2015 to confirm with GASB 82.

Proportionate Share of the Collective OPEB Liability Last 10 Years*

	As of Measurement Date December 31,			
	2019	2018	2017	2016
Employer's proportion of the collective OPEB liability as a percentage	1.26%	1.25%	1.86%	1.81%
Employer's proportion share of collective OPEB liability	\$2,635,160	\$2,555,057	\$4,101,053	\$3,793,836
Employer's covered-employee payroll**	\$26,635,524	\$27,513,166	\$26,516,978	\$26,221,707
Employer's proportionate share of collective OPEB liability as a percentage of its covered-employee payroll	9.89%	9.29%	15.47%	14.47%

* The above schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Division will present information for available years.

** The Division's covered employee payroll has been restated for the measurement date ended December 31, 2017.

**Notes to Required Supplementary Information
For the Fiscal Year Ended December 31, 2020**

There are no assets accumulated in a trust to pay related benefits.

Changes of benefit terms: There have been no changes to the benefit provisions since the prior actuarial valuation.

Changes of Assumptions: The discount rate was updated to 2.74% from 4.10%. The actuarial cost method is the individual entry age normal actuarial cost method to be in compliance with GASB 75.

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Supplemental Information (Unaudited)

Wastewater and Surface Water Management
Unaudited Supplemental Information

City of Tacoma, Washington Sewer Revenue and Refunding Bonds, Series 2015
City of Tacoma, Washington Sewer Revenue Refunding Bonds, Series 2016A
City of Tacoma, Washington Sewer Revenue Refunding Bonds, Series 2016B
City of Tacoma, Washington Sewer Revenue Bonds, Series 2018

The following continuing disclosure information for 2020 is provided in accordance with SEC Rule 15c2-12(b)(5)

Wastewater and Surface Water Management Audited Financial Statements
Reference Financial Statements Section

Outstanding Sewer Bonds
Reference Note 5 in Notes to Financial Statements

Debt Service Coverage

	2019	2020
Parity Bond Debt Service Coverage Ratio	3.03	2.98
Parity Bond and Subordinate Lien Debt Service Coverage Ratio	2.37	2.32

Number of Customers by Type of Service

Year	Wastewater				Surface Water		
	Residential	Commercial/ Industrial	Contract⁽¹⁾	Total	Residential	Commercial/ Industrial	Total
2019	59,331	3,785	14,282	77,398	59,778	11,415	71,193
2020	59,578	3,795	15,924	79,297	59,819	11,416	71,235

⁽¹⁾ Includes customers located in the city of Fife, the town of Ruston, the city of Fircrest and in certain areas of Pierce County served pursuant to interlocal agreements between the City and those jurisdictions.

Revenues by Service

	2019	2020
Wastewater:		
Residential	\$ 50,738,543	\$ 52,822,791
Commercial and wholesale	26,567,803	23,366,944
Other revenues	2,438,896	3,690,936
Surface Water:		
Residential	17,893,654	18,835,178
Commercial	19,145,563	20,261,316
Other revenues	134,464	49,250
Total operating revenues	\$ 116,918,923	\$ 119,026,415

Top Ten Customers

Customer Name	Amount	Percent of 2020 Operating Revenues ⁽¹⁾
Port of Tacoma	\$ 2,905,590	2.44%
City of Tacoma	1,668,301	1.40%
Tacoma School District	1,655,062	1.39%
Puyallup Tribe	951,847	0.80%
Metro Parks	874,798	0.74%
Darling International Inc	680,125	0.57%
Pierce County Facilities	553,296	0.47%
Salishan	518,918	0.44%
Westridge Apartments	515,452	0.43%
BNSF Railway	493,940	0.41%
Total	\$ 10,817,329	9.09%

⁽¹⁾ Total system revenue \$ 119,026,415

Wastewater and Surface Water Rates

Wastewater Rates

The monthly rates for wastewater service inside the City, as adopted by the Council, are shown in the following table.

	2019 ⁽¹⁾	2020 ⁽¹⁾
Residential		
Monthly fixed charge	\$ 25.87	\$ 26.91
Flow charge ⁽²⁾	4.87	5.07
Commercial		
Monthly fixed charge	\$ 12.50	\$ 13.00
Flow charge ⁽³⁾	\$6.75-\$14.13	\$7.02-\$14.70

⁽¹⁾ Rates are effective January 1 of each year.

⁽²⁾ Per 100 cubic feet of water consumed.

⁽³⁾ The flow charges for commercial customers per 100 cubic feet of water consumption vary depending on the user group. The present rates contain eight different user groups as established pursuant to Tacoma Municipal Code Chapter 12.08.

There is no fee for connection to the wastewater component of the System, except for the “in lieu of” assessment charge to properties that were not previously assessed for the cost of the transmission system under a local improvement district or a prior sanitary sewer improvement.

Surface Water Rates

Surface water rates are comprised of a fixed charge, plus an area charge per 500 square feet, depending on development type and whether the property is on the waterfront. The monthly rates for surface water service, as adopted by the Council, are shown in the following table.

Category of Development	2019 ⁽¹⁾		2020 ⁽¹⁾	
	Monthly Fixed Charge	Rate per 500 Square Feet of Premises Area	Monthly Fixed Charge	Rate per 500 Square Feet of Premises Area
<i>Waterfront/Direct Discharge Parcels</i>				
Undeveloped-first acre or less	\$ 8.10	\$ 0.1463	\$ 8.36	\$ 0.1493
Undeveloped-area in excess of one acre	8.10	0.0616	8.36	0.0614
Light development	8.10	0.4505	8.36	0.4770
Moderate development	8.10	0.6300	8.36	0.6693
Heavy development	8.10	0.9118	8.36	0.9572
Very Heavy development	8.10	1.2210	8.36	1.2819
<i>All Other Parcels</i>				
Undeveloped area – one acre or less	\$ 8.10	\$ 0.2899	\$ 8.36	\$ 0.2921
Undeveloped area in excess of one acre	8.10	0.0616	8.36	0.0614
Light development	8.10	0.9015	8.36	0.9324
Moderate development	8.10	1.2393	8.36	1.2886
Heavy development	8.10	1.8224	8.36	1.8824
Very Heavy development	8.10	2.4394	8.36	2.5216

⁽¹⁾ Rates are effective January 1 of each year.

Single family residences are placed in the moderate classification of development. Rates for single family residential parcels in excess of 15,000 square feet are based on the moderate development rate for the first 15,000 square feet and at the undeveloped rate (one acre or less) for the remainder. All other customers are charged based on the customer's level of development and measured area of the premises.

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position

	Wastewater		Surface Water	
	As of December 31,		As of December 31,	
	2020	2019	2020	2019
ASSETS				
Current assets:				
Cash and equity in pooled investments	\$ 70,543,933	\$ 68,512,031	\$ 30,976,375	\$ 23,606,383
Accounts receivable, net	7,069,945	5,440,450	2,334,315	2,079,676
Unbilled revenues	4,827,787	4,993,787	2,848,000	2,743,000
Conservation loan fund receivables	123,536	151,349	-	-
Loan receivable	12,711,377	-	-	-
Due from other governments	-	-	237,692	651,662
Inventory	2,145,521	1,427,934	-	-
Prepayments	277,655	249,533	-	-
Restricted cash and equity in pooled investments:				
Debt service funds	822,687	822,386	582,590	583,078
Construction funds	23,556,623	35,526,712	39,418,708	46,668,021
Total restricted cash and equity in pooled investments	24,379,310	36,349,098	40,001,298	47,251,099
Total current assets	122,079,064	117,124,182	76,397,680	76,331,820
Non-current assets:				
Restricted cash and equity in pooled investments:				
Debt reserves	4,640,000	4,640,000	32,034	32,034
Net pension asset	1,363,742	-	483,542	-
Due from other governments	-	-	-	-
Conservation loan fund receivables	662,940	746,018	-	-
Prepayments	-	93,913	-	-
Capital assets:				
Land and easements	13,266,759	12,030,410	11,938,398	11,822,712
Buildings	211,503,699	193,820,522	1,864,545	1,864,545
Machinery and equipment	179,399,437	200,190,676	20,039,331	13,964,170
Transmission lines and other improvements	246,380,329	237,005,352	203,082,534	205,520,714
Computer software	5,548,488	5,391,078	3,917,813	3,916,167
Less: accumulated depreciation	(253,249,267)	(242,554,599)	(61,005,601)	(57,212,159)
Construction work in progress	26,217,656	11,255,522	14,489,895	8,205,377
Total capital assets, net	429,067,101	417,138,961	194,326,915	188,081,526
Total non-current assets	435,733,783	422,618,892	194,842,491	188,113,560
TOTAL ASSETS	557,812,847	539,743,074	271,240,171	264,445,380
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - loss on refunding bonds	2,147,063	2,272,191	1,276,979	1,357,208
Deferred outflows - OPEB	263,428	217,076	728,597	835,469
Deferred outflows - pensions	4,045,956	10,458,400	1,434,575	4,963,331
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,456,447	12,947,667	3,440,151	7,156,008
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 564,269,294	\$ 552,690,741	\$ 274,680,322	\$ 271,601,388

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Net Position

	Wastewater		Surface Water	
	As of December 31,		As of December 31,	
	2020	2019	2020	2019
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 9,071,399	\$ 2,707,093	\$ 2,117,480	\$ 1,307,438
Accrued wages payable and compensated absences payable	1,063,709	816,646	346,266	255,671
Accrued taxes payable	131,245	95,793	58,456	46,587
Due to other governments	780,000	720,000	-	-
Accrued environmental liability	-	-	147,500	1,766,057
Accrued State loan interest payable	167,676	167,001	-	-
Current portion of Capital COP loan	525,000	-	-	-
Current portion of State Revolving Fund loan	4,061,210	3,987,930	24,153	23,463
Current portion of revenue bonds payable	4,008,707	3,831,910	2,660,043	2,543,507
Unearned revenues	304,544	297,866	163,051	159,475
Current liabilities payable from restricted assets:				
Current portion of revenue bonds payable	364,428	348,355	241,822	231,228
Accrued revenue bonds interest payable	458,259	474,031	340,768	351,850
Deposit in lieu of bond	4,017	-	-	-
Total current liabilities	<u>20,940,194</u>	<u>13,446,625</u>	<u>6,099,539</u>	<u>6,685,276</u>
Non-current liabilities:				
Long-term debt - revenue bonds, net	138,705,924	143,637,156	98,159,958	101,659,690
Long-term debt - Capital COP loan	12,270,000	-	-	-
Long-term State Revolving Fund loan	28,287,222	32,348,431	296,123	276,107
Long-term accrued compensated absences	2,654,336	2,094,738	616,075	471,004
Long-term accrued environmental liability	-	-	1,144,500	1,192,000
Net pension liability	-	8,836,340	-	4,193,536
Net OPEB liability	1,375,803	1,350,938	1,259,357	1,204,119
Pension withdrawal liability	3,279,940	3,279,940	-	-
Total noncurrent liabilities	<u>186,573,225</u>	<u>191,547,543</u>	<u>101,476,013</u>	<u>108,996,456</u>
TOTAL LIABILITIES	<u>207,513,419</u>	<u>204,994,168</u>	<u>107,575,552</u>	<u>115,681,732</u>
DEFERRED INFLOWS OF RESOURCES				
Rate stabilization	17,000,000	17,000,000	8,000,000	8,000,000
Deferred inflows - gain on refunding bonds	7,146	14,941	9,868	20,633
Deferred inflows - OPEB	1,618,935	1,988,074	127,189	118,171
Deferred inflows - pensions	5,196,951	1,161,088	1,842,683	551,027
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>23,823,032</u>	<u>20,164,103</u>	<u>9,979,740</u>	<u>8,689,831</u>
NET POSITION				
Net investment in capital assets	279,616,955	271,117,496	142,738,615	141,173,078
Restricted for:				
Bond reserves	4,640,000	4,640,000	32,034	32,034
Deposit in lieu of bond	4,017	-	-	-
Net pension asset	1,363,742	-	483,542	-
Unrestricted	47,308,129	51,774,974	13,870,839	6,024,713
TOTAL NET POSITION	<u>332,932,843</u>	<u>327,532,470</u>	<u>157,125,030</u>	<u>147,229,825</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 564,269,294</u>	<u>\$ 552,690,741</u>	<u>\$ 274,680,322</u>	<u>\$ 271,601,388</u>

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Revenues, Expenses and Changes in Net Position

	Wastewater		Surface Water	
	For Year ended December 31		For Year ended December 31	
	2020	2019	2020	2019
OPERATING REVENUES				
Wastewater residential	\$ 52,822,791	\$ 50,738,543	\$ -	\$ -
Wastewater commercial and public authorities	23,366,944	26,567,803	-	-
Surface water residential	-	-	18,835,178	17,893,654
Surface water commercial	-	-	20,261,316	19,145,563
Other revenues	3,690,936	2,438,896	49,250	134,464
Total operating revenues	<u>79,880,671</u>	<u>79,745,242</u>	<u>39,145,744</u>	<u>37,173,681</u>
OPERATING EXPENSES				
Business operations	17,367,819	20,174,280	8,394,772	8,398,184
Operations and maintenance	26,476,055	24,878,794	3,847,384	4,004,644
Science and engineering	8,780,668	8,201,965	10,524,503	9,234,279
Depreciation	14,158,539	13,786,831	4,191,500	4,055,490
Total operating expenses	<u>66,783,081</u>	<u>67,041,870</u>	<u>26,958,159</u>	<u>25,692,597</u>
Net operating income	<u>13,097,590</u>	<u>12,703,372</u>	<u>12,187,585</u>	<u>11,481,084</u>
NONOPERATING REVENUES (EXPENSES)				
Investment and other earnings	2,604,231	3,700,628	1,809,249	2,272,807
Interest expenses and other related costs	(6,769,463)	(6,659,796)	(4,210,460)	(4,333,100)
Amortization of bond premium and gain/loss on refunding	440,764	247,446	528,403	529,781
CARES grant	135,961	-	95,038	-
Other nonoperating revenues	1,888,784	1,725,315	1,779,837	613,568
Other nonoperating expenses	(88,246)	-	(92,839)	-
Gain or loss on sale/disposal of capital assets	(650,208)	(78,325)	(35,876)	(25,841)
Total nonoperating expenses	<u>(2,438,177)</u>	<u>(1,064,732)</u>	<u>(126,648)</u>	<u>(942,785)</u>
Net income before contributions and transfers	<u>10,659,413</u>	<u>11,638,640</u>	<u>12,060,937</u>	<u>10,538,299</u>
Capital contributions and grants	1,467,734	982,067	2,100,317	3,141,809
Transfer in from other funds	-	-	22,260	670,812
Transfer out to other funds	(117,450)	(118,450)	(1,149,050)	(1,150,050)
Gross earnings tax	(6,609,324)	(6,720,848)	(3,139,259)	(3,058,783)
Total contributions and transfers	<u>(5,259,040)</u>	<u>(5,857,231)</u>	<u>(2,165,732)</u>	<u>(396,212)</u>
CHANGE IN NET POSITION	5,400,373	5,781,409	9,895,205	10,142,087
NET POSITION - JANUARY 1	<u>327,532,470</u>	<u>321,751,061</u>	<u>147,229,825</u>	<u>137,087,738</u>
NET POSITION - DECEMBER 31	<u>\$ 332,932,843</u>	<u>\$ 327,532,470</u>	<u>\$ 157,125,030</u>	<u>\$ 147,229,825</u>

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City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows

	Wastewater		Surface Water	
	For Year ended December 31		For Year ended December 31	
	2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 77,008,601	\$ 79,255,992	\$ 38,225,032	\$ 37,229,012
Payments to suppliers	(16,969,369)	(24,618,799)	(11,977,312)	(10,732,734)
Payments to employees	(26,266,492)	(24,686,745)	(9,779,597)	(9,180,448)
Payments for taxes	(1,386,296)	(1,321,854)	(642,743)	(548,629)
Net cash from operating activities	<u>32,386,444</u>	<u>28,628,594</u>	<u>15,825,380</u>	<u>16,767,201</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfer out to other funds	(6,815,020)	(7,335,402)	(4,381,148)	(4,432,104)
Operating grants received	-	11,172	2,173,168	(10,387)
CARES grant received	135,961	-	95,038	-
Principal paid on noncapital debt	-	-	(650,325)	(618,788)
Interest paid on noncapital debt	-	-	(405,752)	(435,636)
Contributions and donations	101,252	130	15,820	14,630
Net cash from noncapital financing activities	<u>(6,577,807)</u>	<u>(7,324,100)</u>	<u>(3,153,199)</u>	<u>(5,482,285)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Transfer in from other funds	-	-	22,260	670,812
Acquisition and construction of capital assets	(26,272,437)	(18,239,810)	(9,615,465)	(8,772,644)
Principal payments on capital debt	(8,168,195)	(7,903,529)	(2,147,872)	(2,041,546)
Bond refunding costs	-	(1,742,262)	-	-
Interest and issuance costs paid on capital debt	(6,700,938)	(6,657,796)	(3,815,791)	(3,886,327)
Proceeds from capital debt	-	-	44,169	-
Gain/loss on bonds defeasance	-	(35,655)	-	(22,200)
Contributions and donations	801,005	800,477	1,146,643	2,584,886
Cash proceeds from sale of capital assets	202,277	900	-	-
Insurance recoveries	5,750	2,268	-	1,760
Net cash from capital financing activities	<u>(40,132,538)</u>	<u>(33,775,407)</u>	<u>(14,366,056)</u>	<u>(11,465,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	2,604,231	3,700,628	1,809,249	2,272,807
Nonoperating income	1,781,784	1,711,745	4,817	9,902
Net cash from investing activities	<u>4,386,015</u>	<u>5,412,373</u>	<u>1,814,066</u>	<u>2,282,709</u>
NET INCREASE (DECREASE) IN CASH AND EQUITY IN POOLED INVESTMENTS				
	(9,937,886)	(7,058,540)	120,191	2,102,366
CASH AND EQUITY IN POOLED INVESTMENTS, BEGINNING				
	109,501,129	116,559,669	70,889,516	68,787,150
CASH AND EQUITY IN POOLED INVESTMENTS, ENDING				
	<u>\$ 99,563,243</u>	<u>\$ 109,501,129</u>	<u>\$ 71,009,707</u>	<u>\$ 70,889,516</u>

City of Tacoma, Washington
Environmental Services Department
Wastewater and Surface Water Management
Statements of Cash Flows

	Wastewater		Surface Water	
	For Year ended December 31		For Year ended December 31	
	2020	2019	2020	2019
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:				
Net operating income	\$ 13,097,590	\$ 12,703,372	\$ 12,187,585	\$ 11,481,084
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation expense	14,158,539	13,786,831	4,191,500	4,055,490
Expense capital project costs	-	-	96,374	-
Pension expense (credits)	248,225	1,269,906	143,334	608,623
Net OPEB expense (credits)	(390,624)	(394,223)	171,130	155,069
Pension withdrawal expense	-	3,279,940	-	-
Cash from changes in operating assets and liabilities:				
Accounts receivable, net of allowance	(1,629,495)	(359,268)	(254,639)	75,030
Accrued unbilled revenue	166,000	343,000	(105,000)	184,000
Due from other funds	-	10,842	-	87,129
Inventory	(717,587)	(329,148)	-	-
Prepayments	65,791	71,215	-	-
Accounts payable	6,364,306	(1,344,904)	810,042	(281,390)
Conservation loan fund receivables	110,891	(84,788)	-	-
Accrued wages and compensated absences payable	247,063	(7,195)	90,595	(54,791)
Accrued taxes payable	35,452	(2,483)	11,869	1,298
Deposit in lieu of bonds	4,017	(9,250)	-	-
Due to other funds	-	(262,324)	-	(294,168)
Due to other governments	60,000	120,972	-	-
Accrued environmental liability	-	-	(1,618,557)	543,723
Unearned revenues	6,678	29,445	3,576	25,265
Long-term accrued environmental liability	-	-	(47,500)	179,500
Long-term accrued compensated absences	559,598	(193,346)	145,071	1,339
Total adjustments	19,288,854	15,925,222	3,637,795	5,286,117
NET CASH FROM OPERATING ACTIVITIES	\$ 32,386,444	\$ 28,628,594	\$ 15,825,380	\$ 16,767,201
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Donated capital assets	\$ 666,729	\$ 163,968	\$ 953,674	\$ 1,209,648



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the City Clerk's Office at (253) 591-5505. TTY or speech to speech users please dial 711 to connect to Washington Relay Services.

APPENDIX D

ECONOMIC AND DEMOGRAPHIC INFORMATION

The City, 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 2021 US Census population of 218,700. The City is located 32 miles south of Seattle and 28 miles northeast of Olympia, the State capital.

Settled originally because of its natural deep harbor and its abundant natural resources of timber, fish and agriculture, the City is now a world-class port city. Various major downtown redevelopment projects have been undertaken over the last decade, and the City is experiencing a diversification of its economic base. A light rail system connects the Tacoma Dome Station with downtown businesses and passes the University of Washington’s Tacoma campus, museums, the Greater Tacoma Convention Center and retail businesses.

Following are economic indicators for the City and the County.

Population. The historical population of the City and the County is shown in the following table.

**POPULATION
CITY OF TACOMA AND PIERCE COUNTY**

Year	Tacoma	Pierce County
2021 ⁽¹⁾	218,700	928,200
2020	219,346	921,130
2019	211,400	888,300
2018	209,100	872,220
2017	208,100	859,400

⁽¹⁾ Population estimate.

Source: Washington State Office of Financial Management estimates

Income. Historic personal income and per capita income levels for the County and the State are shown below:

Year	Pierce County		State of Washington	
	Total Personal Income (in thousands)	Per Capita Income	Total Personal Income (in thousands)	Per Capita Income
2020 ⁽¹⁾	\$ 51,664,015	\$ 56,532	\$ 516,441,099	\$ 67,126
2019	47,546,386	52,496	479,840,878	63,021
2018	44,682,891	49,928	454,257,001	60,352
2017	42,218,789	47,935	426,283,489	57,389
2016	39,988,862	46,283	401,774,275	55,038

⁽¹⁾ Most recent data available

Source: U.S. Department of Commerce, Bureau of Economic Analysis County data as of March 2021. State data as of November 16, 2021

Median Household Income. Median household income estimates for the County and the State are provided in the following table:

Year	Pierce County	State of Washington
2020 ⁽¹⁾	\$ 78,518	\$ 81,668
2019	74,774	76,840
2018	71,208	72,297
2017	65,517	69,288
2016	61,042	65,500

⁽¹⁾ Projection. Most recent data available

Source: *Office of Financial Management, January 18, 2022*

Taxable Retail Sales. Taxable retail sales reflect only those sales subject to retail sales tax. Historic taxable retail sales for the County and the City are shown below:

Taxable Retail Sales

	Pierce County	City of Tacoma
2021 ⁽¹⁾	\$ 2,634,693,631	\$ 3,216,551,859
2020	4,542,142,726	5,700,693,214
2019	3,938,830,741	5,887,578,667
2018	3,514,961,857	5,821,986,175
2017	3,032,051,754	5,465,163,728

⁽¹⁾ Through second quarter. Through second quarter in 2020, taxable retail sales for the County and City, respectively, were \$2,044,801,172 and \$2,596,256,725.

Source: *Washington State Department of Revenue, January 18, 2022*

Building Permits. The number and valuation of new single-family and multi-family residential building permits in the County are listed below:

**Pierce County
Residential Building Permits**

Year	New Single Family Units		New Multi-Family Units		Total Value of Permits
	Number	Value of Permits	Number	Value of Permits	
2021 ⁽¹⁾	2,975	\$911,628,424	2,829	\$355,633,692	\$1,267,262,116
2020	2,664	799,057,310	2,258	312,418,142	1,111,475,452
2019	2,551	772,348,962	1,721	222,517,683	994,866,645
2018	2,491	751,349,602	2,958	380,356,118	1,131,705,720
2017	3,014	900,976,729	1,954	258,194,496	1,159,171,225
2016	2,469	749,179,490	1,396	158,455,279	907,634,769

⁽¹⁾ Average through November.

Source: *U.S. Bureau of the Census, January 18, 2022*

Employment. Major employers located within the County include the following:

**Pierce County
2020 Major Employers**

Employer	Type of Business	Number of Employees
Joint Base Lewis-McCord	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

Source: Economic Development Board for Tacoma-Pierce County

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Employment within the County is described in the following table.

Civilian Labor Force data is based on household surveys of residents. NAICS data are estimates based on surveys of employers and benchmarked based on covered employment as reported by all employers.

Pierce County					
Nonagricultural Wage & Salary Workers					
and Labor Force and Employment Data					
	Annual Average				
	2021⁽¹⁾	2020	2019	2018	2017
Civilian Labor Force	439,103	450,573	441,661	425,870	415,689
Total Employment	414,637	407,199	419,058	403,258	393,077
Total Unemployment	24,466	43,374	22,603	22,612	22,612
Unemployment Rate	5.6%	9.6%	5.1%	5.3%	5.4%
NAICS INDUSTRY	2021⁽¹⁾	2020	2019	2018	2017
Total Nonfarm	320,600	312,242	327,342	321,392	313,175
Total Private	264,218	255,567	267,825	262,317	254,550
Goods Producing	42,255	41,508	43,200	42,167	40,358
Mining and Logging	309	300	300	300	300
Construction	25,436	24,742	25,167	24,475	23,058
Specialty Trade Contractors	16,709	16,417	16,725	16,025	14,783
Manufacturing	16,509	16,467	17,733	17,392	17,000
Service Providing	278,345	270,733	284,142	279,225	272,817
Trade, Transportation, and Utilities	70,373	67,617	68,142	68,008	67,542
Wholesale Trade	12,655	12,583	13,375	13,158	12,642
Retail Trade	37,291	35,275	36,075	36,083	35,542
Food and Beverage Stores	6,791	6,408	5,975	5,942	5,775
General Merchandise Stores	9,282	8,842	8,842	8,808	8,642
Transportation and Utilities	20,427	19,758	18,692	18,767	19,358
Information	1,636	1,992	2,208	2,350	2,567
Financial Activities	14,145	14,442	14,708	14,733	14,733
Professional and Business Services	35,500	32,858	33,983	32,925	30,842
Admin., Support, Waste Mgmt., and Remed.	23,009	20,742	22,350	21,808	20,117
Administrative and Support Services	20,791	18,825	20,625	20,150	18,542
Education and Health Services	57,000	57,092	56,942	54,742	52,733
Ambulatory Health Care Services	18,227	18,042	18,075	17,142	16,292
Hospitals	13,300	13,275	13,125	12,300	11,892
Leisure and Hospitality	30,355	27,250	33,975	33,050	31,600
Food Services and Drinking Places	24,627	22,742	27,400	26,758	25,642
Other Services	12,955	12,808	14,667	14,342	14,175
Government	56,832	56,675	59,517	59,075	58,625
Federal Government	11,273	11,700	11,892	11,817	11,867
State Government	10,545	10,833	11,167	11,442	11,517
State Government Educational Services	2,973	3,167	3,608	3,717	3,833
Local Government	34,564	34,142	36,458	35,817	35,242
Local Government Educational Services	18,982	18,992	20,367	20,067	19,642
Workers in Labor/Management Disputes	0	0	0	0	0

⁽¹⁾ Average through November.

Source: Washington State Employment Security Department, January 18, 2022

APPENDIX E

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.]~~

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

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

APPENDIX F

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 Sewer Revenue Bonds, 2022 (the "Bonds") pursuant to Ordinance No. 28804 of the City Council, passed on February 22, 2022 (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 2022 for the fiscal year ended December 31, 2021):

- (1) Annual financial statements, which statements may or may not be audited, showing ending fund balances for the System 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);
- (2) Principal amount of outstanding Parity Bonds and debt service coverage;
- (3) Rates for the System substantially as provided in the rate ordinance approved by the City Council; and
- (4) Number of wastewater and stormwater customers.

Items (2)-(4) 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 above on or prior to the date set forth 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 shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. Any provision of this section 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 section.

Notwithstanding any other provision of this Certificate, the City may amend this Certificate, and any provision of the undertaking may be waived, in accordance with the 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 the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by parties unaffiliated with the City (such as bond counsel) or by the approving vote of holders of the Bonds.

In the event of any amendment or waiver of this undertaking, 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 bondowner 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 City Finance Director, or such individual's 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 7th day of April, 2022.

CITY OF TACOMA, WASHINGTON
